

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**Weld County, Colorado**

**FINANCIAL STATEMENTS**  
**December 31, 2016**



**RECEIVED**

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Dazzio & Associates, PC

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Certified Public Accountants

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Erie Highlands Metropolitan District No. 1  
Weld County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Erie Highlands Metropolitan District No. 1 as of and for the year December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Erie Highlands Metropolitan District No. 1, as of December 31, 2016, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Erie Highlands Metropolitan District No. 1's basic financial statements. The Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual for the Debt Service and Capital Projects Funds (the Supplementary Information) and the Schedule of Debt Service Requirements to Maturity and the Schedule of Assessed Valuation, Mill Levy and Property Taxes Collected (the Other Information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Other Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Duggio & Associates, P.C.*

June 21, 2017

## **BASIC FINANCIAL STATEMENTS**

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
**December 31, 2016**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and investments	\$ 28,416
Cash and investments - Restricted	1,766,855
Receivable from County Treasurer	664
Property taxes receivable	173,688
Prepaid expense	2,488
Capital assets not being depreciated	878,623
Capital assets, net	<u>232,987</u>
Total assets	<u><u>3,083,721</u></u>
<b>LIABILITIES</b>	
Accounts payable	492,236
Retainage payable	62,790
Accrued interest payable	37,088
Noncurrent liabilities	
Due in more than one year	<u>11,652,836</u>
Total liabilities	<u><u>12,244,950</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax revenue	<u>173,688</u>
Total deferred inflows of resources	<u><u>173,688</u></u>
<b>NET POSITION</b>	
Net investment in capital assets	215,831
Restricted for:	
Emergency reserves	1,800
Debt service	77,836
Unrestricted	<u>(9,630,384)</u>
Total net position	<u><u>\$ (9,334,917)</u></u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in</u> <u>Net Position</u>
		<u>Charges</u> <u>for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Government activities:					
General government	\$ 130,250	\$ 15,250	\$ 75,000	\$ 201,000	\$ 161,000
Interest and related costs on long-term debt	612,846	-	-	-	(612,846)
Public Works - transfer of public improvements to other governments	8,264,157	-	-	-	(8,264,157)
	<u>\$ 9,007,253</u>	<u>\$ 15,250</u>	<u>\$ 75,000</u>	<u>\$ 201,000</u>	<u>(8,716,003)</u>
General revenues:					
Property taxes					141,487
Specific ownership taxes					8,911
Net investment income					7,836
Total general revenues					<u>158,234</u>
Change in net position					(8,557,769)
Net position - Beginning					<u>(777,148)</u>
Net position - Ending					<u>\$ (9,334,917)</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2016**

	<b>General</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and investments	\$ 28,416	\$ -	\$ -	\$ 28,416
Cash and investments - Restricted	1,800	1,466,264	298,791	1,766,855
Receivable from County Treasurer	190	474	-	664
Prepaid expense	2,488	-	-	2,488
Property taxes receivable	49,625	124,063	-	173,688
Total assets	\$ 82,519	\$ 1,590,801	\$ 298,791	\$ 1,972,111
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 10,211	\$ -	\$ 482,025	\$ 492,236
Retainage payable	-	-	62,790	62,790
Total liabilities	10,211	-	544,815	555,026
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property tax revenue	49,625	124,063	-	173,688
Total deferred inflows of resources	49,625	124,063	-	173,688
<b>FUND BALANCES</b>				
Nonspendable	2,488	-	-	2,488
Restricted for:				
Emergency reserves	1,800	-	-	1,800
Debt service	-	1,466,738	-	1,466,738
Assigned	395	-	-	395
Unassigned	18,000	-	(246,024)	(228,024)
Total fund balances	22,683	1,466,738	(246,024)	1,243,397
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 82,519</b>	<b>\$ 1,590,801</b>	<b>\$ 298,791</b>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets are reported as assets on the Statement of Net Position but are recorded as expenditures in the funds.		1,111,610
Capital assets, net		1,111,610
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable		(9,156,000)
Accrued interest on 2015B Subordinate Bonds		(116,525)
Bond interest payable		(37,088)
Developer advances payable		(2,319,412)
Accrued interest on Developer advances		(60,899)
		<b>\$ (9,334,917)</b>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2016**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property taxes	\$ 40,424	\$ 101,063	\$ -	\$ 141,487
Specific ownership taxes	2,548	6,363	-	8,911
Design Review fee	15,250	-	-	15,250
Transfer from District No. 4	75,000	-	-	75,000
Facility fees	-	201,000	-	201,000
Net investment income	893	6,943	-	7,836
Total revenues	<u>134,115</u>	<u>315,369</u>	<u>-</u>	<u>449,484</u>
<b>EXPENDITURES</b>				
Accounting	41,658	-	-	41,658
Audit	4,700	-	-	4,700
County Treasurer's fees	607	1,516	-	2,123
Election	1,425	-	-	1,425
District management	30,327	-	-	30,327
Insurance and bonds	2,738	-	-	2,738
Dues & subscriptions	436	-	-	436
Landscaping	940	-	-	940
Legal	16,145	-	859	17,004
Miscellaneous	510	-	-	510
Management Specialist	12,696	-	-	12,696
Paying agent fees	-	-	-	-
Bond interest	-	433,924	-	433,924
Capital outlay	-	-	695,165	695,165
Total expenditures	<u>112,182</u>	<u>435,440</u>	<u>696,024</u>	<u>1,243,646</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>21,933</u>	<u>(120,071)</u>	<u>(696,024)</u>	<u>(794,162)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer advance	-	-	450,000	450,000
Transfers in	-	6,486	-	6,486
Transfers (out)	-	-	(6,486)	(6,486)
Total other financing sources (uses)	<u>-</u>	<u>6,486</u>	<u>443,514</u>	<u>450,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	21,933	(113,585)	(252,510)	(344,162)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>750</u>	<u>1,580,323</u>	<u>6,486</u>	<u>1,587,559</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 22,683</u>	<u>\$ 1,466,738</u>	<u>\$ (246,024)</u>	<u>\$ 1,243,397</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2016**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - Total governmental funds \$ (344,162)

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of any cost of any depreciable asset over the estimated useful life of the asset.

Capital outlay	695,165
Depreciation	(15,693)
Public Works - transfer of public improvements to other government	(8,264,157)

Long-term debt (e.g., bonds, Developer advances) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Developer advances	(450,000)
Accrued interest on 2015B Subordinate Bonds	(110,123)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest on Developer advances	(57,672)
Accrued interest on bonds - Change in liability	(11,127)

Change in net position of governmental activities \$ (8,557,769)

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**Year Ended December 31, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 40,425	\$ 40,424	\$ 40,424	\$ -
Specific ownership taxes	3,640	2,326	2,548	222
Net investment income	-	700	893	193
Design Review Fee	-	13,500	15,250	1,750
Other income	200	-	-	-
Transfer from District No. 4	28,000	60,000	75,000	15,000
Total revenues	<u>72,265</u>	<u>116,950</u>	<u>134,115</u>	<u>17,165</u>
<b>EXPENDITURES</b>				
Accounting	25,000	42,000	41,658	342
Audit	5,000	4,700	4,700	-
County Treasurer's fees	606	610	607	3
Election	1,500	1,500	1,425	75
District management	9,000	32,000	30,327	1,673
Insurance and bonds	2,400	3,000	2,738	262
Dues & subscriptions	500	500	436	64
Landscaping	14,000	5,000	940	4,060
Legal	6,500	17,000	16,145	855
Miscellaneous	-	-	510	(510)
Management Specialist	4,000	4,000	12,696	(8,696)
Contingency	3,494	4,690	-	4,690
Total expenditures	<u>72,000</u>	<u>115,000</u>	<u>112,182</u>	<u>2,818</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>265</u>	<u>1,950</u>	<u>21,933</u>	<u>19,983</u>
<b>NET CHANGE IN FUND BALANCES</b>	265	1,950	21,933	19,983
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>3,500</u>	<u>750</u>	<u>750</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 3,765</u>	<u>\$ 2,700</u>	<u>\$ 22,683</u>	<u>\$ 19,983</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

Erie Highlands Metropolitan District No. 1 (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by court order and decree and recorded with the Weld County Clerk and Recorder on December 2, 2013, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located entirely within the Town of Erie (Town), in Weld County (County), Colorado. The District was established to provide for the planning, design, acquisition, construction, installation, relocation and/or redevelopment and financing of water, sanitation, solid waste disposal, streets, safety, parks and recreation, transportation, fire protection, mosquito control, television relay and translation and services within and without its boundaries.

The District was organized in conjunction with Erie Highlands Metropolitan District Nos. 2, 3, 4, and 5 (together with the District, and District Nos. 2, 3, 4, and 5, the Districts) and operates under a Consolidated Service Plan approved by the Town of September 24, 2013. The Service Plan permits the Districts to enter into intergovernmental agreements between and among the Districts in order to establish the nature of the functions and services to be provided by each of the Districts. The District has not entered into any such intergovernmental agreements, although since the Districts' formation in 2013, the District and District No. 4 have had an informal arrangement whereby District No. 4 has provided certain administrative, operation and maintenance services for the District, and the District has paid the proceeds of its general fund mill levy to District No. 4 to fund the same. The District began managing its own administrative, operation and maintenance functions in 2016.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity, including the other Erie Highlands Metropolitan Districts.

The District has no employees and contracts for all of its management and professional services.

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The more significant accounting policies of the District are described as follows:

**Government-wide and Fund Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes, specific ownership taxes, and facility fees. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

**Budgets**

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The District has amended its annual budget for the year ended December 31, 2016.

**Pooled Cash and Investments**

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in total cash.

Investments are carried at fair value.

**Property Taxes**

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August, and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of investment in capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation expense has been computed using the straight-line method over the estimated economic useful lives of 10 to 20 years.

**Facility Fees**

Facility fees consist of the fees imposed by the District pursuant to a resolution adopted by the District in an amount equal to \$1,500 per single-family residential unit. The Facility Fees are payable on the date of issuance of a building permit for the related residential unit.

**Deferred Inflows of Resources**

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, deferred property tax revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Equity**

***Net Position***

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

***Fund Balance***

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's practice to use the most restrictive classification first.

**Deficits**

The Capital Projects Fund reported a deficit in the fund financial statements as of December 31, 2016. The deficit will be eliminated with the receipt of funds advanced by the Developer in 2017.

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Reclassifications**

For comparability, certain 2015 amounts related to accrued interest on the 2015B Subordinate Bonds have been reclassified in Note 5 to conform with the 2016 financial statement presentation.

**NOTE 3 - CASH AND INVESTMENTS**

Cash and investments as of December 31, 2016, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 28,416
Cash and investments - Restricted	<u>1,766,855</u>
Total cash and investments	<u><u>\$ 1,795,271</u></u>

Cash and investments as of December 31, 2016, consist of the following:

Deposits with financial institutions	\$ 16,921
Investments	<u>1,778,350</u>
Total cash and investments	<u><u>\$ 1,795,271</u></u>

**Deposits with Financial Institutions**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2016, the District's cash deposits had a bank balance of \$181,267 and a carrying balance of \$16,921.

**Investments**

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

The District generally limits its concentration of investments to those noted with an asterisk (\*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- \* Local government investment pools

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized cost.

As of December 31, 2016, the District had the following investments:

<b>Investment</b>	<b>Maturity</b>	<b>Fair Value</b>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	<u>\$ 1,778,350</u>

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

**CSAFE**

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's.

**NOTE 4 - CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2016, follows:

	<b>Balance at December 31, 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at December 31, 2016</b>
<b>Governmental Type Activities:</b>				
Capital assets not being depreciated:				
Construction in progress	\$ 8,696,295	\$ 695,165	\$8,696,295	\$ 695,165
Landscape improvements	-	183,458	-	183,458
Total capital assets, not being depreciated	<u>8,696,295</u>	<u>878,623</u>	<u>8,696,295</u>	<u>878,623</u>
Capital assets, being depreciated:				
Entryways	-	11,608	-	11,608
Parks and recreation	-	237,072	-	237,072
Total capital assets, being depreciated	<u>-</u>	<u>248,680</u>	<u>-</u>	<u>248,680</u>
Less accumulated depreciation for:				
Entryways	-	580	-	580
Parks and recreation	-	15,113	-	15,113
Total accumulated depreciation	<u>-</u>	<u>15,693</u>	<u>-</u>	<u>15,693</u>
Total capital assets, being depreciated, net	<u>-</u>	<u>232,987</u>	<u>-</u>	<u>232,987</u>
Total capital assets	<u><u>\$ 8,696,295</u></u>	<u><u>\$1,111,610</u></u>	<u><u>\$8,696,295</u></u>	<u><u>\$ 1,111,610</u></u>

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 5 - LONG-TERM OBLIGATIONS**

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2016:

	Balance at December 31, 2015	Additions	Reductions	Compounding of Unpaid Interest	Balance at December 31, 2016	Due Within One Year
General Obligation Limited Tax Bonds Series 2015A	\$ 7,740,000	\$ -	\$ -	\$ -	\$ 7,740,000	\$ -
Subordinate General Obligation Limited Tax Bonds Series 2015B						
Principal	1,416,000	-	-	-	1,416,000	-
Interest	6,402	109,740	-	383	116,525	-
Developer advances - capital						
Principal	1,869,412	450,000	-	-	2,319,412	-
Interest	3,227	57,672	-	-	60,899	-
	<u>\$ 11,035,041</u>	<u>\$ 617,412</u>	<u>\$ -</u>	<u>\$ 383</u>	<u>\$ 11,652,836</u>	<u>\$ -</u>

The details of the District's long-term obligations are as follows:

**General Obligation Bonds**

**\$7,740,000 General Obligation Limited Tax Bonds, Series 2015A, dated December 10, 2015**, (the Senior Bonds and, together with the Subordinate bonds, defined below, the Bonds) with interest of 5.75%, payable semi-annually on June 1 and December 1, beginning on June 1, 2016. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2020. The Bonds mature on December 1, 2045, and are subject to redemption prior to maturity, at the option of the District, on December 1, 2020, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium of a percentage of the principal amount so redeemed, as follows:

Date of Redemption	Redemption Premium
December 1, 2020, to November 30, 2021	3.00%
December 1, 2021, to November 30, 2022	2.00%
December 1, 2022, to November 30, 2023	1.00%
December 1, 2023, and thereafter	0.00%

The proceeds from the sale of the Senior Bonds were used for the purposes of: (i) paying or reimbursing the costs of capital infrastructure improvements; (ii) providing capitalized interest for the Senior Bonds; (iii) funding a Reserve Fund securing the Senior Bonds; and, (iv) paying costs of issuance of the Bonds.

The Senior Bonds are secured by and payable solely from Senior Pledged Revenue, which includes property taxes derived from the Senior Required Mill Levy, net of the cost of collection, Specific Ownership Taxes attributable to the Senior Required Mill Levy, Facilities Fees, and any other legally available moneys which the District determines to transfer to the Trustee for application as Senior Pledged Revenue.

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)**

The Senior Indenture requires that a Senior Required Mill Levy be imposed in an amount sufficient to pay the principal of and interest on the Senior Bonds, but not in excess of 50 mills (subject to adjustment for changes occurring after the date of issuance of the Bonds in the method of calculating assessed valuation) and, for so long as the Surplus Fund is less than the Maximum Surplus Amount, not less than 50 mills (subject to adjustment) or such lesser mill levy which, when combined with other Senior Pledged Revenue legally available in the Senior Bond Fund, will permit the District to fully fund the Senior Bond Fund for the next Senior Bond Year and pay the Senior Bonds as they come due, to fund the Senior Reserve Fund up to the Required Reserve, and to fund the Surplus Fund up to the maximum amount.

The Senior Bonds are also secured by amounts held in the Senior Reserve Fund, which is to be funded upon issuance of the Senior Bonds in the amount of the Required Reserve equal to \$658,500, and amounts accumulated in the Surplus Fund, if any.

Senior Pledged Revenue that is not needed to pay debt service on the Senior Bonds in any year will be deposited to and held in the Surplus Fund, up to the Maximum Surplus Amount of \$774,000. The Surplus Fund shall be maintained as long as the Senior Bonds remain outstanding. When no Senior Bonds are outstanding, any monies in the Surplus Fund shall be remitted to the District for application to any lawful purpose.

**\$1,416,000 Subordinate General Obligation Limited Tax Bonds, Series 2015B, dated December 10, 2015**, (the Subordinate Bonds) with interest of 7.75%, payable annually from Subordinate Pledged Revenue on December 15, beginning on December 15, 2016. The Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal prior to the final maturity date. Unpaid interest on the Subordinate Bonds compounds annually on each December 15. The Subordinate Bonds are also subject to redemption prior to maturity, at the option of the District, on December 15, 2020, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium of a percentage of the principal amount so redeemed, as follows:

<b>Date of Redemption</b>	<b>Redemption Premium</b>
December 15, 2020, to December 14, 2021	3.00%
December 15, 2021, to December 14, 2022	2.00%
December 15, 2022, to December 14, 2023	1.00%
December 15, 2023, and thereafter	0.00%

The proceeds from the sale of the Subordinate Bonds were used to pay or reimburse the costs of capital infrastructure improvements.

The Subordinate Bonds are secured by and payable solely from Subordinate Pledged Revenue, which includes property taxes derived from the Subordinate Required Mill Levy net of the cost of collection and allowance for uncollectible accounts, Specific Ownership Taxes attributable to the Subordinate Required Mill Levy, Facilities Fees remaining after deduction of any amounts applied to the payment of the Senior Bonds, and any other legally available monies which the District determines to transfer to the Trustee for application as Subordinate Pledged Revenue.

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)**

The Subordinate Indenture requires that a Subordinate Required Mill Levy be imposed in an amount equal to 50 mills (subject to adjustment) less the amount of the Senior Bond Mill Levy. As a result, the Subordinate Required Mill Levy will be zero until such time as the Senior Required Mill Levy is less than 50 mills.

The District's long-term obligations on the Senior Bonds will mature as follows:

	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ -	\$ 445,050	\$ 445,050
2018	-	445,050	445,050
2019	-	445,050	445,050
2020	75,000	445,050	520,050
2021	80,000	440,738	520,738
2022 - 2026	570,000	2,121,464	2,691,464
2027 - 2031	900,000	1,922,227	2,822,227
2032 - 2036	1,360,000	1,613,451	2,973,451
2037 - 2041	1,955,000	1,158,052	3,113,052
2042 - 2045	2,800,000	469,193	3,269,193
	<u>\$ 7,740,000</u>	<u>\$ 9,505,325</u>	<u>\$ 17,245,325</u>

The amounts of principal and interest payments to be made in future years on the Subordinate Bonds will depend on pledged revenue collected and cannot be predicted with certainty.

**Authorized Debt**

On November 5, 2013, District voters approved debt authorization in the amount of \$540,000,000 for the construction of capital improvements. The voters also authorized debt of \$60,000,000 for the cost of operating and maintaining the District's systems, \$60,000,000 for management agreements, and \$60,000,000 for mortgages.

Pursuant to the Consolidated Service Plan, each District shall not issue debt in an aggregate amount in excess of \$60,000,000. Additionally, the maximum debt mill levy is 50 mills as adjusted, which shall not be imposed for longer than 40 years after the year of the initial imposition of such debt mill levy.

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)**

The District had authorized but unissued debt at December 31, 2016, for the following detailed purposes:

	<b>Authorized November 5, 2013 Election</b>	<b>Series 2015A Authorization Used</b>	<b>Series 2015B Authorization Used</b>	<b>Remaining at December 31, 2015</b>
Streets	\$ 60,000,000	\$ 3,640,658	\$ 666,043	\$ 55,693,299
Water	60,000,000	881,138	161,200	58,957,662
Sanitary Sewer and Storm Sewer	60,000,000	1,599,157	292,559	58,108,284
Parks and Recreation	60,000,000	1,619,047	296,198	58,084,755
Traffic & Safety	60,000,000	-	-	60,000,000
Mosquito Control	60,000,000	-	-	60,000,000
Public Transportation	60,000,000	-	-	60,000,000
Television Relay and Translation	60,000,000	-	-	60,000,000
Operations and Maintenance	60,000,000	-	-	60,000,000
Debt Refunding	60,000,000	-	-	60,000,000
Mortgages	60,000,000	-	-	60,000,000
Management Services related to District Facilities	60,000,000	-	-	60,000,000
	<u>\$ 720,000,000</u>	<u>\$ 7,740,000</u>	<u>\$ 1,416,000</u>	<u>\$ 710,844,000</u>

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$710,844,000.

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area.

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 6 - NET POSITION**

The District has net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2016, the District had net investment in capital assets calculated as follows:

	<b>Governmental Activites</b>
Net Investment in Capital Assets	
Capital assets, net	\$ 1,111,610
Noncurrent portion of outstanding long-term obligations	(895,779)
	<b>\$ 215,831</b>

Restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2016 as follows:

	<b>Governmental Activites</b>
Restricted net position:	
Emergency reserves	\$ 1,800
Debt service	77,836
	<b>\$ 79,636</b>

The District has a deficit in unrestricted net position. The deficit is a result of the District being responsible for the repayment of bonds issued for public improvements which were conveyed to other governmental entities and which costs were removed from the District's financial records.

**NOTE 7 - RELATED PARTY**

All of the members of the Board of Directors during 2016 were employees of, or consultants to, Oakwood Homes LLC, the major landowner, developer and home builder of the property within the District.

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 8 - DISTRICT AGREEMENTS**

**Advance and Reimbursement Agreement**

The District entered into an Advance and Reimbursement Agreement (the Agreement) with Oakwood Homes LLC, (the Developer) on December 2, 2015. Pursuant to the Agreement, the Developer will provide advances to the District for operations and maintenance.

The District will reimburse the Developer for the advances, together with interest at the rate of 8% per annum. The District will make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements and debt service costs and expenses of the District. Payments by the District are applied first to interest on, then to principal of the advances.

This agreement shall be in effect until the end of the next fiscal year after the date of execution and shall automatically renew, each fiscal year until terminated.

**Advance and Reimbursement and Facilities Acquisition Agreement**

The District and the Developer entered into an Advance and Reimbursement and Facilities Acquisition Agreement dated as of October 30, 2015, pursuant to which the Developer agreed to advance funds to the District to be used for capital construction of certain Public Improvements (the "Advances"). In return, the District agreed to reimburse the Developer for the Advances, together with an interest rate of 3% per annum accruing from the date that the Advances were made, subject to annual appropriation and available funds of the District, and acquire any Public Improvements constructed by the Developer.

During 2015, the District accepted costs of Public Improvements from the Developer in the amount of \$8,696,295. The District paid \$6,826,883 in principal and \$274,508 in interest to the Developer from proceeds of the issuance of the 2015 Senior Bonds and Subordinate Bonds. Principal and interest in the amount of \$2,319,412 and \$60,899, respectively, remain outstanding as of December 31, 2016.

**NOTE 9 - INTERFUND AND OPERATING TRANSFERS**

The transfer of \$6,486 from the Capital Projects Fund to the Debt Service Fund was related to funds remaining in the 2015 Senior Bonds cost of issuance account.

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 10 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

**NOTE 11 - TAX, SPENDING AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, referred to as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

On November 5, 2013, the District voters passed an election question to increase property taxes \$2,000,000 annually, with a maximum mill levy of 20 mills (subject to adjustment for changes occurring in the method of calculating assessed valuation), to pay the District's operations, maintenance and other expenses. Additionally, the District's electors authorized the District to collect, retain and spend all revenue annually, other than ad valorem taxes, without regard to limitations under TABOR.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation.

This information is an integral part of the accompanying financial statements.

## **SUPPLEMENTARY INFORMATION**

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**Year Ended December 31, 2016**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
<b>REVENUES</b>			
Property taxes	\$ 101,062	\$ 101,063	\$ 1
Specific ownership taxes	9,096	6,363	(2,733)
Facility fees	115,500	201,000	85,500
Net investment income	2,000	6,943	4,943
Total revenues	<u>227,658</u>	<u>315,369</u>	<u>87,711</u>
<b>EXPENDITURES</b>			
Paying agent fees	2,500	-	2,500
County Treasurer's fees	1,516	1,516	-
Interest expense - bonds	433,924	433,924	-
Contingency	2,796	-	2,796
Total expenditures	<u>440,736</u>	<u>435,440</u>	<u>5,296</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(213,078)</u>	<u>(120,071)</u>	<u>93,007</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	-	6,486	6,486
Total other financing sources (uses)	<u>-</u>	<u>6,486</u>	<u>6,486</u>
<b>NET CHANGE IN FUND BALANCES</b>	(213,078)	(113,585)	99,493
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>1,580,292</u>	<u>1,580,323</u>	<u>31</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 1,367,214</u>	<u>\$ 1,466,738</u>	<u>\$ 99,524</u>

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**Year Ended December 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
<b>EXPENDITURES</b>				
Legal	\$ -	\$ -	\$ 859	\$ (859)
Capital outlay	-	4,000,000	695,165	3,304,835
Total expenditures	<u>-</u>	<u>4,000,000</u>	<u>696,024</u>	<u>3,303,976</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>(4,000,000)</u>	<u>(696,024)</u>	<u>3,303,976</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer advance	-	4,000,000	450,000	(3,550,000)
Transfers to other fund	-	(6,486)	(6,486)	-
Total other financing sources (uses)	<u>-</u>	<u>3,993,514</u>	<u>443,514</u>	<u>(3,550,000)</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	(6,486)	(252,510)	(246,024)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>-</u>	<u>6,486</u>	<u>6,486</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (246,024)</u>	<u>\$ (246,024)</u>

## **OTHER INFORMATION**

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**December 31, 2016**

<b>Bonds and Interest Maturing in the Year Ending December 31,</b>	<b>\$7,740,000</b>		
	<b>General Obligation Limited Tax Bonds</b>		
	<b>Dated December 10, 2015</b>		
	<b>Series 2015A</b>		
	<b>Interest Rate of 5.75%</b>		
	<b>Payable June 1 and December 1</b>		
	<b>Principal Due December 1</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ -	\$ 445,050	\$ 445,050
2018	-	445,050	445,050
2019	-	445,050	445,050
2020	75,000	445,050	520,050
2021	80,000	440,738	520,738
2022	95,000	436,138	531,138
2023	100,000	430,675	530,675
2024	115,000	424,925	539,925
2025	120,000	418,313	538,313
2026	140,000	411,413	551,413
2027	150,000	403,363	553,363
2028	165,000	394,738	559,738
2029	175,000	385,250	560,250
2030	200,000	375,188	575,188
2031	210,000	363,688	573,688
2032	235,000	351,613	586,613
2033	245,000	338,100	583,100
2034	275,000	324,013	599,013
2035	290,000	308,200	598,200
2036	315,000	291,525	606,525
2037	335,000	273,413	608,413
2038	365,000	254,150	619,150
2039	390,000	233,163	623,163
2040	420,000	210,738	630,738
2041	445,000	186,588	631,588
2042	485,000	161,000	646,000
2043	515,000	133,113	648,113
2044	555,000	103,500	658,500
2045	1,245,000	71,580	1,316,580
	<b>\$ 7,740,000</b>	<b>\$ 9,505,325</b>	<b>\$ 17,245,325</b>

Note: The amounts of principal and interest payments to be made on the Subordinate Bonds will depend on pledged revenue collected and cannot be predicted with certainty and are not included in the above.

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1  
SCHEDULE OF ASSESSED VALUATION,  
MILL LEVY AND PROPERTY TAXES COLLECTED  
December 31, 2016**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>		<u>Total Property Taxes</u>		<u>Percentage Collected to Levied</u>
		<u>General</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2015	\$ 1,811,770	20.000	50.000	\$ 126,824	\$ 126,824	100.00%
2016	\$ 2,021,240	20.000	50.000	\$ 141,487	\$ 141,487	100.00%
Estimated for the year ending December 31, 2017	\$ 2,481,250	20.000	50.000	\$ 173,688		

**NOTE:**

Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the County Treasurer does not permit identification of specific year of assessment.