

**SOUTHEAST PUBLIC IMPROVEMENT METROPOLITAN DISTRICT**  
**Arapahoe, Denver and Douglas Counties, Colorado**

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



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Certified Public Accountants and Business Consultants

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Southeast Public Improvement Metropolitan District  
Arapahoe, Denver and Douglas Counties, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Southeast Public Improvement Metropolitan District (the District), as of and for the year ended 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.

### **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 Southeast Public Improvement Metropolitan District, as of December 31, 2016, and the respective changes in financial position thereof, 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.

I

Barnes Griggs & Associates, PC

## **Other Matters**

### *Required Supplementary Information*

Management has omitted 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 District's basic financial statements. The supplementary information as listed in the table of contents is presented for purposed of legal compliance and additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Larner Higgs & Associates, PC*

Lakewood, Colorado  
July 28, 2017

## **BASIC FINANCIAL STATEMENTS**

**SOUTHEAST PUBLIC IMPROVEMENT METROPOLITAN DISTRICT**  
**STATEMENT OF NET POSITION**  
**December 31, 2016**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and investments	\$ 1,136,609
Cash and investments - Restricted	7,323,224
Prepaid expenses	243
Receivable - County Treasurer	28,305
Property taxes receivable	<u>4,370,686</u>
Total assets	<u>12,859,067</u>
<b>LIABILITIES</b>	
Accounts payable	1,461,894
Due to County	9,108
Accrued interest payable	3,678
Noncurrent liabilities	
Due within one year	150,000
Due in more than one year	<u>2,835,000</u>
Total liabilities	<u>4,459,680</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred property tax revenue	<u>4,370,686</u>
Total deferred inflows of resources	<u>4,370,686</u>
<b>NET POSITION</b>	
Restricted for:	
Emergency reserves	140,000
Debt service	321,249
Unrestricted	<u>3,567,452</u>
Total net position	<u><u>\$ 4,028,701</u></u>

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

**SOUTHEAST PUBLIC IMPROVEMENT METROPOLITAN DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
					<u>Governmental Activities</u>
Government activities:					
General government	\$ 2,245,761	\$ -	\$ -	\$ -	\$ (2,245,761)
Contributions to other governments	5,988,162	-	-	-	(5,988,162)
Interest on long-term debt and related costs	60,869	-	-	-	(60,869)
	<u>\$ 8,294,792</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(8,294,792)</u>
General revenues:					
Property taxes					4,278,812
Specific ownership taxes					349,985
Net investment income					64,667
Total general revenues					<u>4,693,464</u>
Change in net position					(3,601,328)
Net position - Beginning					<u>7,630,029</u>
Net position - Ending					<u>\$ 4,028,701</u>

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

**SOUTHEAST PUBLIC IMPROVEMENT METROPOLITAN DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2016**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 1,136,609	\$ -	\$ -	\$ 1,136,609
Cash and investments - Restricted	140,000	321,749	6,861,475	7,323,224
Prepaid expenses	243	-	-	243
Receivable - County Treasurer	28,305	-	-	28,305
Property taxes receivable	4,370,686	-	-	4,370,686
<b>TOTAL ASSETS</b>	<b>\$ 5,675,843</b>	<b>\$ 321,749</b>	<b>\$ 6,861,475</b>	<b>\$ 12,859,067</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 6,177	\$ 500	\$ 1,455,217	\$ 1,461,894
Due to County	9,108	-	-	9,108
Total liabilities	15,285	500	1,455,217	1,471,002
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred property tax revenue	4,370,686	-	-	4,370,686
Total deferred inflows of resources	4,370,686	-	-	4,370,686
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid expense	243	-	-	243
Restricted for:				
Emergency reserves	140,000	-	-	140,000
Debt service	-	321,249	-	321,249
Committed to:				
Capital projects	-	-	5,406,258	5,406,258
Unassigned	1,149,629	-	-	1,149,629
Total fund balances	1,289,872	321,249	5,406,258	7,017,379
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 5,675,843</b>	<b>\$ 321,749</b>	<b>\$ 6,861,475</b>	

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

Long-term liabilities, including loan payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Loan payable	(2,985,000)
Accrued interest payable	(3,678)
Net position of governmental activities	<b>\$ 4,028,701</b>

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

**SOUTHEAST PUBLIC IMPROVEMENT METROPOLITAN DISTRICT**  
**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	\$ 4,278,812	\$ -	\$ -	\$ 4,278,812
Specific ownership taxes	349,985	-	-	349,985
Net investment income	11,135	1,235	52,297	64,667
Total revenues	<u>4,639,932</u>	<u>1,235</u>	<u>52,297</u>	<u>4,693,464</u>
<b>EXPENDITURES</b>				
Current				
Accounting	25,805	-	-	25,805
Audit	4,300	-	-	4,300
County Treasurer's fees	61,315	-	-	61,315
Directors' fees	2,691	-	-	2,691
District management	15,245	-	-	15,245
Dues and subscriptions	1,238	-	-	1,238
Election expense	1,499	-	-	1,499
Insurance and bonds	3,488	-	-	3,488
Legal	14,834	-	-	14,834
Miscellaneous	846	-	-	846
DSEDP membership fee	1,680,000	-	-	1,680,000
Service plan review fee	2,500	-	-	2,500
Steering Committee - General	150,000	-	-	150,000
Steering Committee - Landscape	187,000	-	-	187,000
Steering Committee - TDM Marketing	95,000	-	-	95,000
Debt service				
Loan principal	-	145,000	-	145,000
Interest expense - Loan	-	50,696	-	50,696
Cost of issuance	-	10,000	-	10,000
Paying agent fees	-	500	-	500
Capital outlay				
Arapahoe & I-25 E Intersection	-	-	1,477,679	1,477,679
Dry Creek Light Rail Platform	-	-	541,564	541,564
I-25 & Dry Creek Interchange Study	-	-	115,283	115,283
I-25 Lane Balancing	-	-	1,500,000	1,500,000
SE Light Rail Extension	-	-	2,000,000	2,000,000
Yosemite St Sidewalk Infill	-	-	174,025	174,025
Lone Tree Link	-	-	60,350	60,350
Centennial Lyft Pilot Project	-	-	19,261	19,261
Inverness Sidewalk	-	-	100,000	100,000
Total expenditures	<u>2,245,761</u>	<u>206,196</u>	<u>5,988,162</u>	<u>8,440,119</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	<u>2,394,171</u>	<u>(204,961)</u>	<u>(5,935,865)</u>	<u>(3,746,655)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	<u>(2,303,000)</u>	<u>276,000</u>	<u>2,027,000</u>	<u>-</u>
Total other financing sources (uses)	<u>(2,303,000)</u>	<u>276,000</u>	<u>2,027,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>				
	91,171	71,039	(3,908,865)	(3,746,655)
<b>FUND BALANCES - BEGINNING OF YEAR</b>				
	1,198,701	250,210	9,315,123	10,764,034
<b>FUND BALANCES - END OF YEAR</b>				
	<u>\$ 1,289,872</u>	<u>\$ 321,249</u>	<u>\$ 5,406,258</u>	<u>\$ 7,017,379</u>

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

**SOUTHEAST PUBLIC IMPROVEMENT METROPOLITAN DISTRICT  
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 change in fund balances - Total governmental funds	\$ (3,746,655)
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 debt - change in liability	327
2015 loan principal	145,000
Changes in net position of governmental activities	\$ (3,601,328)

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

**SOUTHEAST PUBLIC IMPROVEMENT METROPOLITAN DISTRICT  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended December 31, 2016**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Property taxes	\$ 4,340,335	\$ 4,278,812	\$ (61,523)
Specific ownership taxes	348,764	349,985	1,221
Net investment income	2,000	11,135	9,135
Total revenues	<u>4,691,099</u>	<u>4,639,932</u>	<u>(51,167)</u>
<b>EXPENDITURES</b>			
Accounting	26,000	25,805	195
Audit	4,500	4,300	200
County Treasurer's fees	65,105	61,315	3,790
Directors' fees	2,800	2,691	109
District management	26,000	15,245	10,755
Dues and subscriptions	1,300	1,238	62
Engineering	6,000	-	6,000
Insurance and bonds	2,600	3,488	(888)
Legal	50,000	14,834	35,166
Election expense	-	1,499	(1,499)
Miscellaneous	4,907	846	4,061
DSEDP membership fee	1,680,000	1,680,000	-
Service plan review fee	2,500	2,500	-
Steering Committee - General	150,000	150,000	-
Steering Committee - Landscape	187,000	187,000	-
Steering Committee - TDM Marketing	95,000	95,000	-
Total expenditures	<u>2,303,712</u>	<u>2,245,761</u>	<u>57,951</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>2,387,387</u>	<u>2,394,171</u>	<u>6,784</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	<u>(2,303,000)</u>	<u>(2,303,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(2,303,000)</u>	<u>(2,303,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	84,387	91,171	6,784
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>962,692</u>	<u>1,198,701</u>	<u>236,009</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 1,047,079</u>	<u>\$ 1,289,872</u>	<u>\$ 242,793</u>

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

**SOUTHEAST PUBLIC IMPROVEMENT METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

Southeast Public Improvement Metropolitan District (the District), a quasi-municipal corporation was organized on May 6, 2004, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Arapahoe, Denver and Douglas Counties, Colorado. The District was established for the purpose of constructing, acquiring, operating and maintaining various transportation related facilities and services in the Southeast I-25 corridor of the Denver Metro area. The District was organized to be the successor to the Joint Southeast Public Improvement Association (JSPIA) which legally dissolved December 31, 2004.

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 has no employees and all operations and administrative functions are contracted.

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

**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.

**SOUTHEAST PUBLIC IMPROVEMENT METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

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

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 and specific ownership taxes. 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.

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 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.

**SOUTHEAST PUBLIC IMPROVEMENT METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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

**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 the total cash.

Investments are carried at fair value.

**Property Taxes**

Property taxes are levied by the District 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 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.

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

**Deferred Inflow/Outflow 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 District has only one item that qualifies for reporting in this category. Accordingly, the item, *property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amounts become available.

**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.

**SOUTHEAST PUBLIC IMPROVEMENT METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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

***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.

**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	\$ 1,136,609
Cash and investments - Restricted	<u>7,323,224</u>
Total cash and investments	<u>\$ 8,459,833</u>

**SOUTHEAST PUBLIC IMPROVEMENT METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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

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

Deposits with financial institutions	\$ 276,190
Investments	<u>8,183,643</u>
Total cash and investments	<u>\$ 8,459,833</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 \$485,569 and a carrying balance of \$276,190.

**Investments**

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

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

**SOUTHEAST PUBLIC IMPROVEMENT METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

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

- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- \* Local government investment pools

**Fair Value Measurement and Application**

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.

The District had invested in COLOTRUST, an external investment pool that records its investments at fair value and measures fair value using Level 2 inputs.

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

<b>Investment</b>	<b>Maturity</b>	<b>Fair Value</b>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 8,183,643</u>

**COLOTRUST**

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's.

**SOUTHEAST PUBLIC IMPROVEMENT METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

**NOTE 4 - 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.

	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at December 31, 2016</u>	<u>Due Within One Year</u>
Tax-Free Loan Refunding Issue					
Variable Rate Tax					
Series 2015	\$ 3,130,000	\$ -	\$ (145,000)	\$2,985,000	\$ 150,000
	<u>\$ 3,130,000</u>	<u>\$ -</u>	<u>\$ (145,000)</u>	<u>\$2,985,000</u>	<u>\$ 150,000</u>

**General Obligation Bonds**

**\$3,135,000 General Obligation Limited Tax Variable Rate Refunding Loan, Series 2015, dated November 18, 2015**, with a variable interest rate of 65% of LIBOR plus 1.25%. Interest is payable semi-annually on June 1 and December 1. Principal is payable annually on December 1 through its maturity in 2030. The variable interest rate at December 31, 2016, was 1.66%.

The loan is secured by and payable from the Pledged Revenue consisting of monies derived by the District from the following sources, net of any collection costs: 1) the required mill levy, 2) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the required mill levy, and 3) any other legally available monies which the District determines to be treated as Pledged Revenue. Required Mill Levy means an ad valorem mill levy imposed upon commercial property of the District each year in an amount sufficient to pay the principal, premium, if any, and interest on the loan as the same become due and payable and to make up any deficiencies in the Reserve Fund. The Maximum Mill Levy is 2.000 mills, adjusted for changes in the ratio of actual value to assessed value of property within the District. As of December 31, 2016, the adjusted maximum mill levy is 2.000 mills. For collection year 2016, the District levied 2.000 mills.

Using the interest rate at December 31, 2016, of 1.66%, the estimated annual requirement to amortize the Series 2015 Loan is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 150,000	\$ 49,551	\$ 199,551
2018	150,000	47,061	197,061
2019	150,000	44,571	194,571
2020	150,000	42,081	192,081
2021	155,000	39,591	194,591
2022-2026	790,000	159,111	949,111
2027-2030	1,440,000	79,431	1,519,431
Total	<u>\$ 2,985,000</u>	<u>\$ 461,397</u>	<u>\$ 3,446,397</u>

**SOUTHEAST PUBLIC IMPROVEMENT METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)**

On May 4, 2004, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$75,000,000 at an interest rate to be determined by the District's Board of Directors. At December 31, 2016, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	<b>Amount Authorized on May 4, 2004</b>	<b>Authorization Used Series 2004 Bonds</b>	<b>Authorized But Unissued</b>
Transportation	\$ 25,000,000	\$ 7,925,000	\$ 17,075,000
Street improvements	25,000,000	-	25,000,000
Street safety	25,000,000	-	25,000,000
	<u>\$ 75,000,000</u>	<u>\$ 7,925,000</u>	<u>\$ 67,075,000</u>

Per the Service Plan, the maximum total mill levy for the District is 2.000 mills, as adjusted for changes in the ratio of actual value to assessed value of property within the District. The 2.000 mills shall only be levied against commercial property located within the District's boundaries.

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.

**NOTE 5 - NET POSITION**

The District has net position consisting of two components - restricted and unrestricted.

The restricted component of 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:

Restricted net position:	
Emergencies	\$ 140,000
Debt service	321,249
Total restricted net position	<u>\$ 461,249</u>

The District's unrestricted net position as of December 31, 2016, is \$3,567,452.

**SOUTHEAST PUBLIC IMPROVEMENT METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

**NOTE 6 - INTERGOVERNMENTAL AGREEMENTS**

**Denver South Economic Development Partnership (DSEDP) and Denver South Transportation Management Association (TMA) Commitment Agreement**

On November 3, 2009, the District entered into a yearly funding agreement (as amended in 2013) with the Southeast Business Partnership, now renamed Denver South Economic Development Partnership (DSEDP), where the District will provide DSEDP with the necessary funding to promote a synergistic relationship with DSEDP and TMA through a seamless, coordinated administrative and operational framework for the mutual benefit of all parties. During 2016, the District funded \$1,680,000 for the defrayal of DSEDP costs and \$432,000 for TMA. The TMA funding consisted of \$150,000 for general and administrative costs, \$187,000 for landscape improvement materials and matched \$95,000 of local jurisdictional contributions for transportation and management. All such District funds will be limited to an amount generated by a mill levy not to exceed one mill.

**Vision 2025 Major and Special Project Funding Statement**

On November 1, 2008, the TMA and the District wrote a policy statement related to the District's Vision 2020 Project application and approval criteria. Vision 2020 will be extended to 2025 and the policy statement will be modified as described below. Pursuant to the statement, a major project is defined as transportation improvements which may include architectural or landscape enhancements. Only local jurisdictions (i.e., cities or counties) within the zone in which the project is proposed may make application to the TMA. A maximum of \$7 million, which consists of a 50/50 partnership between the TMA and the local jurisdiction, is available per zone. Such funds may be allocated between each type of improvement; i.e., interchange vs. transit oriented development area. Additionally, a bonus incentive pool of \$7 million, split 50/50 between TMA funding and local jurisdiction funding, is available with the intent to reserve these monies for projects that are greater in scale, preferably impact several zones, and have extraordinary third-party cost participation.

In addition to the major project funding described above, the statement also allocates up to \$500,000 a year for special projects. These projects are defined as being smaller scale and not part of a major project. Minimum funding for special projects is \$50,000 per location. In the absence of local participation, the \$250,000 yearly District match will accrue on an annual basis.

During 2016, \$5,988,162 in matching funds for major projects was awarded to local jurisdictions.

**South I-25 Urban Corridor Capital Project Implementation Agreement – Southeast Light Rail Extension Project**

On June 16, 2015, the District entered into a capital project implementation agreement with the City of Lone Tree ("City") for the Southeast Light Rail Extension Project ("Project"). The Regional Transportation District ("RTD") began construction in 2016 which will extend transit services approximately 2.3 miles from the current end-of-the line location at I-25 and Lincoln Avenue to a location south of I-25 and RidgeGate Parkway.

**SOUTHEAST PUBLIC IMPROVEMENT METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

**NOTE 6 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)**

The purpose of the agreement is to memorialize the District's agreement to financially participate in the Project and to establish the process by which SPIMD's participation will be accomplished. The City, together with the District, Douglas County, and Rampart Range, has agreed to contribute a cash sum of Twenty Five Million Dollars (\$25,000,000) in total costs associated with the Project. The District's contribution will match the City's contribution, not to exceed Three Million Dollars (\$3,000,000).

On May 12, 2016, the District made payments of \$2,000,000 to the City of Lone Tree pursuant to this agreement.

**NOTE 7 - INTERFUND TRANSFERS**

The transfer of \$2,027,000 from the General Fund to the Capital Projects Fund was for funding of future capital projects. The transfer of \$276,000 from the General Fund to the Debt Service Fund was for payment of current debt service requirements and to maintain an ending fund balance in the Debt Service Fund of approximately \$250,000.

**NOTE 8 - 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, public officials' liability and workers compensation 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 9 - TAX, SPENDING AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations that 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.

**SOUTHEAST PUBLIC IMPROVEMENT METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 9 - TAX, SPENDING AND DEBT LIMITATIONS**

On May 4, 2004, a majority of the District's electors authorized the District to collect and spend or retain in a reserve \$4,000,000 in 2004 and by whatever amount is generated in 2005 and every year thereafter, through a mill levy not to exceed 2.000 mills (as adjusted for laws and changes in assessment ratio) without regard to any limitations under TABOR.

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.

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**

**SOUTHEAST PUBLIC IMPROVEMENT METROPOLITAN DISTRICT  
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 Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Net investment income	\$ 750	\$ 1,235	\$ 485
Total revenues	<u>750</u>	<u>1,235</u>	<u>485</u>
<b>EXPENDITURES</b>			
Debt service			
Bond principal	145,000	145,000	-
Interest expense - Bonds	30,975	50,696	(19,721)
Cost of issuance	-	10,000	(10,000)
Paying agent fees	6,000	500	5,500
Contingency	116,975	-	116,975
Total expenditures	<u>298,950</u>	<u>206,196</u>	<u>92,754</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(298,200)</u>	<u>(204,961)</u>	<u>93,239</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	276,000	276,000	-
Total other financing sources (uses)	<u>276,000</u>	<u>276,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	(22,200)	71,039	93,239
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>306,760</u>	<u>250,210</u>	<u>(56,550)</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 284,560</u>	<u>\$ 321,249</u>	<u>\$ 36,689</u>

**SOUTHEAST PUBLIC IMPROVEMENT METROPOLITAN DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended December 31, 2016**

	<b>Original and Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>			
Net investment income	\$ 8,100	\$ 52,297	\$ 44,197
Total revenues	<u>8,100</u>	<u>52,297</u>	<u>44,197</u>
<b>EXPENDITURES</b>			
Undesignated capital projects	5,961,403	-	5,961,403
Arapahoe & I-25 E Intersection	868,000	1,477,679	(609,679)
Arapahoe Station East Side Plaza	430,000	-	430,000
County Line Improv at S I-25 Ramp	500,000	-	500,000
Dry Creek Light Rail Platform	450,793	541,564	(90,771)
Greenwood Plaza Sidewalk	223,000	-	223,000
I-25 & Dry Creek Interchange Study	43,750	115,283	(71,533)
I-25 Lane Balancing	450,000	1,500,000	(1,050,000)
SE Light Rail Extension	900,000	2,000,000	(1,100,000)
Yosemite St Sidewalk Infill	174,025	174,025	-
Lone Tree Link	-	60,350	(60,350)
Centennial Lyft Pilot Project	-	19,261	(19,261)
Inverness Sidewalk	-	100,000	(100,000)
Total expenditures	<u>10,000,971</u>	<u>5,988,162</u>	<u>4,012,809</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(9,992,871)</u>	<u>(5,935,865)</u>	<u>4,057,006</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	2,027,000	2,027,000	-
Total other financing sources (uses)	<u>2,027,000</u>	<u>2,027,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	(7,965,871)	(3,908,865)	4,057,006
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>7,965,871</u>	<u>9,315,123</u>	<u>1,349,252</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 5,406,258</u>	<u>\$ 5,406,258</u>

**SOUTHEAST PUBLIC IMPROVEMENT METROPOLITAN DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
December 31, 2016**

<b>Bonds and Interest Maturing in the Year Ending December 31,</b>	<b>\$ 3,130,000 Tax-Free Loan Refunding Issue, Series 2015 Variable Rate: Assumes 1.66% throughout, (12/1/30 Balloon) Dated November 18, 2015 Interest Payable June 1st and December 1st Principal Payable December 1st</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 150,000	\$ 49,551	\$ 199,551
2018	150,000	47,061	197,061
2019	150,000	44,571	194,571
2020	150,000	42,081	192,081
2021	155,000	39,591	194,591
2022	155,000	37,018	192,018
2023	155,000	34,445	189,445
2024	160,000	31,872	191,872
2025	160,000	29,216	189,216
2026	160,000	26,560	186,560
2027	160,000	23,904	183,904
2028	165,000	21,248	186,248
2029	165,000	18,509	183,509
2030	950,000	15,770	965,770
	<u>\$ 2,985,000</u>	<u>\$ 461,397</u>	<u>\$ 3,446,397</u>

**SOUTHEAST PUBLIC IMPROVEMENT METROPOLITAN DISTRICT  
SUMMARY 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 for</u>		<u>Total Property Taxes</u>		<u>Percent Collected to Levied</u>
		<u>General</u>	<u>Debt</u>	<u>Levied</u>	<u>Collected</u>	
2012	\$ 1,728,906,170	2.151	-	\$ 3,714,143	\$ 3,602,677	97.0%
2013	\$ 1,739,666,580	2.083	-	\$ 3,619,249	\$ 3,544,550	97.9%
2014	\$ 1,890,450,001	2.000	-	\$ 3,776,421	\$ 3,701,447	98.0%
2015	\$ 1,905,845,650	2.000	-	\$ 3,806,852	\$ 3,737,891	98.2%
2016	\$ 2,170,167,198	2.000	-	\$ 4,340,335	\$ 4,278,812	98.6%
Estimated for calendar year ending December 31, 2017	\$ 2,185,343,440	2.000	-	\$ 4,370,686		

**Notes:**

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.

The General Fund mill levy includes a refund and abatement mill levy as follows:

2012	0.151
2013	0.083
2014	-
2015	-
2016	-