

SUBURBAN METROPOLITAN DISTRICT

—
Financial Statements
Year Ended December 31, 2016
with
Independent Auditor's Report

L. PAUL GOECKE P.C.

CERTIFIED PUBLIC ACCOUNTANTS



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Independent Auditor's Report

Board of Directors
Suburban Metropolitan District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Suburban Metropolitan 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 an opinion on these financial statements based on our audits. We conducted our audits 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 Suburban Metropolitan District as of December 31, 2016, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

The management's discussion and analysis information on pages III through VI is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

L. Paul Goedecke P.C.

L. Paul Goedecke, P.C.
September 16, 2017

Management's Discussion and Analysis

As management of the Suburban Metropolitan District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2016.

Financial Highlights

- As of the close of the current fiscal year, the District's general fund reported an ending fund balance of \$542,417.
- Total net position decreased by \$14,805.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. The government-wide financial statements and the fund financial statements have been combined on one statement in accordance with GASB Statement No. 34 - Special Purpose Governments. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements identify functions of the District that are principally to be supported by ad valorem taxes (*governmental activities*). The governmental activities of the District include the financing, construction of, and maintenance of governmental infrastructure including street improvements, perimeter walls, neighborhood park and recreation facilities and services, and traffic safety protection services and facilities constructed or acquired by the District.

The government-wide financial statements can be found on pages 1 and 2 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows* and outflows of spendable resources, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains one individual governmental fund, the General Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance.

The District adopts an annual appropriated budget for its fund. A budgetary comparison statement of the General Fund has been provided for this fund in the *basic financial statements* to demonstrate compliance with this budget.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 4 -12 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's assets exceeded liabilities by \$ 938,264 at the close of the most recent fiscal year.

The following is a summary of the *Statement of Net Position* for 2016 and 2014:

Net Position

	2016	2015
Current assets	\$ 610,115	\$ 619,896
Capital assets	395,847	395,847
Total assets	<u>1,005,962</u>	<u>1,015,743</u>
Current liabilities	<u>11,789</u>	<u>9,320</u>
Total liabilities	<u>11,789</u>	<u>9,320</u>
Deferred property taxes	<u>55,909</u>	<u>53,354</u>
Invested in capital assets	395,847	395,847
Restricted	1,800	1,800
Unrestricted	<u>540,617</u>	<u>555,422</u>
Total net position	<u>\$ 938,264</u>	<u>\$ 953,069</u>

As taken from the *Statement of Activities* in the basic financial statements, the following table depicts the changes in net position for the fiscal year 2016 and 2015.

Change in Net Position

	2016	2015
Revenue		
General Revenue:		
Property taxes	\$ 55,550	\$ 52,848
Specific ownership taxes	4,203	4,170
Investment income	<u>1,551</u>	<u>165</u>
Total revenue	<u>61,304</u>	<u>57,183</u>
Expenses		
General government	<u>76,109</u>	<u>79,690</u>
Total expenses	<u>76,109</u>	<u>79,690</u>
Change in net position	(14,805)	(22,507)
Net position - Beginning	<u>953,069</u>	<u>975,576</u>
Net position - Ending	<u>\$ 938,264</u>	<u>\$ 953,069</u>

Total net position decreased by \$14,805 from the previous year.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's General Fund reported an ending fund balance of \$ 542,417.

General Fund Budgetary Highlights

The District's total expenditures for 2016 did not exceed the budgeted appropriation.

New Year's Budgets and Rates

The District has appropriated \$80,955 in its General Fund for spending in the 2017 fiscal year budget. It is anticipated that beginning fund balances, property tax revenue and specific ownership tax revenue will be sufficient to cover these expenditures.

Requests for Information

This financial report is designed to provide a general overview of the Suburban Metropolitan District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to:

Office of the Suburban Metropolitan District
c/o McGeady Becher P.C.
450 E. 17th Ave., Suite 400
Denver, Colorado 80203-1254

SUBURBAN METROPOLITAN DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION
December 31, 2016

	General	Adjustments	Statement of Net Position
ASSETS:			
Cash and investments	\$ 547,488	\$ -	\$ 547,488
Cash and investments - restricted	1,800	-	1,800
Property taxes receivable	55,909	-	55,909
Prepaid expenses	4,918	-	4,918
Capital assets	-	395,847	395,847
Total assets	610,115	395,847	1,005,962
LIABILITIES:			
Accounts payable	11,789	-	11,789
Total liabilities	11,789	-	11,789
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax	55,909	-	55,909
Total deferred inflows of resources	55,909	-	55,909
FUND BALANCES/NET POSITION:			
Fund Balances:			
Nonspendable:			
Prepays	4,918	(4,918)	
Restricted:			
Emergencies	1,800	(1,800)	
Assigned:			
Subsequent years expenditures	19,153	(19,153)	
Unassigned	516,546	(516,546)	
Total fund balance	542,417	(542,417)	
Total liabilities and fund balance	\$ 610,115		
NET POSITION:			
Net investment in in capital assets		395,847	395,847
Restricted for:			
Emergencies		1,800	1,800
Unrestricted		540,617	540,617
Total net position		\$ 938,264	\$ 938,264

NOTE: The accompanying notes are an integral part of the financial statements.

SUBURBAN METROPOLITAN DISTRICT

**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES/STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016**

	General Fund	Adjustments Note 7	Statement of Activities
EXPENDITURES			
Accounting and audit	\$ 4,900	\$ -	\$ 4,900
Insurance	2,062	-	2,062
Legal	6,621	-	6,621
Miscellaneous	703	-	703
Directors' fees	1,800	-	1,800
Treasurer's fees	833	-	833
Repairs and maintenance	54,837	-	54,837
Utilities	4,353	-	4,353
Total Expenditures	76,109	-	76,109
GENERAL REVENUES			
Property taxes	55,550	-	55,550
Specific ownership taxes	4,203	-	4,203
Interest income	1,551	-	1,551
Total General Revenues	61,304	-	61,304
NET CHANGES IN FUND BALANCES	(14,805)	14,805	
CHANGE IN NET POSITION		(14,805)	(14,805)
FUND BALANCE/NET POSITION:			
BEGINNING OF YEAR	557,222	395,847	953,069
END OF YEAR	\$ 542,417	\$ 395,847	\$ 938,264

NOTE: The accompanying notes are an integral part of the financial statements.

SUBURBAN METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL
Year Ended December 31, 2016

	Original Budget	Amended Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 56,027	\$ 56,296	\$ 55,550	\$ (746)
Specific ownership taxes	3,500	4,175	4,203	28
Interest income	100	950	1,551	601
Total revenues	59,627	61,421	61,304	(117)
EXPENDITURES				
Accounting and audit	5,180	5,200	4,900	300
Insurance	2,600	2,600	2,062	538
Legal	6,500	7,500	6,621	879
Miscellaneous	500	1,000	703	297
Directors' fees	1,000	1,500	1,800	(300)
Treasurer fees	800	1,100	833	267
Repairs and maintenance	57,000	58,000	54,837	3,163
Utilities	3,000	4,400	4,353	47
Emergency reserve	2,200	3,700	-	3,700
Total expenditures	78,780	85,000	76,109	8,891
NET CHANGE IN FUND BALANCE	(19,153)	(23,579)	(14,805)	8,774
FUND BALANCE:				
BEGINNING OF YEAR	562,908	557,222	557,222	-
END OF YEAR	\$ 543,755	\$ 533,643	\$ 542,417	\$ 8,774

NOTE: The accompanying notes are an integral part of the financial statements.

SUBURBAN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2016

NOTE 1 – DEFINITION OF REPORTING ENTITY

The District is a quasi-municipal corporation which was organized on December 31, 1974 and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Arapahoe County, Colorado. The District was established to provide street improvements, which have been accepted for perpetual maintenance by Arapahoe County, and streetscape/median improvements which the District maintains.

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

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 government entity.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 – Special Purpose Governments.

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. Property taxes are recognized as revenues in the year for which they are levied.

SUBURBAN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 District considers revenues to be available if they are collected within 60 days of the end of the current period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The government reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources, except those required to be accounted for in other funds.

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. Prior to the year end, the district amended its General Fund Budget from \$78,780 to \$85,000.

Encumbrance accounting (open purchase orders, contracts in process and other commitments for the expenditures of funds in future periods) is not used by the District for budget or financial reporting purposes.

Cash

The District follows the practice of pooling cash 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.

Capital Assets

All improvements have been transferred to Arapahoe County with the exception of median improvements and a tap which remain the maintenance responsibility of the District. The District has determined not to depreciate the assets as repair and maintenance is provided on an annual basis.

SUBURBAN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 assess the property tax obligation of 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 at the taxpayers election, in equal installments in February and June. Delinquent taxpayers are notified in August and the sales of the resultant tax liens on delinquent properties are generally 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 deferred inflows 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.

Fund Balances

Beginning with fiscal year 2011 the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. In the fund financial statements the following classifications describe the relative strength of the spending constraints.

Non-spendable fund balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) or is legally or contractually required to be maintained intact.

Restricted fund balance – The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.

Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision making authority, the Board of Directors prior to the end of the current fiscal year. 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.

SUBURBAN METROPOLITAN DISTRICT

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Notes to Financial Statements
December 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unassigned fund balance – The residual portion of fund balance that does not meet any of the above criteria.

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

Restricted Fund Balance

Emergency reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado. \$1,800 of the General Fund balance has been reserved in compliance with this requirement.

NOTE 3 – CASH DEPOSITS AND INVESTMENTS

The Colorado Public Deposit Protection Act (PDPA) requires that all units of 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 of the uninsured 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 Regulatory Commissions 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 and a carrying balance as follows:

	<u>Carrying Balance</u>	<u>Bank Balance</u>
Insured deposits	\$ 23,985	\$ 23,985

SUBURBAN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2016

NOTE 3 – CASH DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk

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

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. 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) and 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.

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

The District has invested in COLOTRUST, an external investment pool that records its investments at fair value and is categorized as a level 2 investment.

Investments

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

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

Investments in local government investment pools or in money market funds are recorded at fair value and are not categorized because they are not evidenced by securities that exist in physical or book entry form.

SUBURBAN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2016

NOTE 3 – CASH DEPOSITS AND INVESTMENTS (CONTINUED)

The local government investment pools include the Colorado Local Government Liquid Asset Trust (ColoTrust) which has been rated AAAM by Standard & Poor's.

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

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Local Government Liquid Asset Trust	Weighted average Under 60 days	\$ 525,303

As of December 31, 2016, the District had invested in the Colorado Local Government Liquid Asset Trust (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 repurchase agreements collateralized by certain obligations of U.S. government agencies.

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. As of December 31, 2016, the District had \$525,303 invested in COLOTRUST PRIME.

Cash deposits and investments are reflected on the December 31, 2016 balance sheet as follows:

Cash and investments	\$ 547,488
Restricted investments	\$ 1,800
	<u>\$ 549,288</u>

Restricted investments included Emergency Reserves as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 6) or \$ 1,800.

NOTE 4 – LANDSCAPING RECONSTRUCTION AND FUTURE MAINTENANCE

With regard to its existing and future tax revenues, the current Board of Directors has determined to maintain the District's existence and utilize its tax revenues to keep the District in statutory compliance and maintain its ongoing obligations, including the maintenance of the landscaping on the Arapahoe Road, Holly Street and Quebec Street medians. The Board of Directors is continuing to explore its other options including the following:

- a) The Board of Directors of the District may determine to dissolve the District and convey the landscaping to another entity for continued maintenance and transfer its available revenues to the other entity (minus funds needed to effectuate a dissolution of the District).

SUBURBAN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2016

NOTE 4 – LANDSCAPING RECONSTRUCTION AND FUTURE MAINTENANCE (CONTINUED)

- b) The Board of Directors of the District may determine not to dissolve the District, but may convey the landscaping to a homeowners association or other governmental entity and transfer some of its revenue to the other entity to assure the continued maintenance of the landscaping improvements.
- c) The Board of Directors of the District may determine to consolidate with another district or districts in order to consolidate the maintenance responsibilities of the consolidated districts. In such instance, it is anticipated that the District would transfer some or all of its revenue to the consolidated entity.
- d) On November 4, 2003, the eligible electors of the District voted to use moneys previously collected for operation and maintenance for the purpose of constructing and installing landscape and irrigation improvements in a median on Quebec Street between Easter and Briarwood Avenues and within the boundaries of the District (“Quebec/Easter Median”). In 2004 the District spent \$79,260 for design and construction of the landscape and irrigation improvements in the Quebec/Easter Median. The ongoing repair and maintenance of the landscape improvements will be expensed annually in order to maintain the original landscape improvements. Therefore, no depreciation has been provided.

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

<u>Capital Assets</u>	<u>Balance at 1/1/2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at 12/31/2016</u>
Water tap	\$ 5,242	\$ –	\$ –	\$ 5,242
Median improvements	390,605	–	–	390,605
Total capital assets not being depreciated	<u>\$ 395,847</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 395,847</u>

NOTE 5 – RISK MANAGEMENT COLORADO SPECIAL DISTRICTS PROPERTY AND LIABILITY POOL

The District is exposed to various risks of loss related to 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) as of December 31, 2016. The Pool is an organization created by intergovernmental agreement to provide property, liability, public official’s 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.

SUBURBAN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2016

NOTE 5 – RISK MANAGEMENT COLORADO SPECIAL DISTRICTS PROPERTY AND LIABILITY POOL (CONTINUED)

The District pays annual premiums to the Pool for liability, property and public official's 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 6 – TAX, SPENDING AND DEBT LIMITATIONS

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations, which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR.

The initial base for local government spending and revenue limits is 1992 Fiscal Year Spending. Future spending and revenue limits are determined based on the prior year's Fiscal 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 1% of Fiscal Year Spending (excluding bonded debt service) in 1993, 2% in 1994 and 3% thereafter. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing a tax rate, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

Except for bond refinancing at lower interest rates or adding employees to existing pension plans, TABOR specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or without irrevocably pledging present cash reserves for all future payments.

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.

SUBURBAN METROPOLITAN DISTRICT

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Notes to Financial Statements
December 31, 2016

NOTE 7 – RECONCILIATION OF *GOVERNMENT-WIDE* FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments has the following elements: 1) amounts reported as fund balance have been reclassified for inclusion in Net Position; and 2) capital assets which are expensed in the fund statements are capitalized in the Statement of Activities.

The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column comprised of the following adjustments: 1) capital assets which are expensed in the fund statements are capitalized in the Statement of Activities.

NOTE 8 – DEBT AUTHORIZATION

The District does not have any authorized but unissued debt.