

**ADAMS EAST METROPOLITAN DISTRICT**  
Adams County, Colorado

**FINANCIAL STATEMENTS**  
December 31, 2016



**RECEIVED**

*By the Office of the State Auditor at 10:53 am, Jun 30, 2017*

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# SCHILLING & COMPANY, INC.

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## **Independent Auditor's Report**

Board of Directors  
Adams East Metropolitan District  
Adams County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Adams East Metropolitan District (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 Adams East 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 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 governmental 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 supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplemental 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information listed in the table of contents 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.

*SCHILLING & COMPANY, INC.*

Highlands Ranch, Colorado  
June 27, 2017

## **BASIC FINANCIAL STATEMENTS**

**ADAMS EAST METROPOLITAN DISTRICT**  
**STATEMENT OF NET POSITION**  
**December 31, 2016**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments - unrestricted	\$ 92,574
Cash and investments - restricted	1,133,496
Receivable from county treasurer	1,006
Prepays	2,488
Property taxes receivable	186,313
Due from other governments	128,561
Capital assets not being depreciated	1,660,281
Total assets	<u>3,204,719</u>
<b>LIABILITIES</b>	
Accounts payable	3,035
Note payable:	
Due within one year	266,250
Due in more than one year	3,628,750
Developer advances payable:	
Due in more than one year	85,486
Interest on developer advances due in more than one year	98,175
Total liabilities	<u>4,081,696</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred property tax revenue	186,313
Total deferred inflows of resources	<u>186,313</u>
<b>NET POSITION</b>	
Net investment in capital assets:	395,046
Restricted for:	
Emergency reserves	5,600
Debt service	781,094
Capital projects	(2,665,794)
Unrestricted	420,764
Total net position	<u><u>\$ (1,063,290)</u></u>

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

**ADAMS EAST METROPOLITAN DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 64,639	\$ -	\$ -	\$ -	\$ (64,639)
Interest on long-term debt	131,325	-	-	-	(131,325)
	<u>\$ 195,964</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (195,964)</u>
General revenues:					
Property taxes					170,734
Specific ownership taxes					14,071
Sales taxes					553,892
Total general revenues					<u>738,697</u>
Change in net position					542,733
Net position - beginning					(1,606,023)
Net position- ending					<u>\$ (1,063,290)</u>

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

**ADAMS EAST METROPOLITAN DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2016**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Governmental Funds</u>
<b>ASSETS</b>				
Cash and investments - unrestricted	\$ 92,574	\$ -	\$ -	\$ 92,574
Cash and investments - restricted	-	652,645	480,851	1,133,496
Receivable from county treasurer	1,006	-	-	1,006
Property taxes receivable	186,313	-	-	186,313
Due from other funds	60,087	-	-	60,087
Prepaid expenditures	2,488	-	-	2,488
Due from other governments	112	128,449	-	128,561
Total assets	<u>\$ 342,580</u>	<u>\$ 781,094</u>	<u>\$ 480,851</u>	<u>\$ 1,604,525</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 3,035	\$ -	\$ -	\$ 3,035
Due to other funds	-	-	60,087	60,087
Total liabilities	<u>3,035</u>	<u>-</u>	<u>60,087</u>	<u>63,122</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred property tax revenue	186,313	-	-	186,313
Total deferred inflows of resources	<u>186,313</u>	<u>-</u>	<u>-</u>	<u>186,313</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid expenditures	2,488	-	-	2,488
Spendable:				
Restricted for:				
Emergency reserves	5,600	-	-	5,600
Debt service	-	781,094	-	781,094
Capital projects	-	-	420,764	420,764
Unassigned	145,144	-	-	145,144
Total fund balances	<u>153,232</u>	<u>781,094</u>	<u>420,764</u>	<u>1,355,090</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 342,580</u>	<u>\$ 781,094</u>	<u>\$ 480,851</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	1,660,281
Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds	
Note payable	(3,895,000)
Developer advances	(85,486)
Interest on developer advances	(98,175)
Net position of governmental activities	<u>\$ (1,063,290)</u>

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

**ADAMS EAST METROPOLITAN DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2016**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Governmental Funds</u>
<b>REVENUES</b>				
Property taxes	\$ 170,734	\$ -	\$ -	\$ 170,734
Specific ownership taxes	14,071	-	-	14,071
Sales taxes	-	553,892	-	553,892
<b>Total revenues</b>	<u>184,805</u>	<u>553,892</u>	<u>-</u>	<u>738,697</u>
<b>EXPENDITURES</b>				
<u>General</u>				
Audit	4,300	-	-	4,300
Consulting	1,580	-	-	1,580
County treasurer fees	2,561	-	-	2,561
Directors' fees	1,500	-	-	1,500
District management	35,391	-	-	35,391
Dues and subscriptions	283	-	-	283
Insurance and bonds	2,744	-	-	2,744
Legal	11,832	-	-	11,832
Miscellaneous	155	-	-	155
Permits	700	-	-	700
Repairs and maintenance	1,225	-	-	1,225
Support services	2,368	-	-	2,368
<u>Debt service</u>				
Principal	-	330,000	-	330,000
Interest	-	116,886	-	116,886
Paying agent fees	-	1,072	-	1,072
<u>Capital outlay:</u>				
Capital projects	-	-	16,840	16,840
<b>Total expenditures</b>	<u>64,639</u>	<u>447,958</u>	<u>16,840</u>	<u>529,437</u>
<b>EXCESS OF REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<u>120,166</u>	<u>105,934</u>	<u>(16,840)</u>	<u>209,260</u>
<b>OTHER FINANCING SOURCES</b>				
Developer advances	5,000	-	-	5,000
<b>Total other financing sources</b>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	125,166	105,934	(16,840)	214,260
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>28,066</u>	<u>675,160</u>	<u>437,604</u>	<u>1,140,830</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 153,232</u>	<u>\$ 781,094</u>	<u>\$ 420,764</u>	<u>\$ 1,355,090</u>

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

**ADAMS EAST METROPOLITAN DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGE IN FUND BALANCE 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 balance - total governmental funds \$ 214,260

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt is as follows:

Note principal payments	330,000	
Developer advance	<u>(5,000)</u>	325,000

Governmental funds report capital outlays as expenditures. In the Statement of Activities capital outlay is not reported as an expenditure. This amount represents net capital outlay for the current period.

Capital outlay		16,840
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Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds

Change in accrued interest on developer advances	<u>(13,367)</u>	
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Change in net position of governmental activities	<u>\$ 542,733</u>
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These financial statements should be read only in connection with the accompanying notes to financial statements.

**ADAMS EAST METROPOLITAN DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**Year Ended December 31, 2016**

	<u>Budget Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>			
Property taxes	\$ 170,734	\$ 170,734	\$ -
Specific ownership taxes	13,650	14,071	421
Total revenues	<u>184,384</u>	<u>184,805</u>	<u>421</u>
<b>EXPENDITURES</b>			
Audit	5,000	4,300	700
Consulting	-	1,580	(1,580)
County treasurer fees	2,560	2,561	(1)
Directors' fees	4,000	1,500	2,500
District management and accounting	18,000	35,391	(17,391)
Dues and subscriptions	600	283	317
Election costs	2,000	-	2,000
Insurance and bonds	3,000	2,744	256
Legal	25,000	11,832	13,168
Permits	-	700	(700)
Repairs and maintenance	6,000	1,225	4,775
Support services	15,000	2,368	12,632
Utilities	3,500	-	3,500
Miscellaneous	500	155	345
Total expenditures	<u>85,160</u>	<u>64,639</u>	<u>20,521</u>
<b>EXCESS OF REVENUES OVER</b> <b>EXPENDITURES</b>	<u>99,224</u>	<u>120,166</u>	<u>20,942</u>
<b>OTHER FINANCING SOURCES</b>			
Developer advances	-	5,000	5,000
Total other financing sources	<u>-</u>	<u>5,000</u>	<u>5,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	99,224	125,166	25,942
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>5,575</u>	<u>28,066</u>	<u>22,491</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 104,799</u>	<u>\$ 153,232</u>	<u>\$ 48,433</u>

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

**ADAMS EAST METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

Adams East Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on November 10, 2010, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area boundaries are located entirely in Adams County, Colorado (County).

The District was established principally to coordinate the construction, acquisition, financing and maintenance of public improvements, including streets and safety control, landscaping, water, sewer, storm drainage, television relay and park and recreation improvements and facilities. Upon completion of construction and installation, it is the District's intent to dedicate all public improvements to the County or its designee for operation and maintenance. Certain landscaping, park and recreation improvements and street lighting may be maintained by the District or by a homeowners' association.

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 District 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 except for fiduciary activities. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

**ADAMS EAST METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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

The statement of net position reports all financial and capital resources of the District. The difference between the assets plus deferred outflows of resources and liabilities plus deferred inflows of resources 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. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Expenditures for property and equipment are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

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 sales tax. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation paid. All other revenue items are considered to be measurable and available only when cash is received by the District.

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.

**ADAMS EAST METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

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

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

The Capital Projects Fund is used to account for the financial resources to be used for the acquisition and construction of infrastructure in conjunction with the loan financing terms.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted first, then unrestricted resources as they are needed.

**Budgets**

In accordance with the Local Government Budget Law of Colorado, 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.

For the year ended December 31, 2016, supplementary appropriations approved by the District's board of directors modified the appropriation in the Debt Service Fund from \$430,603 to \$447,986.

**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 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'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.

**ADAMS EAST METROPOLITAN DISTRICT**  
**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 deferred property tax revenue is recorded as revenue in the year they are available or collected.

**Capital Assets**

Capital assets are reported in the governmental activities column in the governmental-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.

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 that will be dedicated to other governmental entities are not depreciated. Improvements to be owned by the District are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

**System Development Fees**

The District can impose certain development impact and facility fees on properties within the District. The fees are required to be paid prior to the issuance of a building permit by the County. The District records the revenue for these fees when they are measurable and available. The infrastructure fee for road improvements is to be used solely for the improvement of certain access roads into the District.

As of December 31, 2016, the fees that the District can impose per single-family equivalent are as follows:

System development fee - \$2,128 per unit  
Infrastructure fee - \$1,048 or \$1,853 per unit depending upon type of unit

In addition, the District imposes system development fees for commercial, office and industrial property at \$0.80, \$0.65 and \$0.32 per square foot of gross building area, respectively.

**Fund Balances – Governmental Funds**

The District's governmental fund balances may consist of five classifications based on the relative strength of the spending constraints:

Nonspendable fund balance – the amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact

**ADAMS EAST METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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

Restricted fund balance – the amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level of action to remove or change the constraint.

Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the District board of directors or by an official or body to which the District board of directors delegates the authority.

Unassigned fund balance – amounts that are available for any purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the District board of directors has provided otherwise in its commitment or assignment actions.

**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 – unrestricted	\$ 92,574
Cash and investments – restricted	<u>1,133,496</u>
Total cash and investments	<u>\$ 1,226,070</u>

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

Deposits with financial institutions	\$ 1,226,070
Total cash and investments	<u>\$ 1,226,070</u>

**ADAMS EAST METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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

**Cash Deposits**

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 equal to 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 \$1,227,361 and a carrying balance of \$1,226,070.

**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 disclosure requirements or subject to investment custodial credit risk for investment 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 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

As of December 31, 2016, the District had no investments.

**ADAMS EAST METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

**NOTE 4 - CAPITAL ASSETS**

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

<u>Governmental Activities</u>	<u>Balance at December 31, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2016</u>
Capital assets, not being depreciated:				
Construction in process:				
Commercial pads	\$ 1,643,441	\$ 16,840	\$ -	\$ 1,660,281
Total capital assets, not being depreciated	<u>\$ 1,643,441</u>	<u>\$ 16,840</u>	<u>\$ -</u>	<u>\$ 1,660,281</u>

In accordance with the District's service plan, it is anticipated that, except for certain landscaping, water, park and recreation improvements and street lighting, the District will dedicate the improvements and facilities to the County or its designee. Upon acceptance by the County or its designee for maintenance and ownership, the facilities will be removed from the District's property records.

**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:

<u>Governmental Activities</u>	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2016</u>	<u>Due Within One Year</u>
KeyBank Revenue Note Series 2014	\$ 4,225,000	\$ -	\$ 330,000	\$ 3,895,000	\$ 266,250
Developer advances - operations and maintenance	31,400	5,000	-	36,400	-
Developer advances - capital	49,086	-	-	49,086	-
Accrued interest on developer advances	84,808	13,367	-	98,175	-
	<u>\$ 4,390,294</u>	<u>\$ 18,367</u>	<u>\$ 330,000</u>	<u>\$ 4,078,661</u>	<u>\$ 266,250</u>

The detail of the District's long-term obligations is as follows:

**Sales Tax Revenue Note Series 2014**

On December 12, 2014, the District acquired a \$4,480,000 Revenue Municipal Note Series 2014 (Note). The interest rate on the Note is 2.85% per annum. Principal and interest payments on the Note are due quarterly on January 1, April 1, July 1 and October 1. The Note is pledged by sales tax revenue and was acquired for the purpose of providing funds to (i) finance improvements related to infrastructure and (ii) fund a debt service reserve for the loan. The Note may be prepaid at the option of the District, in whole or in part, upon payment of the sum of the principal amount plus accrued interest thereon to the date of prepayment, and prepayment premium ranging from 0% to 3%. In accordance with the Note provisions, both a reserve fund and a projects fund were established in December 2014. The reserve fund requirement is set at

**ADAMS EAST METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

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

\$448,000 and, as of December 31, 2016, the reserve fund had a balance of \$447,216. The amount in the projects fund is available to the District for future capital improvements. At December 31, 2016 the projects fund balance was \$480,851.

The following table sets forth the estimated debt service payment schedule for the principal and interest on the Note:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 266,250	\$ 81,359	\$ 347,609
2018	373,750	99,492	473,242
2019	395,000	88,602	483,602
2020	415,000	77,128	492,128
2021	435,000	65,087	500,087
2022 - 2025	2,010,000	116,422	2,126,422
	<u>\$ 3,895,000</u>	<u>\$ 528,090</u>	<u>\$ 4,423,090</u>

**Advance and Reimbursement Agreements – S3L Holdings, LLC**

The District entered into an advance and reimbursement agreement with S3L Holdings, LLC on April 11, 2013. The agreement establishes the terms and conditions for reimbursing hard and soft construction costs pursuant to the district’s reimbursement policy resolution dated December 13, 2012 and specifies simple interest to accrue on amounts certified and accepted for reimbursement at an annual rate of 4.5%. The maximum reimbursable amount under this agreement is \$3,000,000. The District shall 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. At December 31, 2016, the District owed S3L Holdings, LLC \$49,086 in principal and \$71,480 in accrued interest.

The District entered into an advance and reimbursement agreement with S3L Holdings, LLC on February 28, 2017 as amended May 23, 2017. The agreement stipulates that the District shall reimburse S3L Holdings, LLC for any advances made to the District, including advances made in prior years, for operation and maintenance costs, together with interest at the rate of 7.00% per annum. The District shall 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. At December 31, 2016, the District owed S3L Holdings, LLC \$36,400 in principal and \$26,695 in accrued interest.

**ADAMS EAST METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

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

**Advance and Reimbursement Agreement – 160<sup>th</sup> Avenue Holdings, LLC**

The District entered into an advance and reimbursement agreement with 160<sup>th</sup> Avenue Holdings, LLC on February 10, 2011. The agreement stipulates that the District shall reimburse 160<sup>th</sup> Avenue Holdings, LLC for any advances made to the District, together with interest at the rate of 7% per annum. The District shall 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. At December 31, 2016, the District had no outstanding advances under this agreement. Pursuant to board action taken at a regular meeting held February 28, 2017, this agreement was terminated.

**Advance and Reimbursement Agreement – Dillon Companies Inc.**

The District entered into an advance and reimbursement agreement with Dillon Companies Inc. on December 20, 2012. The agreement establishes the terms and conditions for reimbursing hard and soft construction costs pursuant to the District's reimbursement policy resolution dated December 13, 2012 and specifies simple interest to accrue on amounts certified and accepted for reimbursement at an annual rate of 4.5%. The maximum reimbursable amount under this agreement is \$1,700,000. Pursuant to the District's reimbursement policy resolution, the reimbursement request must be submitted to the District within two years after completion of construction of the eligible improvements. The agreement stipulates that the District shall reimburse Dillon Companies Inc. for any advances made to the District, together with interest at the rate of 4.5% per annum. The District shall 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. At December 31, 2016, the District had no outstanding advances under this agreement.

**Advance and Reimbursement Agreement – The Bromley Companies LLC**

The District and the Bromley Companies LLC entered into an advance and reimbursement agreement on June 23, 2015. The agreement stipulates that the District shall reimburse The Bromley Companies LLC for any advances made to the District, together with interest at the rate of 4.5% per annum. The District shall 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. At December 31, 2016, the District had no outstanding advances under this agreement. Pursuant to board action taken at a regular meeting held February 28, 2017, this agreement was terminated.

**Authorized Debt**

On November 2, 2010, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$100,300,000 at an interest rate not to exceed 18% per annum.

**ADAMS EAST METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

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

At December 31, 2016, the District had authorized but unissued indebtedness from this election in the following amounts allocated for the following purposes:

	<b>Total Authorized</b>	<b>Remaining at December 31, 2016</b>
Street improvements	\$ 32,000,000	\$ 27,520,000
Park and recreation facilities	1,000,000	1,000,000
Water supply improvements	7,000,000	7,000,000
Sanitary sewer system	8,150,000	8,150,000
Safety protection	1,000,000	1,000,000
Operations and maintenance	1,000,000	1,000,000
Debt refunding	50,150,000	50,150,000
	\$ 100,300,000	\$ 95,820,000

**NOTE 6 – FUND EQUITY**

At December 31, 2016, the District reported the following classifications of fund equity.

**Restricted Fund Balance**

The restricted fund balance in the General Fund in the amount of \$5,600 is comprised of the emergency reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 11).

The restricted fund balance in the Debt Service Fund in the amount of \$781,094 is to be used exclusively for debt service requirements. (see Note 5)

The restricted fund balance in the Capital Projects Fund in the amount of \$420,764 is to be used exclusively for infrastructure improvements in accordance with the loan provisions.

**NOTE 7 - NET POSITION**

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

The net investment in capital assets consists of capital assets owned by the District, net of accumulated depreciation, if applicable, and reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets. As of December 31, 2016, The District had a net investment in capital assets in the amount of \$395,046.

**ADAMS EAST METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

**NOTE 7 - NET POSITION (CONTINUED)**

Restricted net position includes amounts that are restricted for use either externally 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 an amount of \$5,600 for emergency reserves.

The restricted net position in the amount of \$781,094 is to be used exclusively for debt service requirements.

The restricted net position in the amount of \$420,764 is to be used exclusively for infrastructure improvements in accordance with loan provisions.

**NOTE 8 - RELATED PARTIES**

The members of the Board of Directors of the District are employees of, owners of, or otherwise associated with S3L Holdings, LLC and 160<sup>th</sup> Avenue, LLC and may have conflicts of interest in dealing with the District. Specific details of transactions with S3L Holdings, LLC and 160<sup>th</sup> Avenue, LLC regarding organization, advances and debt are described elsewhere in these footnotes.

**NOTE 9 - INTERGOVERNMENTAL AGREEMENTS**

Per the District's service plan, the District will be subject to the terms of the Beebe Draw wastewater management agreement regarding provision of sanitary sewer service. The District shall also be subject to the terms of the storm drainage agreement with the City.

**NOTE 10 - RISK MANAGEMENT**

Except as provided in the Colorado Governmental Immunity Act, the District may be 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) as of December 31, 2016. 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.

**ADAMS EAST METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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

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.

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 which apply to the State of Colorado and all local governments, except Enterprise.

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.

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.

On November 2, 2010, a majority of the District's electors authorized the District to collect and spend or retain in reserve taxes of \$1,000,000 annually for District operations and maintenance. The electors also authorized the District to collect, retain, and spend any revenue from sources other than ad valorem taxes annually without regard to any limitations imposed by TABOR.

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

## **OTHER INFORMATION**

**ADAMS EAST METROPOLITAN DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
Year Ended December 31, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Sales taxes	\$ 432,000	\$ 432,000	\$ 553,892	\$ 121,892
Total revenues	<u>432,000</u>	<u>432,000</u>	<u>553,892</u>	<u>121,892</u>
<b>EXPENDITURES</b>				
Note principal	311,250	330,000	330,000	-
Note interest	119,103	116,886	116,886	-
Paying agent fees	250	1,100	1,072	28
Total expenditures	<u>430,603</u>	<u>447,986</u>	<u>447,958</u>	<u>28</u>
<b>NET CHANGE IN FUND BALANCE</b>	1,397	(15,986)	105,934	121,920
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>643,474</u>	<u>675,160</u>	<u>675,160</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 644,871</u>	<u>\$ 659,174</u>	<u>\$ 781,094</u>	<u>\$ 121,920</u>

**ADAMS EAST METROPOLITAN DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
CAPITAL PROJECTS FUND  
Year Ended December 31, 2016**

	<u>Budget Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>			
Total revenues	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>			
Capital projects	436,694	16,840	419,854
Total expenditures	436,694	16,840	419,854
<b>NET CHANGE IN FUND BALANCE</b>	(436,694)	(16,840)	419,854
<b>FUND BALANCE - BEGINNING OF YEAR</b>	436,694	437,604	910
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 420,764</u>	<u>\$ 420,764</u>

**SUPPLEMENTAL INFORMATION**

**ADAMS EAST METROPOLITAN DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
December 31, 2016**

**\$4,480,000 Series 2014  
Revenue Note  
Interest Rate of 2.85%**

**Principal and Interest Due Quarterly on January 1, April 1, July 1 and October 1**

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ 266,250	\$ 81,359	\$ 347,609
2018	373,750	99,492	473,242
2019	395,000	88,602	483,602
2020	415,000	77,128	492,128
2021	435,000	65,087	500,087
2022	455,000	52,475	507,475
2023	478,750	39,268	518,018
2024	837,500	22,978	860,478
2025	238,750	1,701	240,451
	<u>\$ 3,895,000</u>	<u>\$ 528,090</u>	<u>\$ 4,423,090</u>

**ADAMS EAST METROPOLITAN DISTRICT  
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>Levied</u>	<u>Collected</u>	
2013	\$ 115,490	25.000	\$ 2,887	\$ 2,887	100.00%
2014	\$ 115,660	25.000	\$ 2,892	\$ 2,889	100.00%
2015	\$ 2,602,720	25.000	\$ 65,068	\$ 65,068	100.00%
2016	\$ 6,829,350	25.000	\$170,734	\$ 170,734	100.00%
Estimated for the year ending December 31, 2017	\$ 7,452,510	25.000	\$186,313		

**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.