

**EBERT 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>Amount Due Within One Year</u>
General obligation bonds payable					
Series 2007	\$ 86,530,000	\$ -	\$ 86,530,000	\$ -	\$ -
Discount on Series 2007 bond	(1,143,733)	-	(1,143,733)	-	-
General obligation loans payable					
Series 2016A	-	55,855,000	1,045,000	54,810,000	825,000
Series 2016B	-	40,515,000	765,000	39,750,000	635,000
Series 2016C	-	15,630,000	330,000	15,300,000	250,000
	<u>\$ 85,386,267</u>	<u>\$112,000,000</u>	<u>\$ 87,526,267</u>	<u>\$109,860,000</u>	<u>\$ 1,710,000</u>

General Obligation Debt

On March 4, 2016, the District issued an aggregate of \$112,000,000 of General Obligation Refunding and Improvement Loans (the 2016 Loans) as follows: (1) \$55,855,000 General Obligation Limited Tax Taxable (Convertible to Tax-Exempt) Refunding Loan Series 2016A; (2) \$40,515,000 General Obligation Limited Tax Refunding Loan Series 2016B; and (3) \$15,630,000 General Obligation Limited Tax Improvement Loan Series 2016C. The 2016 Loans bear interest payable on June 1 and December 1, commencing on June 1, 2016, at the following rates: 4.50% per annum on the 2016A Loan, converting to 3.15% upon conversion to tax-exempt status; 3.15% per annum on the 2016B Loan; and 3.15% on the 2016C Loan. Mandatory principal payments are due on December 1, commencing on December 1, 2016, with final payment due on December 1, 2021. The 2016 Loans cannot be prepaid prior to December 1, 2018. The 2016 Loans are subject to prepayment penalties on or after December 1, 2018, but prior to December 1, 2019. The prepayment penalty is calculated based upon certain factors detailed in the loan agreement. There is no prepayment penalty for payments made on or after December 1, 2019.

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NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

The 2016 Loans are secured by and payable from pledged revenues consisting of the required mill levy, the portion of specific ownership taxes collected as a result of the imposition of the required mill levy, and any other legally available monies which the District determines to be pledged revenue. The required mill levy is an ad valorem mill levy imposed upon all taxable property in the District each year in an amount which, when combined with monies in the applicable loan funds (but not including reserve or surplus funds) that will generate tax revenues of not less than the estimated debt requirements for each of the loans for the next fiscal year. The required mill levy cannot be in excess of 65.000 mills, adjusted for changes in the ratio of actual value to assessed value of property within the District. For collection year 2016, the District levied 65.000 mills for debt service. For collection year 2018, the residential assessment ratio will change from 7.96% to 7.2%. At that time, the District's required mill levy will be adjusted to 71.861 mills.

Proceeds of the 2016 Loans and other District funds were used to: (i) advance refund and defease (debt legally satisfied) its General Obligation Limited Tax Refunding and Improvement Bonds, Series 2007 (Series 2007 Bonds); (ii) finance the cost of construction and installation of capital improvements by Town; (iii) fund the Reserve Funds; and (iv) pay the costs of issuing the 2016 Loans.

The 2016 Loans are also secured by the Reserve Funds and the Surplus Funds. Per the terms of the Loan Agreement and the Custodial Agreement, U.S. Bank National Association (U.S. Bank) is the Custodian and Administrative Agent and shall hold and administer the Pledged Revenue accounts.

The District is required to maintain Reserve Funds in the following maximum amounts: 2016A Loan - \$2,034,350; 2016B Loan - \$1,470,763; and 2016C Loan - \$569, 275. At December 31, 2016, the balances in the Reserve Funds were \$2,034,542, \$1,470,901, and \$569,329, respectively.

Prior to the date the Debt to Assessed Ratio is equal to 50% or less, Pledged Revenue that is not needed to pay debt service on the 2016 Loans in any year will be deposited to and held in the Surplus Funds, up to the maximum amounts of: 2016A Loan - \$1,535,911; 2016B Loan - \$1,114,089; and 2016C Loan - \$375,000. At December 31, 2016, the balances in the Surplus Funds were \$108,889, \$53,220, and \$4,648, respectively. When the Debt to Assessed Ratio becomes less than 50%, the Surplus Funds can be terminated and any moneys therein applied to any legal purpose of the District. As of December 31, 2016, the Debt to Assessed Ratio was 130.73%. The District is also required to impose a minimum mill levy of 65.000 mills until the Surplus Funds are fully funded.

The Series 2007 Bonds have an average interest rate of 5.6216%, and the 2016 Loans have an average interest rate of 3.1980%. The Series 2007 Bonds are not considered to be a liability of the District since sufficient funds in the amount of \$94,381,303 were deposited with a trustee and invested in U.S. governmental securities for the purpose of paying the principal and interest of the Series 2007 Bonds until the call date, at which point the Series 2007 Bonds will be repaid in their entirety from the remaining funds in the escrow account. The Series 2007 Bonds will be redeemed on December 1, 2017.

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NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

There was no present value savings on the debt refunding. The refunding was undertaken to reduce the annual debt service requirements and to reduce the interest rate being paid on the debt for the next five years. In the government-wide financial statements, the District incurred a cost on debt refunding in the amount of \$15,893,013, which will be amortized over the remaining defeased life of the Series 2007 Bonds.

The District's long-term obligations on its outstanding debt at December 31, 2016, will mature as follows, based upon the 2016 loans being refunded on December 1, 2021 through a new maturity of December 1, 2045:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,710,000	\$ 4,071,828	\$ 5,781,828
2018	3,020,000	3,454,040	6,474,040
2019	3,075,000	3,357,589	6,432,589
2020	3,200,000	3,268,311	6,468,311
2021	3,340,000	3,157,182	6,497,182
2022-2026	8,030,000	25,465,825	33,495,825
2027-2031	12,290,000	22,814,550	35,104,550
2032-2036	18,070,000	18,835,300	36,905,300
2037-2041	25,555,000	13,086,975	38,641,975
2042-2045	31,570,000	4,794,350	36,364,350
	<u>\$ 109,860,000</u>	<u>\$ 102,305,950</u>	<u>\$ 212,165,950</u>

Authorized Debt

On November 3, 1998, the District's electors authorized the incurrence of general obligation indebtedness totaling \$90,500,000 at an interest rate not to exceed 15% for a maximum term of 20 years. On November 7, 2000, the District's electors authorized an additional \$90,500,000 of general obligation indebtedness at an interest rate not to exceed 15%, with no limit on the maximum term. At December 31, 2016, the District has authorized but unissued indebtedness for the following purposes:

	<u>Authorized November 3, 1998 Election</u>	<u>Authorized November 7, 2000 Election</u>	<u>Total Authorized</u>
Street improvements	\$ 35,000,000	\$ 35,000,000	\$ 70,000,000
Traffic controls	2,000,000	2,000,000	4,000,000
Water system	28,000,000	28,000,000	56,000,000
Sanitary sewer	13,000,000	13,000,000	26,000,000
Park and recreation	12,000,000	12,000,000	24,000,000
Operations	500,000	500,000	1,000,000
	<u>\$ 90,500,000</u>	<u>\$ 90,500,000</u>	<u>\$ 181,000,000</u>

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NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

	Authorization Used					Remaining at December 31, 2016
	Series 2001 Bonds	Series 2004 Bonds	Series 2005 Bonds	Series 2007 Bonds	Series 2016 Loans	
Street improvements	\$ 13,580,300	\$ 2,091,656	\$ 13,161,592	\$ 14,360,744	\$ 10,137,413	\$ 16,668,295
Traffic controls	-	-	-	-	-	4,000,000
Water system	6,338,400	(852,762)	4,101,235	4,808,238	(2,859,555)	44,464,444
Sanitary sewer	9,142,725	(5,611,303)	455,763	2,689,580	780,297	18,542,938
Park and recreation	5,688,575	5,952,409	3,781,410	8,541,438	36,168	-
Operations	-	-	-	-	-	1,000,000
	<u>\$ 34,750,000</u>	<u>\$ 1,580,000</u>	<u>\$ 21,500,000</u>	<u>\$ 30,400,000</u>	<u>\$ 8,094,323</u>	<u>\$ 84,675,677</u>