CANTERBERRY CROSSING
METROPOLITAN DISTRICT II
Douglas County, Colorado

FINANCIAL STATEMENTS
December 31, 2016

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SIMMONS & WHEELER, P.C. Certified Public Accountants
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Board of Directors
Canterberry Crossing Metropolitan District II
Douglas County, Colorado

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Canterberry Crossing Metropolitan District II, 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 of 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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, the business-type activities, and each major fund of the Canterberry Crossing Metropolitan District II as of December 31, 2016, and the respective changes in financial position, and where applicable, cash flows thereof 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 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 Canterberry Crossing Metropolitan District II's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Simmons & Wheeler P.C.

Englewood, CO
July 17, 2017

BASIC FINANCIAL STATEMENTS

CANTERBERRY CROSSING METROPOLITAN DISTRICT II
STATEMENT OF NET POSITION
December 31, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	$ 55,973	$ -	$ 55,973
Cash - Restricted	958,670	1,395	960,065
Receivable - County Treasurer	6,928	-	6,928
Property taxes receivable	890,200	-	890,200
Capital assets, net			
Community Center, pool and equipment	-	705,481	705,481
Total assets	1,911,771	706,876	2,618,647
LIABILITIES			
Accounts payable	16,219	109	16,328
Loan interest payable	33,201	-	33,201
Noncurrent liabilities			
Due within one year	320,000	-	320,000
Due in more than one year	11,070,000	-	11,070,000
Total liabilities	11,439,420	109	11,439,529
DEFERRED INFLOWS OF RESOURCES			
Property tax revenue	890,200	-	890,200
Total deferred inflows of resources	890,200	-	890,200
NET POSITION			
Net investment in capital assets	-	705,481	705,481
Restricted for:			
Emergency reserve	2,300	-	2,300
Debt service	850,087	-	850,087
Conservation Trust	73,401	-	73,401
Unrestricted	(11,343,637)	1,286	(11,342,351)
Total net position	$ (10,417,849)	$ 706,767	$ (9,711,082)

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

CANTERBERRY CROSSING METROPOLITAN DISTRICT II
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

		Program Revenues			Net (Expenses) Revenues and Changes Net Position		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**
Primary government:							
Government activities:							
General government	$ 56,347	$ -	$ -	$ 14,689	$ (41,658)	$ -	$ (41,658)
Interest and related costs on long-term debt	422,025	-	-	-	(422,025)	-	(422,025)
	$ 478,372	$ -	$ -	$ 14,689	(463,683)	-	(463,683)
Business-type activities:							
Community Center and pool	$ 223,650	$ 159,365		$ -	-	(64,285)	(64,285)
	$ 223,650	$ 159,365	$ -	$ -	-	(64,285)	(64,285)
General revenues:							
Property taxes					890,115	-	890,115
Specific ownership taxes					81,913	-	81,913
Net investment income					612	-	612
Miscellaneous income					4	-	4
Total general revenues					972,644	-	972,644
Change in net position					508,961	(64,285)	444,676
Net position - Beginning					(10,926,810)	771,052	(10,155,758)
Net position - Ending					$ (10,417,849)	$ 706,767	$ (9,711,082)

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

CANTERBERRY CROSSING METROPOLITAN DISTRICT II
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash	$ 55,973	$ -	$ -	$ 55,973
Cash - Restricted	2,300	877,200	79,170	958,670
Receivable - County Treasurer	540	6,388	-	6,928
Property taxes receivable	69,366	820,834	-	890,200
TOTAL ASSETS	$ 128,179	$ 1,704,422	$ 79,170	$ 1,911,771
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 15,919	$ 300	$ -	$ 16,219
Total liabilities	15,919	300	-	16,219
DEFERRED INFLOWS OF RESOURCES				
Property tax revenue	69,366	820,834	-	890,200
Total deferred inflows of resources	69,366	820,834	-	890,200
FUND BALANCES				
Restricted, for:				
Emergencies (TABOR)	2,300	-	-	2,300
Loan reserve fund	-	500,742	-	500,742
Debt service	-	382,546	-	382,546
Conservation Trust	-	-	73,401	73,401
Assigned to:				
Capital projects	-	-	5,769	5,769
Unassigned	40,594	-	-	40,594
Total fund balances	42,894	883,288	79,170	1,005,352
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 128,179	$ 1,704,422	$ 79,170	

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

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Loan payable	(11,390,000)
Accrued loan interest payable	(33,201)
Net position of governmental activities	$ (10,417,849)

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

CANTERBERRY CROSSING METROPOLITAN DISTRICT II
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property taxes	$ 69,340	$ 820,775	$ -	$ 890,115
Specific ownership taxes	6,381	75,532	-	81,913
Miscellaneous Income	1	2	1	4
Interest income	9	603	-	612
Conservation trust entitlement	-	-	14,689	14,689
Total revenues	75,731	896,912	14,690	987,333
EXPENDITURES				
Accounting	18,378	-	-	18,378
Audit	4,200	-	-	4,200
County Treasurer's fees	1,041	12,317	-	13,358
Directors' fees	831	-	-	831
District management	10,179	-	-	10,179
Dues and subscriptions	492	-	-	492
Election expense	1,372	-	-	1,372
Paying agent fees	-	300	-	300
Insurance	12,071	-	-	12,071
Legal	7,028	-	-	7,028
Miscellaneous	724	15	-	739
Payroll tax	31	-	-	31
Debt service	-	720,390	-	720,390
Total expenditures	56,347	733,022	-	789,369
NET CHANGE IN FUND BALANCES	19,384	163,890	14,690	197,964
FUND BALANCES - BEGINNING OF YEAR	23,510	719,398	64,480	807,388
FUND BALANCES - END OF YEAR	$ 42,894	$ 883,288	$ 79,170	$ 1,005,352

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

CANTERBERRY CROSSING METROPOLITAN DISTRICT II
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

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

Net change in fund balances - Total governmental funds	$ 197,964
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:	
Loan principal payment	310,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Accrued interest on loan - Change in liability	997
Changes in net position of governmental activities	$ 508,961

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

CANTERBERRY CROSSING METROPOLITAN DISTRICT II
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	$ 69,376	$ 69,340	$ (36)
Specific ownership taxes	5,600	6,381	781
Miscellanous Income	-	1	1
Interest income	10	9	(1)
Total revenues	74,986	75,731	745
EXPENDITURES			
Accounting	15,000	18,378	(3,378)
Audit	4,200	4,200	-
County Treasurer's fees	1,100	1,041	59
Directors' fees	2,000	831	1,169
District management	15,000	10,179	4,821
Dues and subscriptions	500	492	8
Election expense	2,500	1,372	1,128
Insurance	11,300	12,071	(771)
Legal	10,000	7,028	2,972
Payroll tax	150	31	119
Miscellaneous expense	500	724	(224)
Contingency	3,750	-	3,750
Total expenditures	66,000	56,347	9,653
NET CHANGE IN FUND BALANCES	8,986	19,384	10,398
FUND BALANCES - BEGINNING OF YEAR	11,241	23,510	12,269
FUND BALANCES - END OF YEAR	$ 20,227	$ 42,894	$ 22,667

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

CANTERBERRY CROSSING METROPOLITAN DISTRICT II
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2016

ASSETS	
CURRENT ASSETS	
Cash	$ 1,395
Total current assets	1,395
CAPITAL ASSETS, NET	
Community Center	662,246
HOA furniture, fixtures and equipment	43,235
Total capital assets	705,481
Total assets	706,876
LIABILITIES	
Accounts payable	109
Total liabilities	109
NET POSITION	
Net investment in capital assets	705,481
Unrestricted	1,286
Total net position	$ 706,767

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

CANTERBERRY CROSSING METROPOLITAN DISTRICT II
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended December 31, 2016

OPERATING REVENUES	
HOA fees	$ 159,316
Other fee income	49
Total operating revenues	159,365
OPERATING EXPENSES	
Alarm System	1,425
Chemicals	12,590
Gas and electric	14,002
Management contract	72,500
Miscellaneous	2,725
Insurance	208
Payroll	26,898
Pool enhancements	1,979
Pool security	8,817
Pool Equipment	272
Repair and maintenance	12,618
Storm water	1,101
Telephone	1,615
Water	7,909
Depreciation	58,991
Total operating expenses	223,650
CHANGE IN NET POSITION	(64,285)
TOTAL NET POSITION - BEGINNING OF YEAR	771,052
TOTAL NET POSITION - END OF YEAR	$ 706,767

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

CANTERBERRY CROSSING METROPOLITAN DISTRICT II
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$	159,365
Payments to suppliers		(163,814)
Net cash (used) by operating activities		(4,449)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		(4,449)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		5,844
CASH AND CASH EQUIVALENTS - END OF YEAR	$	1,395
Reconciliation of operating income to net cash provided by operating activities		
Operating (loss)	$	(64,285)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation expense		58,991
Decrease in prepaid expenses		736
Increase in accounts payable		109
Net cash (used) by operating activities	$	(4,449)

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

NOTE 1 - DEFINITION OF REPORTING ENTITY

Canterberry Crossing Metropolitan District II (District), a quasi-municipal corporation and political subdivision of the State of Colorado, located entirely in the Town of Parker, Douglas County, Colorado, was organized on January 9, 2001, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Service Plan approved by the Town of Parker on July 17, 2000, as modified in 2001 (Modified Service Plan). The District was established to provide for construction and financing of street, safety control, water, sanitation and park and recreation facilities and improvements. The street and safety control improvements were dedicated to and are being maintained by the Town of Parker. Water and sanitation improvements were dedicated to and are being maintained by the Parker Water and Sanitation District. Other improvements were dedicated to and are being maintained by the Canterberry Crossing Master Association (HOA).

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Both statements distinguish between governmental activities, which normally are supported by taxes and intergovernmental revenues, and business-type activities, which rely to a significant extent on fees and charges for support.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and proprietary funds. Major individual governmental and enterprise 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, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

The District reports the following major governmental funds:

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District reports the following major proprietary fund:

> The Enterprise Fund accounts for the Community Center and pool operations that are financed and operated in a manner where the intent of the District is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating revenues consist of charges to customers for service provided. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

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.

The District incurred expenditures in excess of appropriation for the year ended December 31, 2016, in the Debt Service Fund, which may be in violation of the Local Government Budget Law.

Pooled Cash and Investments

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

Investments are carried at fair value.

Cash Equivalents

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Infrastructure:	
Community Center and pool	25 years
Pool and park structures	25 years
Electronic equipment	10 years
Computers	5 years

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one item that qualifies for reporting in this category, *property tax revenue*, which is deferred and recognized as inflow of resources in the period that the amounts become available.
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity

Net Position

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

Fund Balance

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

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

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

- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

- *Assigned fund balance* – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

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

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

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	$ 55,973
Cash - Restricted	960,065
Total cash	$ 1,016,038

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

Deposits with financial institutions	$ 1,016,038
Total cash	$ 1,016,038

Deposits with Financial Institutions

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

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

At December 31, 2016, the District's cash deposits had a bank balance of and a carrying balance of $1,016,038. The District has $749,186 in FDIC insured deposits and $265,457 in collateralized PDPA deposits.

Investments

The District's formal investment policy is to follow state statutes regarding investments.

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

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

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

- Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Certain certificates of participation
- Certain securities lending agreements
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements and certain reverse 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.

NOTE 4 - CAPITAL ASSETS

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

	Balance at December 31, 2015	Additions	Retirements	Balance at December 31, 2016
Business-type Activities:				
Capital assets, not being depreciated:				
HOA furniture and fixtures	$ 6,532	$ -	$ -	$ 6,532
Total capital assets, not being depreciated	6,532	-	-	6,532
Capital assets, being depreciated:				
Community Center and pool	1,368,072	-	-	1,368,072
HOA equipment	63,801	-	-	63,801
Total capital assets, being depreciated	1,431,873	-	-	1,431,873
Less accumulated depreciation for:				
Community Center and pool	(651,058)	(54,768)	-	(705,826)
HOA equipment	(22,875)	(4,223)	-	(27,098)
Total accumulated depreciation	(673,933)	(58,991)	-	(732,924)
Business-type activities capital assets, net	$ 764,472	$ (58,991)	$ -	$ 705,481

All improvements, other than the Community Center and pool, have been dedicated to the Town of Parker, Parker Water and Sanitation District, and/or the HOA. When the property is dedicated, the District removes the cost of construction from capital assets. The District anticipates costs, if any, associated with the warranty will be insignificant.

NOTE 4 - CAPITAL ASSETS (CONTINUED)

On January 1, 2004, Canterberry Crossing Metropolitan District (CCMD), a separate and distinct quasi-municipal corporation and political subdivision of the State of Colorado, transferred the Community Center and pool to the District for ownership. The Community Center and pool are maintained and managed by the HOA. The District will retain ownership and depreciate the Community Center and pool until they are later dedicated to the HOA.

NOTE 5 - LONG-TERM OBLIGATIONS

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

	Balance December 31, 2015	Additions	Deletions	Balance December 31, 2016	Due Within One Year
Refunding Tax Free Loan - Series 2013	$ 11,700,000	$ -	$ 310,000	$ 11,390,000	$ 320,000
Total long-term obligations	$ 11,700,000	$ -	$ 310,000	$ 11,390,000	$ 320,000

Refunding Tax Free Loan – Series 2013. On October 1, 2013, the District entered into a Loan Agreement (Loan) with Compass Mortgage Corporation. The Loan proceeds were used to pay the outstanding principal and interest due on the Series 2008 Loan. The Loan has a principal balance of $12,290,000 and a base interest rate of 3.45% with interest payments due on June 1 and December 1, and with principal payments due on December 1, annually through December 1, 2020.

The loan is an obligation of the District secured by and payable from pledged revenue consisting of: (a) monies derived from the Required Mill Levy; (b) the portion of the Specific Ownership Taxes allocable to the amount of the Required Mill Levy; and (c) any other legally available monies which the Board determines in its sole discretion to apply as Pledged Revenue.

Prior to the time when the debt to assessed ratio is 50% or less, the Required Mill Levy is an ad valorem mill levy imposed upon all taxable property of the District in an amount sufficient, when combined with monies held in the Loan Payment Fund not required to be applied to the payment of the Loan in the then current calendar year (not including monies in the Reserve Fund or the Surplus Fund), to pay when due the principal of and interest on the Loan, and to fund the Reserve Fund up to the Reserve Requirement. The method of calculating assessed valuation was changed after July 17, 2000. The minimum and maximum mill levies provided herein were increased to reflect such changes.

The adjusted Required Mill Levy is (i) not in excess of 42.827 mills, previously 35 mills, reduced by the number of mills necessary to pay unlimited mill levy general obligation debt, if any, and ad valorem tax in an annual amount of 3.000 mills, previously 2.452 mills, to be used to pay the operations and maintenance expense of the District (Operations Deduction), and (ii) not less than 35.500 mills, previously 29.012 mills.

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Once the Debt to Assessed Ratio is 50% or less, an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient, to pay when due the principal of and interest on the Loan, and to fund the Reserve Fund up to the Reserve Requirement, without limitation of rate and in amounts sufficient to make such payments when due. In the event the foregoing amounts cannot be fully paid, satisfied, and discharged as of the Maturity Date with a mill levy in 2019 for collection in 2020 of not greater than 75 mills, the "Required Mill Levy" shall be: (i) 75 mills for that year and for any year thereafter in which a debt service mill levy is made for payment of such amounts or (ii) such lesser mill levy as shall be consented to by the Lender. Any increase in the mill levy is subject to the maximum annual tax increase permitted by the District's electoral authorization.

As of December 31, 2016, the debt to assessed ratio of the District was 49%.

The Reserve Fund is required to maintain a minimum balance of $500,000 (the "Reserve Requirement"). If the amount in the Reserve Fund is less than the Reserve Requirement, the District shall levy an amount sufficient to replenish the Reserve Requirement, subject to the Required Mill Levy. The balance in the Reserve Fund at December 31, 2016 is $500,742.

The District's long-term obligations relating to the loan will mature as follows:

	Principal	Interest	Total
2017	$ 320,000	$ 398,413	$ 718,413
2018	340,000	387,219	727,219
2019	355,000	375,326	730,326
2020	10,375,000	363,903	10,738,903
	$ 11,390,000	$ 1,524,861	$ 12,914,861

Authorized Debt

On November 7, 2000, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed $26,000,000 at an interest rate not to exceed 12% per annum. At December 31, 2016, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on November 7, 2000	Authorization Used			Authorized But Unissued
		Series 2002 and 2005 Bonds	2008 Loan	2013 Loan	
Streets and safety protection	$ 7,047,000	$ 7,014,075	$ 32,925	$ -	$ -
Parks and recreation	1,553,000	1,418,850	134,150	-	-
Water supply	1,445,000	1,205,780	239,220	-	-
Sanitary sewer and storm drainage	2,955,000	1,711,295	1,243,705	-	-
Debt refunding	13,000,000	-	195,000	12,290,000	515,000
Total	$ 26,000,000	$ 11,350,000	$ 1,845,000	$ 12,290,000	$ 515,000

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

According to the Modified Service Plan, the District is limited to issuing $13,000,000 in debt (except for bonds issued for refunding purposes). The Modified Service Plan limits the District's debt service mill levy to 35 mills, provided, however, such mill levy may be adjusted for changes in the methodology for determining valuation of taxable property, for so long as the ratio of the District's debt to assessed valuation exceeds fifty percent (50%) reduced by the number of mills necessary to pay unlimited mill levy general obligation debt, if any, and any amount necessary to pay operation and maintenance expenses. The adjusted maximum debt service mill levy as of December 31, 2016, is 42.827 mills. The debt service mill levy imposed by the District for collection in 2016 is 35.500 mills.

In the future, the District may issue a portion of all of the remaining authorized, but unissued general obligation debt for the purpose of providing public improvements, to support development as it occurs within the District's service area; however, as of the date of this audit, the amount and timing of any debt issuance is not determinable.

NOTE 6 - NET POSITION

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2016, the District had a net investment in capital assets of $705,481.

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

	Governmental Activities
Restricted net position:	
Emergency reserve	$ 2,300
Debt service	850,087
Conservation Trust	73,401
Total restricted net position	$ 925,788

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

NOTE 7 - AGREEMENTS

Management Agreement

On May 21, 2002, the District entered into an Agreement with CCMD and the HOA, whereby the HOA will manage and maintain the operation of the Community Center and pool owned by the District and CCMD (Management Agreement). The Management Agreement was amended on May 15, 2007, to clarify certain administrative functions and responsibilities of the HOA. The District imposes a fee on all users of the Community Center and the pool pursuant to a Resolution adopted on October 15, 2002, as amended. On November 1, 2016, the District adopted a Resolution adopting the Recreation Center Fees and approving the Recreation Center Budget for the 2017 calendar and fiscal year. This resolution replaces all of the prior resolutions regarding Recreation Center Fees. This fee is charged to the residents via the monthly fees that they pay to the HOA. Upon the repayment of the bonds, the District will convey the Community Center and pool over to the HOA.

Intergovernmental Agreement with Parker Properties Metropolitan District

On November 15, 2011, the District entered into an intergovernmental agreement with Parker Properties Metropolitan District #1 (Parker Properties) where they agreed to transfer certain monies available after their dissolution to the District for use in funding the operation and maintenance or capital improvements to the Recreation Center.

NOTE 8 - RELATED PARTY

The original Developer of the property that constitutes the District is Canterberry Development Company, LLC. Certain members of the Board of Directors are employees of, owners of, or otherwise associated with the Developer and may have conflicts of interest in dealing with the District.

NOTE 9 - RISK MANAGEMENT

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

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

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

NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations 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 District’s management believes a significant portion of its operations qualifies for this exclusion.

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.

On November 7, 2000, the District voters passed an election question to increase property taxes $500,000 annually, without limitation of rate, to pay the District’s operations, maintenance and other expenses. Additionally, the District’s electors authorized the District to collect, retain and spend all revenue, other than ad valorem taxes, without regard to any limitation under TABOR.

During this election, the voters of the District also authorized the issuance of $26,000,000 in debt, of which $13,000,000 is for debt refunding. Additionally, the voters authorized all revenue used to pay such debt to be collected and spent without regard to any limitations under TABOR.

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

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

SUPPLEMENTAL INFORMATION

CANTERBERRY CROSSING METROPOLITAN DISTRICT II
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016

	Original & Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	$ 820,953	$ 820,775	$ (178)
Specific ownership taxes	65,700	75,532	9,832
Micsellaneous Income	-	2	2
Interest income	2,000	603	(1,397)
Total revenues	888,653	896,912	8,259
EXPENDITURES			
County Treasurer's fees	12,400	12,317	83
Loan interest payment	403,650	410,390	(6,740)
Loan principal payment	310,000	310,000	-
Paying agent fees	300	300	-
Miscellaneous	-	15	(15)
Contingency	4,650	-	4,650
Total expenditures	731,000	733,022	(2,022)
NET CHANGE IN FUND BALANCES	157,653	163,890	6,237
FUND BALANCES - BEGINNING OF YEAR	718,133	719,398	1,265
FUND BALANCES - END OF YEAR	$ 875,786	$ 883,288	$ 7,502

CANTERBERRY CROSSING METROPOLITAN DISTRICT II
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016

	Original & Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Conservation Trust entitlement	$ 12,000	$ 14,689	$ 2,689
Miscellaneous Income	-	1	1
Total revenues	12,000	14,690	2,690
NET CHANGE IN FUND BALANCES	12,000	14,690	2,690
FUND BALANCES - BEGINNING OF YEAR	64,069	64,480	411
FUND BALANCES - END OF YEAR	$ 76,069	$ 79,170	$ 3,101

CANTERBERRY CROSSING METROPOLITAN DISTRICT II
ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2016

	Original & Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
HOA fees	$ 171,800	$ 159,316	$ (12,484)
Other fee income	-	49	49
Total revenues	171,800	159,365	(12,435)
EXPENDITURES			
Operating			
Alarm System	-	1,425	(1,425)
Chemicals	11,000	12,590	(1,590)
Gas and electric	18,000	14,002	3,998
License and permits	510	-	510
Insurance	-	208	(208)
Management contract	75,000	72,500	2,500
Miscellaneous	1,800	2,725	(925)
Office supplies	490	-	490
Payroll	28,500	26,898	1,602
Pool enhancements	2,000	1,979	21
Pool Equipment	-	272	(272)
Pool security	7,800	8,817	(1,017)
Pool tags	2,000	-	2,000
Repair and maintenance - building	12,000	12,618	(618)
Storm water	1,400	1,101	299
Telephone	2,300	1,615	685
Water	9,000	7,909	1,091
Total expenditures	171,800	164,659	7,141
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES - BUDGET BASIS	$ -	(5,294)	$ (5,294)
ADJUSTMENTS TO RECONCILE BUDGET BASIS TO GAAP BASIS			
Depreciation expense		(58,991)	
CHANGE IN NET ASSETS		(64,285)	
NET POSITION - BEGINNING OF YEAR		771,052	
NET POSITION - END OF YEAR		$ 706,767	

CANTERBERRY CROSSING METROPOLITAN DISTRICT II
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016

Loan and Interest Maturing in the Year Ending December 31,	$12,290,000 Tax Free Loan Dated October 1, 2013 Principal Due Annually December 1 Interest at 3.45% Due June 1 and December 1		
	Principal	Interest	Total
2017	$ 320,000	$ 398,413	$ 718,413
2018	340,000	387,219	727,219
2019	355,000	375,326	730,326
2020	10,375,000	363,903	10,738,903
	$ 11,390,000	$ 1,524,861	$ 12,914,861

CANTERBERRY CROSSING METROPOLITAN DISTRICT II
FIVE YEAR SUMMARY OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
December 31, 2016

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied for General	Mills Levied for Debt Service	Total Property Taxes Levied	Total Property Taxes Collected	Percent Collected to Levied
2012	$ 19,050,050	3.000	35.500	$ 733,427	$ 733,889	100.1%
2013	$ 19,010,470	3.000	35.500	$ 731,903	$ 731,886	100.0%
2014	$ 19,852,302	3.000	35.500	$ 764,314	$ 764,336	100.0%
2015	$ 19,739,840	3.000	35.500	$ 759,983	$ 759,441	99.9%
2016	$ 23,125,450	3.000	35.500	$ 890,329	$ 890,115	100.0%
Estimated for calendar year ending December 31,						
2017	$ 23,122,080	3.000	35.500	$ 890,200		

Note:
Property taxes collected in any one year include collection of delinquent property taxes levied in prior years.