

COPPERLEAF METROPOLITAN DISTRICT NO. 2

Financial Statements

Year Ended December 31, 2016

with

Independent Auditor's Report



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Hiratsuka & Associates, L.L.P.
Certified Public Accountants & Business Advisors

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Copperleaf Metropolitan District No. 2
Arapahoe County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Copperleaf Metropolitan District No. 2 (the District), Arapahoe County, Colorado, 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 (U.S. GAAP); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Copperleaf Metropolitan District No. 2, Arapahoe County, Colorado, as of December 31, 2016, and the respective changes in financial position and, where applicable, the respective budgetary comparison for the General Fund for the year then ended in conformity with U.S. GAAP.

Required Supplemental Information

Management has not presented Management's Discussion and Analysis that U.S. GAAP requires 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 (GASB), 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.

U.S. GAAP require that the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service Fund on page 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, who consider is to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service Fund is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Summary of Assessed Valuation, Mill Levy and Property Taxes Collected was presented for the purpose of additional analysis and was not a required part of the basic financial statements. The Summary of Assessed Valuation, Mill Levy and Property Taxes Collected was the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Hiratsuka & Associates, LLP

June 19, 2017
Wheat Ridge, Colorado

COPPERLEAF METROPOLITAN DISTRICT NO. 2

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

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS					
Cash and investments	\$ 315,829	\$ -	\$ 315,829	\$ -	\$ 315,829
Cash and investments - restricted	-	2,654,936	2,654,936	-	2,654,936
Receivable - County Treasurer	937	6,692	7,629	-	7,629
Property taxes receivable	206,618	1,475,839	1,682,457	-	1,682,457
Prepaid expenses	4,751	-	4,751	-	4,751
Total Assets	<u>528,135</u>	<u>4,137,467</u>	<u>4,665,602</u>	<u>-</u>	<u>4,665,602</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	-	-	-	1,391,332	1,391,332
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,391,332</u>	<u>1,391,332</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 528,135</u>	<u>\$ 4,137,467</u>	<u>\$ 4,665,602</u>		
LIABILITIES					
Accounts payable	\$ 3,794	\$ -	\$ 3,794	-	3,794
Accrued interest on bonds	-	-	-	155,537	155,537
Long-term liabilities:					
Due in more than one year	-	-	-	33,025,000	33,025,000
Total Liabilities	<u>3,794</u>	<u>-</u>	<u>3,794</u>	<u>33,180,537</u>	<u>33,184,331</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	206,618	1,475,839	1,682,457	-	1,682,457
Total Deferred Inflows of Resources	<u>206,618</u>	<u>1,475,839</u>	<u>1,682,457</u>	<u>-</u>	<u>1,682,457</u>
FUND BALANCES/NET POSITION					
Fund Balances:					
Nonspendable:					
Prepays	4,751	-	4,751	(4,751)	-
Restricted:					
Emergencies	1,234	-	1,234	(1,234)	-
Debt service	-	2,661,628	2,661,628	(2,661,628)	-
Unassigned	311,738	-	311,738	(311,738)	-
Total Fund Balances	<u>317,723</u>	<u>2,661,628</u>	<u>2,979,351</u>	<u>(2,979,351)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 528,135</u>	<u>\$ 4,137,467</u>	<u>\$ 4,665,602</u>		
Net Position:					
Restricted for:					
Emergencies				1,234	1,234
Debt service				2,506,091	2,506,091
Unrestricted				<u>(31,317,179)</u>	<u>(31,317,179)</u>
Total Net Position				<u>\$ (28,809,854)</u>	<u>\$ (28,809,854)</u>

The notes to the financial statements are an integral part of these statements.

COPPERLEAF METROPOLITAN DISTRICT NO. 2

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES -
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES					
Accounting and audit	\$ 10,214	\$ -	\$ 10,214	\$ -	\$ 10,214
Insurance	4,038	-	4,038	-	4,038
Legal	22,941	-	22,941	-	22,941
Miscellaneous expenses	355	-	355	-	355
Professional services	3,570	-	3,570	-	3,570
Treasurer's fees	2,512	17,939	20,451	-	20,451
Bond interest expense	-	2,037,528	2,037,528	(50,603)	1,986,925
Paying agent fees	-	3,000	3,000	-	3,000
Total Expenditures	<u>43,630</u>	<u>2,058,467</u>	<u>2,102,097</u>	<u>(50,603)</u>	<u>2,051,494</u>
GENERAL REVENUES					
Property taxes	167,388	1,195,621	1,363,009	-	1,363,009
Specific ownership taxes	12,833	91,662	104,495	-	104,495
Interest income	46	21,057	21,103	-	21,103
Total General Revenues	<u>180,267</u>	<u>1,308,340</u>	<u>1,488,607</u>	<u>-</u>	<u>1,488,607</u>
NET CHANGES IN FUND BALANCES	136,637	(750,127)	(613,490)	613,490	
CHANGE IN NET POSITION				(562,887)	(562,887)
FUND BALANCES/NET POSITION:					
BEGINNING OF YEAR	<u>181,086</u>	<u>3,411,755</u>	<u>3,592,841</u>	<u>(31,839,808)</u>	<u>(28,246,967)</u>
END OF YEAR	<u>\$ 317,723</u>	<u>\$ 2,661,628</u>	<u>\$ 2,979,351</u>	<u>\$(31,789,205)</u>	<u>\$(28,809,854)</u>

The notes to the financial statements are an integral part of these statements.

COPPERLEAF METROPOLITAN DISTRICT NO. 2

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND

For the Year Ended December 31, 2016

	Original and <u>Final Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 167,397	\$ 167,388	\$ (9)
Specific ownership taxes	11,718	12,833	1,115
Interest income	<u>3</u>	<u>46</u>	<u>43</u>
Total Revenues	<u>179,118</u>	<u>180,267</u>	<u>1,149</u>
EXPENDITURES			
Accounting and audit	24,000	10,214	13,786
Insurance	4,000	4,038	(38)
Legal	20,000	22,941	(2,941)
Miscellaneous expenses	-	355	(355)
Professional services	-	3,570	(3,570)
Treasurer's fees	2,511	2,512	(1)
Contingency	243,113	-	243,113
Emergency reserve	<u>1,515</u>	<u>-</u>	<u>1,515</u>
Total Expenditures	<u>295,139</u>	<u>43,630</u>	<u>251,509</u>
NET CHANGE IN FUND BALANCE	(116,021)	136,637	252,658
FUND BALANCE:			
BEGINNING OF YEAR	<u>116,021</u>	<u>181,086</u>	<u>65,065</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 317,723</u>	<u>\$ 317,723</u>

The notes to the financial statements are an integral part of these statements.

COPPERLEAF METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2016

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Copperleaf Metropolitan District No. 2 (“the District”), located in Arapahoe County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized on February 7, 2005, as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to provide for construction and financing of water and sanitary sewer and storm drainage facilities, streets, and park and recreation facilities, safety protection facilities and services, transportation facilities, and television relay and translation services. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB Pronouncements which provides guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

Basis of Presentation

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

COPPERLEAF METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2016

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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*.

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 the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

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

COPPERLEAF METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2016

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. 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 appropriation is at the total fund expenditures level and lapses at year end.

In November 2016, the District amended its total appropriations in the Debt Service Fund from \$2,057,463 to \$2,080,000 primarily due to unbudgeted fees.

Assets, Liabilities and Net Position:

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2016, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the District are reported at fair value.

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 minimum number of bank accounts. 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.

COPPERLEAF METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2016

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. It is the deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of items that qualify for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

COPPERLEAF METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2016

Fund Balance

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

The nonspendable fund balance in the General Fund in the amount of \$4,751 represents prepaid expenditures.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$1,234 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$2,661,628 is restricted for the payment of the debt service costs associated with the General Obligation Refunding Bonds, Series 2015 (see Note 3).

Assigned Fund Balance

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a 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.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all other funds can report negative amounts.

COPPERLEAF METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2016

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District can report three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets. As of December 31, 2016, the District had no net investments in capital assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net positions are available, the District will use the most restrictive net position first.

Note 2: Cash and Investments

As of December 31, 2016, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 315,829
Cash and investments - Restricted	<u>2,654,936</u>
Total	\$ <u>2,970,765</u>

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

Deposits with financial institutions	\$ 57,878
Investments - COLOTRUST	<u>2,912,887</u>
	\$ <u>2,970,765</u>

COPPERLEAF METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2016

Deposits:

Custodial Credit Risk

The Colorado Public Deposit Protection Act (“PDPA”), requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. 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.

The District follows state statutes for deposits. None of the District’s deposits were exposed to custodial credit risk.

Investments:

Investment Valuation

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized cost.

The District has the following recurring fair value measurements as of December 31, 2016:

An external investment pool that records its investments at fair value. The investment in COLOTRUST is categorized as a Level 2 Investment.

Credit Risk

The District has not adopted a formal investment policy; however the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

None of the District’s investments are subject to custodial or concentration of credit risk.

COPPERLEAF METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2016

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

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

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”) is rated AAAM by Standard & Poor’s and the maturity is weighted average under 60 days. COLOTRUST is an investment trust/joint ventures established for local government entities in Colorado to pool surplus funds. The trusts operate similarly to a money market fund with each share maintaining a value of \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians’ internal records identify the investments owned by COLOTRUST. At December 31, 2016, the District had \$2,912,887 invested in COLOTRUST.

Note 3: Long Term Debt

General Obligation (Limited Tax Convertible to Unlimited Tax) Refunding Bonds, Series 2015

- On October 28, 2015 the District issued \$33,025,000 of General Obligation (Limited Tax to Unlimited Tax) Refunding Bonds Series 2015 (the “Series 2015 Bonds”) dated October 28, 2015 to refund the outstanding Limited Tax General Obligation Bonds, Series 2006. The Series 2015 Bonds are term bonds due on December 1, 2030 and December 1, 2045. The Series 2015 Bonds bear interest at rates between 5.25% and 5.75%, payable semiannually on each June 1 and December 1, commencing on June 1, 2016. The Series 2015 Bonds are subject to mandatory sinking fund redemption commencing on December 1, 2020. The Series 2015 Bonds maturing on and before December 1, 2045 are subject to redemption prior to their respective maturity dates. The Series 2015 Bonds are secured by and payable from the Pledged Revenue consisting of moneys derived by the required mill levy not to exceed 50.000 mills until such time the District’s Debt to Assessed Value Ratio is less than 50%; specific ownership taxes and other legally available moneys.

COPPERLEAF METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2016

Advance refunding of debt

The Series 2015 Bonds were issued to provide resources to purchase securities to be placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the Series 2006 Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$1,610,086. This amount is recorded as a deferred inflow and is being amortized over the remaining life of the new debt issued. The District realized a net present value savings of \$4,370,316 by refunding the Series 2006 Bonds.

The following is a summary of the annual long-term debt principal and interest requirements for Series 2015 Bonds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 1,866,438	\$ 1,866,438
2018	-	1,866,437	1,866,437
2019	-	1,866,438	1,866,438
2020	115,000	1,866,437	1,981,437
2021	285,000	1,860,400	2,145,400
2022 - 2026	2,760,000	8,974,663	11,734,663
2027 - 2031	4,335,000	8,082,950	12,417,950
2032 - 2036	6,385,000	6,660,803	13,045,803
2037 - 2041	9,165,000	4,524,675	13,689,675
2042 - 2045	9,980,000	1,480,337	11,460,337
	<u>\$ 33,025,000</u>	<u>\$ 39,049,578</u>	<u>\$ 72,074,578</u>

The following is an analysis of changes in long-term debt for the year ending December 31, 2016:

	<u>Balance</u>			<u>Balance</u>	<u>Current</u>
	<u>1/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2016</u>	<u>Portion</u>
G.O. Bonds Series 2015	<u>\$ 33,025,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,025,000</u>	<u>\$ -</u>
	<u>\$ 33,025,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,025,000</u>	<u>\$ -</u>

COPPERLEAF METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2016

On November 2, 2004, a majority of the qualified electors of the District authorized the issuance of general obligation indebtedness in an amount not to exceed \$2,069,000,000 for providing public improvements; \$516,000,000 for intergovernmental agreements; and \$258,000,000 for refunding of previously issued indebtedness. After the issuance of the Series 2015 Bonds, \$2,288,975,000 authorized debt for new improvements remain un-issued and \$258,000,000 of refunding authorization remains un-issued. However, the District's Service Plan limits the amount of general obligation debt to \$258,000,000.

Note 5: Agreements with Other Governments

Copperleaf Trails Planning Project – On December 6, 2016, the District was awarded funding from the Arapahoe County Open Space Grant Program in the amount of \$60,193. The funds will be used to plan and design trails within the boundaries of the District. The District, (along with East Cherry Creek Valley Water & Sanitation District and Arapahoe Park & Recreation District), agrees to fund \$22,676 to be used for the planning project commencing in 2017. On February 1, 2017, the District entered into the “Intergovernmental Agreement Regarding 2016 Grant of Arapahoe County Open Space Program Funds – Project Name: Copperleaf Trail Planning Project” with Arapahoe County relating to the Grant Project.

Note 6: Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer Bill of Rights (“TABOR”), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

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.

COPPERLEAF METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2016

On November 2, 2004, a majority of the District's electors authorized the District to collect, retain and spend any and all amounts annually from any revenue sources whatsoever other than ad valorem taxes without regard to the limitations contained in Article X, Section 20 of the Colorado Constitution.

Note 7: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool (the Pool) which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other 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 8: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments have the following elements:

- 1) long-term liabilities such as bonds payable and accrued bond interest payable are not due and payable in the current period and, therefore, are not in the funds.

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

- 1) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities;
- 2) governmental funds report developer advances and/or bond proceeds as revenue; and,
- 3) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

COPPERLEAF METROPOLITAN DISTRICT NO. 2

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
DEBT SERVICE FUND

For the Year Ended December 31, 2016

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ 1,195,691	\$ 1,195,691	\$ 1,195,621	\$ (70)
Specific ownership taxes	83,698	83,698	91,662	7,964
Interest income	<u>312</u>	<u>23,436</u>	<u>21,057</u>	<u>(2,379)</u>
Total Revenues	<u>1,279,701</u>	<u>1,302,825</u>	<u>1,308,340</u>	<u>5,515</u>
EXPENDITURES				
Bond interest expense	2,037,528	2,037,528	2,037,528	-
Paying agent fees	2,000	24,537	3,000	21,537
Treasurer's fees	<u>17,935</u>	<u>17,935</u>	<u>17,939</u>	<u>(4)</u>
Total Expenditures	<u>2,057,463</u>	<u>2,080,000</u>	<u>2,058,467</u>	<u>21,533</u>
NET CHANGE IN FUND BALANCE	(777,762)	(777,175)	(750,127)	27,048
FUND BALANCE:				
BEGINNING OF YEAR	<u>3,373,308</u>	<u>3,373,308</u>	<u>3,411,755</u>	<u>38,447</u>
END OF YEAR	<u>\$ 2,595,546</u>	<u>\$ 2,596,133</u>	<u>\$ 2,661,628</u>	<u>\$ 65,495</u>

The notes to the financial statements are an integral part of these statements.

COPPERLEAF METROPOLITAN DISTRICT NO. 2

SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED

December 31, 2016

<u>Year Ended December 31,</u>	Prior Year Assessed Valuation for Current Year Property Tax Levy	<u>Mills Levied</u>		<u>Total Property Tax</u>		<u>Percent Collected to Levied</u>
		<u>General Fund</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2007	\$ 950,190	5.000	50.000	\$ 52,260	\$ 52,261	100.00%
2008	\$ 2,811,270	5.000	50.000	\$ 154,620	\$ 154,620	100.00%
2009	\$ 7,297,690	5.000	50.000	\$ 401,373	\$ 400,459	99.77%
2010	\$ 5,322,660	10.000	50.000	\$ 319,360	\$ 317,531	99.43%
2011	\$ 6,237,920	10.000	50.000	\$ 374,275	\$ 369,252	98.66%
2012	\$ 7,803,990	14.000	50.000	\$ 499,455	\$ 496,630	99.43%
2013	\$ 8,921,710	14.000	50.000	\$ 570,989	\$ 570,876	99.98%
2014	\$ 10,672,220	14.000	50.000	\$ 683,022	\$ 681,482	99.77%
2015	\$ 15,611,080	14.000	50.000	\$ 999,109	\$ 999,973	100.09%
2016	\$ 23,913,826	7.000	50.000	\$1,363,088	\$1,363,009	99.99%
Estimated for year ending December 31, 2017	\$ 29,516,786	7.000	50.000	\$1,682,457		

NOTE

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.