

**KIPLING RIDGE METROPOLITAN DISTRICT**  
**Jefferson County, Colorado**

**FINANCIAL STATEMENTS**  
**December 31, 2016**



**RECEIVED**

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## TABLE OF CONTENTS

	<b>PAGE</b>
<b>INDEPENDENT AUDITORS' REPORT</b> .....	<b>1</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>Government-wide Financial Statements</b>	
Statement of Net Position .....	1
Statement of Activities.....	2
<b>Basic Financial Statements</b>	
<b>Governmental Funds</b>	
Balance Sheet - Governmental Funds .....	3
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	5
General Fund - Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual.....	6
Notes to Financial Statements .....	7
<b>SUPPLEMENTARY INFORMATION</b> .....	<b>20</b>
Debt Service Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual .....	21
Capital Projects Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual.....	22
Schedule of Debt Service Requirements to Maturity .....	23
Schedule of Assessed Valuation, Mill Levy and Property Taxes Collected .....	25



Certified Public Accountants and Business Consultants

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Kipling Ridge Metropolitan District  
Jefferson County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Kipling Ridge Metropolitan District (the District), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2016, and the respective changes in financial position thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Barnes Griggs & Associates, PC

## **Other Matters**

### *Required Supplementary Information*

Management has omitted 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 the District's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of legal compliance and 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. The 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Larner Higgin & Associates, PC*

Lakewood, Colorado

April 11, 2017

## **BASIC FINANCIAL STATEMENTS**

**KIPLING RIDGE METROPOLITAN DISTRICT  
STATEMENT OF NET POSITION  
December 31, 2016**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 222,921
Cash and investments - Restricted	2,092,776
Receivable - County Treasurer	834
Retail sales fee receivable	158,443
Property taxes receivable	84,834
Prepaid expense	6,211
Land improvements	2,615,086
Total assets	5,181,105
<b>LIABILITIES</b>	
Accounts payable	9,904
Accrued interest payable	28,181
Due to County	14,168
Noncurrent liabilities:	
Due in less than one year	410,000
Due in more than one year	6,745,000
Total liabilities	7,207,253
<b>DEFERRED INFLOW OF RESOURCES</b>	
Property tax revenue	84,834
Total deferred inflow of resources	84,834
<b>NET POSITION</b>	
Net investment in capital assets	1,233,137
Restricted for:	
Emergency reserves	3,700
Debt service	1,431,168
Unrestricted	(4,778,987)
Total net position	\$ (2,110,982)

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

**KIPLING RIDGE METROPOLITAN DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Government activities:					
General government	\$ 124,286	\$ -	\$ 42,173	\$ -	\$ (82,113)
Interest on long-term debt and related costs	398,493	1,690,044	-	-	1,291,551
	<u>\$ 522,779</u>	<u>\$ 1,690,044</u>	<u>\$ 42,173</u>	<u>\$ -</u>	<u>1,209,438</u>
General revenues:					
Property taxes					69,370
Specific ownership taxes					9,334
Net investment income					7,999
Total general revenues					<u>86,703</u>
Change in net position					1,296,141
Net position - Beginning					<u>(3,407,123)</u>
Net position - Ending					<u>\$ (2,110,982)</u>

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

**KIPLING RIDGE METROPOLITAN DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2016**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 222,921	\$ -	\$ -	\$ 222,921
Cash and investments - Restricted	3,700	1,302,506	786,570	2,092,776
Prepaid expense	6,211	-	-	6,211
Receivable from County Treasurer	834	-	-	834
Retail sales fee receivable	-	158,443	-	158,443
Property taxes receivable	84,834	-	-	84,834
<b>TOTAL ASSETS</b>	<b>\$ 318,500</b>	<b>\$ 1,460,949</b>	<b>\$ 786,570</b>	<b>\$ 2,566,019</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 8,169	\$ 1,600	\$ 135	\$ 9,904
Due to County	14,168	-	-	14,168
Total liabilities	22,337	1,600	135	24,072
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred property tax revenue	84,834	-	-	84,834
Total deferred inflows of resources	84,834	-	-	84,834
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid expense	6,211	-	-	6,211
Restricted:				
Emergency reserves	3,700	-	-	3,700
Debt service	-	1,459,349	-	1,459,349
Assigned:				
Capital projects	-	-	786,435	786,435
Unassigned	201,418	-	-	201,418
Total fund balances	211,329	1,459,349	786,435	2,457,113
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 318,500</b>	<b>\$ 1,460,949</b>	<b>\$ 786,570</b>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the funds.	2,615,086
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.	
Bonds payable	(7,155,000)
Accrued Bond interest payable	(28,181)
Net position of governmental activities	\$ (2,110,982)

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

**KIPLING RIDGE METROPOLITAN DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2016**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property taxes	\$ 69,370	\$ -	\$ -	\$ 69,370
Property taxes - Collected through AURA	42,173	-	-	42,173
Property tax TIF AURA	-	581,164	-	581,164
Specific ownership taxes	9,334	-	-	9,334
Net investment income	545	5,102	2,352	7,999
Other Income	-	-	-	-
Retail sales fee	-	1,108,880	-	1,108,880
Miscellaneous income	-	-	-	-
Total revenues	<u>121,422</u>	<u>1,695,146</u>	<u>2,352</u>	<u>1,818,920</u>
<b>EXPENDITURES</b>				
Accounting	25,490	-	-	25,490
Audit	5,200	-	-	5,200
Architecture and engineering	-	-	-	-
County Treasurer's fee	1,044	-	-	1,044
District management	11,599	-	-	11,599
Election costs	1,904	-	-	1,904
Insurance and bonds	5,512	-	-	5,512
Irrigation	6,867	-	-	6,867
Landscape maintenance	41,985	-	-	41,985
Legal services	14,324	-	525	14,849
Miscellaneous	640	-	-	640
Snow removal	2,340	-	-	2,340
Debt service	-	1,768,831	-	1,768,831
Landscaping - replacements	6,856	-	-	6,856
Detention Pond Maintenance	-	-	-	-
Grading	-	-	-	-
Total expenditures	<u>123,761</u>	<u>1,768,831</u>	<u>525</u>	<u>1,893,117</u>
<b>NET CHANGE IN FUND BALANCES</b>	(2,339)	(73,685)	1,827	(74,197)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>213,668</u>	<u>1,533,034</u>	<u>784,608</u>	<u>2,531,310</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 211,329</u>	<u>\$ 1,459,349</u>	<u>\$ 786,435</u>	<u>\$ 2,457,113</u>

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

**KIPLING RIDGE METROPOLITAN DISTRICT  
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	\$ (74,197)
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Long-term debt (e.g., bonds, Developer advances) 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 assets. 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. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Current year bond principal	1,365,000
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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 payable, change in liability	<u>5,338</u>
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Changes in net position of governmental activities	<u>\$ 1,296,141</u>
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These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**KIPLING RIDGE METROPOLITAN DISTRICT  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended December 31, 2016**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Property taxes	\$ 83,752	\$ 69,370	\$ (14,382)
Property taxes - Collected through AURA	42,270	42,173	(97)
Specific ownership taxes	8,822	9,334	512
Net investment income	100	545	445
Total revenues	<u>134,944</u>	<u>121,422</u>	<u>(13,522)</u>
<b>EXPENDITURES</b>			
Accounting	20,000	25,490	(5,490)
Audit	5,400	5,200	200
County Treasurer's fee	1,256	1,044	212
District management	15,000	11,599	3,401
Election costs	1,000	1,904	(904)
Insurance and bonds	5,000	5,512	(512)
Irrigation	10,000	6,867	3,133
Landscape maintenance	35,000	41,985	(6,985)
Landscaping - replacements	15,000	6,856	8,144
Legal services	10,000	14,324	(4,324)
Miscellaneous	1,000	640	360
Snow removal	7,000	2,340	4,660
Wall maintenance	10,000	-	10,000
Contingency	2,344	-	2,344
Total expenditures	<u>138,000</u>	<u>123,761</u>	<u>14,239</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(3,056)	(2,339)	717
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>209,344</u>	<u>213,668</u>	<u>4,324</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 206,288</u>	<u>\$ 211,329</u>	<u>\$ 5,041</u>

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

**KIPLING RIDGE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

Kipling Ridge Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on November 15, 2004, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Jefferson County, Colorado, entirely within the City of Arvada. The District was established to provide financing for the acquisition, construction and installation of water, sanitation, parks and recreation, drainage, street improvements, transportation, and mosquito control.

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 financially accountable for the Arvada Ridge Public Improvement Company (PIC). The PIC was formed on March 15, 2005, for the purpose of imposing and collecting certain retail sales fees (PIF) imposed for the benefit of the District and other parties. The District, the City of Arvada, the Arvada Urban Renewal Authority (AURA) and the Developer (as hereafter defined) entered into the Cooperation Agreement dated December 13, 2004, whereby the PIC agreed to remit a certain portion of the PIF revenue received to the District in consideration of the District's financing and construction of public improvements which benefit the members of the PIC. The Cooperation Agreement also provides for AURA and Target Corporation (Target) to receive a portion of the PIF revenue generated by the PIC. Since the resources received by the PIC are not entirely for the benefit of the District, the PIC is not a component unit of the District.

The District is not 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. Governmental activities are normally supported by taxes.

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.

**KIPLING RIDGE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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 major sources of revenue susceptible to accrual are property taxes, specific ownership taxes, and retail sales fees. 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 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 infrastructure improvements.

**KIPLING RIDGE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

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

**Budgets**

In accordance with the Local Government Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

**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.

**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 certified to the County Commissioners by the District's Board of Directors on or before December 15 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 infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported 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.

**KIPLING RIDGE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

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

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of the net investment in capital assets component of the District's net position.

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 not been recorded as the assets are recorded as nondepreciable land improvements.

**Retail Sales Fee**

The District receives a portion of the retail sales fee that is collected by the PIC. The fee is received on taxable sales within the District pursuant to the Fee Servicing Agreement.

***Deferred Outflows/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 type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, deferred property tax revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available

**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.

**KIPLING RIDGE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

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

***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.

**KIPLING RIDGE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

**NOTE 3 - CASH AND INVESTMENTS**

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

Statement of net position:

Cash and investments	\$ 222,921
Cash and investments - Restricted	<u>2,092,776</u>
Total cash and investments	<u>\$ 2,315,697</u>

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

Deposits with financial institutions	\$ 39,200
Investments	<u>2,276,497</u>
Total cash and investments	<u>\$ 2,315,697</u>

**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 \$57,463 and a carrying balance of \$39,200.

**Investments**

The District has adopted a formal investment policy whereby the District follows state statutes regarding investments.

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

**KIPLING RIDGE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

**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

**Fair Value Measurement and Application**

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; and 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 invested in COLOTRUST, an external investment pool that records its investments at fair value and measures fair value using Level 2 inputs.

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

<b>Investment</b>	<b>Maturity</b>	<b>Fair Value</b>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 2,276,497</u>

**COLOTRUST**

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and

**KIPLING RIDGE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

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

repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's.

**NOTE 4 - CAPITAL ASSETS**

An analysis of the changes in property for the period ended December 31, 2016, follows:

	<u>Balance at December 31, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2016</u>
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land improvements	\$ 2,615,086	\$ -	\$ -	\$ 2,615,086
Capital assets	<u>\$ 2,615,086</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,615,086</u>

A portion of the capital assets constructed by the District were conveyed to other governmental entities. The costs of all capital assets transferred to other governmental entities were removed from the District's financial records.

**NOTE 5 - LONG-TERM OBLIGATIONS**

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

	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Retirement</u>	<u>Balance at December 31, 2016</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Revenue bonds payable:					
Series 2011 B	\$ 7,285,000	\$ -	\$ 975,000	\$ 6,310,000	\$ -
Series 2012 A	1,235,000	-	390,000	845,000	410,000
	<u>\$ 8,520,000</u>	<u>\$ -</u>	<u>\$ 1,365,000</u>	<u>\$ 7,155,000</u>	<u>\$ 410,000</u>

**KIPLING RIDGE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

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

**Refunding Revenue Bonds Payable**

**\$12,360,000 Refunding Revenue Bonds, Series 2011A and 2011B, dated November 1, 2011**, consisting of Series 2011A taxable to tax-exempt bonds which converted to tax-exempt status on January 5, 2012, and became Series 2012A tax-exempt bonds, and Series 2011B tax-exempt bonds. The Series 2012A bonds have a par amount of \$2,360,000 and bear an interest rate of 4.55% (after conversion). The Series 2012A bonds are due annually beginning in 2012 through 2018. The Series 2011B bonds are tax-exempt bonds issued in the par amount of \$10,000,000 and bear an interest rate of 4.75% and are due annually beginning in 2018 through 2028.

The District made an extraordinary redemption of \$975,000 on the Series 2011B Bonds on December 1, 2016, without prepayment penalty.

The total debt service obligations of principal and interest for the Series 2012A and 2011B bonds mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 410,000	\$ 338,174	\$ 748,174
2018	625,000	319,519	944,519
2019	660,000	290,701	950,701
2020	710,000	259,351	969,351
2021	750,000	225,626	975,626
2022-2026	4,000,000	546,964	4,546,964
	<u>\$ 7,155,000</u>	<u>\$ 1,980,335</u>	<u>\$ 9,135,335</u>

**KIPLING RIDGE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

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

**Debt Authorization**

On November 2, 2004, the District's electors authorized the issuance of indebtedness in an amount not to exceed \$123,000,000 at an interest rate not to exceed 18%, allocated for the following purposes:

	<u>Authorized November 2, 2004 Election</u>	<u>Authorization Used, Series 2005</u>	<u>Authorization Used, Series 2011/2012</u>	<u>Authorized but Unissued</u>
Streets	\$ 20,000,000	\$ 8,156,279	\$ -	\$ 11,843,721
Water	20,000,000	1,255,777	-	18,744,223
Storm drainage and sanitary sewer	20,000,000	5,577,944	-	14,422,056
Refunding of debt	20,000,000	-	12,360,000	7,640,000
Transportation	20,000,000	-	-	20,000,000
Intergovernmental agreements	20,000,000	-	-	20,000,000
Operating expenses	3,000,000	-	-	3,000,000
	<u>\$ 123,000,000</u>	<u>\$ 14,990,000</u>	<u>\$ 12,360,000</u>	<u>\$ 95,650,000</u>

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$20,000,000.

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area.

**NOTE 6 - NET POSITION**

The District has a 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 net investment in capital assets, calculated as follows:

	<u>Governmental Activities</u>
Net investment in capital assets:	
Capital assets, net	\$ 2,615,086
Current portion of outstanding long-term obligations	(88,970)
Noncurrent portion of long-term obligations	(1,463,665)
Portion of debt related to restricted cash and investments	170,686
	<u>\$ 1,233,137</u>

**KIPLING RIDGE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

**NOTE 6 - NET POSITION (CONTINUED)**

Restricted net position includes assets that are 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:

	<b>Governmental Activities</b>
Restricted net position:	
Emergency reserves	\$ 3,700
Debt service	1,431,168
Total restricted net position	\$ 1,434,868

The District has a deficit in unrestricted net position. This deficit is a result of the District being responsible for the repayment of bonds issued for public improvements conveyed to other governmental entities.

**NOTE 7 - RELATED PARTIES**

The Developer of the property which constitutes the District is Arvada Ridge Market Place, LLC. Shea Arvada Ridge, LLC owns a 98% membership interest in the Developer and Peregrine Ridge, LLC owns a 2% membership interest. Shea Arvada Ridge, LLC is the managing member of the Developer. The members of the Board of Directors of the District are employees, owners or associated with the Developer and may have conflicts of interest in dealing with the District.

**NOTE 8 - DISTRICT AGREEMENTS**

**Cooperation Agreement**

On December 13, 2004, the City of Arvada, AURA, the Developer, and the District entered into a Cooperation Agreement (Agreement) that authorized the creation of the Public Improvement PIC, as well as sharing of the sales tax increment, if any, and property tax increment (TIF). The PIC imposes a public improvement fee (PIF) on certain retail transactions occurring within the District. In conjunction with the implementation of the PIF, the City agreed that so long as the PIC imposes the PIF, and in consideration for the District's application of the PIF revenues to pay for public improvements, the City adopted an ordinance amending its municipal sales tax code to provide for each taxpayer liable for sales taxes on taxable transactions within the District to receive a credit against such taxes due equal to the amount of PIF paid by such taxpayer to the PIC during such period. The parties agreed not to include ad valorem property taxes generated by imposition of the District Mill Levy in the calculation of TIF revenue, alternatively, AURA agrees to remit all proceeds of such taxes that it receives from the County Treasurer to the District. In addition, the Agreement also provides for the District to receive a proportionate share of the TIF property tax revenue. The terms of the Agreement shall expire on the date that is the earliest to occur of (i) payment in full of any bonds permitted to be issued by the District pursuant to the Agreement or (ii) September 30, 2028. The agreement was amended on April 4, 2005, to state that the District mill levy is not to exceed 40.000 mills, subject to adjustment.

**KIPLING RIDGE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

**NOTE 8 - DISTRICT AGREEMENTS (CONTINUED)**

**Implementation Agreement**

The District and AURA executed the Implementation Agreement on October 3, 2007, which provides a formula for calculating amounts to be paid to the District by AURA as outlined in the Cooperation Agreement. The formula will consist of taking the agreed upon base TIF amount of \$2,879,969 and inflating the base TIF by the overall percentage change in commercial growth in Jefferson County. The District's assessed valuation, net of the adjusted base, is multiplied by the overlapping mill levy and then allocated to the District as described above. During 2016, AURA remitted \$42,173 to the District for property taxes collected on behalf of the District. Additionally, during 2016, AURA remitted \$650,894 in TIF property tax revenues. The District applied \$69,730 against the 2015 receivable and \$581,164 was reflected as 2016 revenue.

**Fee Servicing Agreement**

On March 23, 2005, the District, AURA, the PIC and Target entered into an agreement to designate the PIC to act as the servicer for purposes of collecting the PIF and transferring the PIF revenue to the District, AURA, and Target. The agreement states that the PIC agrees to keep accurate records of the imposition and collection of the PIF revenue, to maintain internal controls to ensure compliance by payors of the PIF, take all actions necessary to collect and enforce the collection of PIF and, advise the District of any events, trends or circumstances which could have a material and/or deleterious impact on the flow of revenues from the PIC to the District. The PIC must remit the PIF revenue to each of the District, AURA, and Target monthly. The PIC retains 1% of the monthly PIF to cover operating expenses and the net amount is then distributed to the District, AURA, and Target. The District's share of the net Target PIF is 45% and 60% of the net non-Target PIF. If the PIC defaults under the Fee Servicing Agreement, the PIC's rights as the servicer of the PIF can be revoked. During 2013, the District, along with Arvada Ridge Urban Renewal Authority, reached the threshold of \$3,000,000 and satisfied their obligations as it relates to payments to Target pursuant to the Cooperation Agreement. The District now receives 60% of all PIF revenues.

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

**KIPLING RIDGE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

**NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, referred to 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.

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 2, 2004, the District voters passed an election question to increase property taxes \$1,000,000 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 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.

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

## **SUPPLEMENTARY INFORMATION**

**KIPLING RIDGE METROPOLITAN DISTRICT  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended December 31, 2016**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Property tax TIF AURA	\$ 602,625	\$ 581,164	\$ (21,461)
Net investment income	250	5,102	4,852
Retail sales fee	1,219,440	1,108,880	(110,560)
Total revenues	<u>1,822,315</u>	<u>1,695,146</u>	<u>(127,169)</u>
<b>EXPENDITURES</b>			
Bond interest - Series 2012 A	56,193	56,193	-
Bond interest - Series 2011 B	348,175	346,038	2,137
Bond principal - Series 2012 A	390,000	390,000	-
Bond principal - Extraordinary redemption	1,015,000	975,000	40,000
Paying agent fees	3,500	1,600	1,900
Contingency	10,132	-	10,132
Total expenditures	<u>1,823,000</u>	<u>1,768,831</u>	<u>54,169</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	(685)	(73,685)	(73,000)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>1,505,842</u>	<u>1,533,034</u>	<u>27,192</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 1,505,157</u>	<u>\$ 1,459,349</u>	<u>\$ (45,808)</u>

**KIPLING RIDGE METROPOLITAN DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended December 31, 2016**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Net investment income	\$ 250	\$ 2,352	\$ 2,102
Total revenues	<u>250</u>	<u>2,352</u>	<u>2,102</u>
<b>EXPENDITURES</b>			
Accounting	2,000	-	2,000
Architecture and engineering	25,000	-	25,000
District management	1,000	-	1,000
Legal services	2,000	525	1,475
Streets	750,954	-	750,954
Total expenditures	<u>780,954</u>	<u>525</u>	<u>780,429</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(780,704)	1,827	782,531
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>780,704</u>	<u>784,608</u>	<u>3,904</u>
<b>FUND BALANCES - END OF YEAR</b>	<u><u>\$ -</u></u>	<u><u>\$ 786,435</u></u>	<u><u>\$ 786,435</u></u>

**KIPLING RIDGE METROPOLITAN DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
December 31, 2016**

**\$2,360,000 Refunding Revenue Bonds  
Taxable to Tax-Exempt, Series 2012A  
Dated November 1, 2011  
Interest Rate 4.55%  
Interest Payable June 1 and December 1  
Principal Due December 1**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 410,000	\$ 38,448	\$ 448,448
2018	435,000	19,793	454,793
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025	-	-	-
2026	-	-	-
	<u>\$ 845,000</u>	<u>\$ 58,241</u>	<u>\$ 903,241</u>

**\$10,000,000 Refunding Revenue Bonds**  
**Tax Exempt, Series 2011B**  
**Dated November 1, 2011**  
**Interest Rate 4.75%**  
**Interest Payable June 1 and December 1**  
**Principal Due December 1**

			<b>Total</b>		
<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
\$ -	\$ 299,726	\$ 299,726	\$ 410,000	\$ 338,174	\$ 748,174
190,000	299,726	489,726	625,000	319,519	944,519
660,000	290,701	950,701	660,000	290,701	950,701
710,000	259,351	969,351	710,000	259,351	969,351
750,000	225,626	975,626	750,000	225,626	975,626
800,000	190,001	990,001	800,000	190,001	990,001
845,000	152,001	997,001	845,000	152,001	997,001
900,000	111,863	1,011,863	900,000	111,863	1,011,863
950,000	69,113	1,019,113	950,000	69,113	1,019,113
505,000	23,988	528,988	505,000	23,988	528,988
<u>\$ 6,310,000</u>	<u>\$ 1,922,096</u>	<u>\$ 8,232,096</u>	<u>\$ 7,155,000</u>	<u>\$ 1,980,337</u>	<u>\$ 9,135,337</u>

**KIPLING RIDGE METROPOLITAN DISTRICT  
SCHEDULE OF ASSESSED VALUATION,  
MILL LEVY AND PROPERTY TAXES COLLECTED  
December 31, 2016**

<b>Year Ended December 31,</b>	<b>Prior Year Assessed Valuation for Current Year Property Tax Levy</b>	<b>Mill Levy</b>	<b>Total Property Taxes</b>		<b>Percent Collected to Levied</b>
			<b>Levied</b>	<b>Collected</b>	
2011	\$ 6,868,770	30.000	\$ 206,063	\$ 206,035	100.0%
2012	\$ 6,086,251	10.000	\$ 60,863	\$ 54,010	88.7%
2013	\$ 5,878,636	10.000	\$ 58,786	\$ 58,195	99.0%
2014	\$ 7,697,501	10.000	\$ 76,975	\$ 74,479	96.8% *
2015	\$ 7,785,246	10.000	\$ 77,852	\$ 73,828	94.8% *
2016	\$ 8,375,185	10.000	\$ 83,752	\$ 69,370	82.8% *
Estimated for year ending December 31, 2017	\$ 8,483,443	10.000	\$ 84,834		

**NOTE:**

Property taxes shown as collected in any one year may include collection of delinquent property taxes assessed in prior years. This presentation does not attempt to identify specific year of assessment.

\* In years 2014 through 2015, the District received less than levied due to tax abatement.