

**RIVERDALE PEAKS II
METROPOLITAN DISTRICT
Adams County, Colorado**

**FINANCIAL STATEMENTS
DECEMBER 31, 2016**



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SCHILLING & COMPANY, INC.

Certified Public Accountants

P.O. Box 631579
HIGHLANDS RANCH, CO 80163

PHONE: 720.348.1086
FAX: 720.348.2920

Independent Auditor's Report

Board of Directors
Riverdale Peaks II Metropolitan District
Adams County, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Riverdale Peaks II Metropolitan District (District) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. The prior year partial comparative information has been derived from the District's 2015 financial statements and, in our report dated July 21, 2016, we expressed unmodified opinions on the respective financial statements of the governmental activities, business-type activities and each major fund.

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, the business-type activities, and each major fund of Riverdale Peaks II Metropolitan District, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has not presented the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements.

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

The other information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
July 26, 2017

BASIC FINANCIAL STATEMENTS

RIVERDALE PEAKS II METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments - unrestricted	\$ 40,041	\$ 15,023	\$ 55,064
Prepaid expenses	6,559	-	6,559
Receivable - County Treasurer	500	-	500
Due from Debt Service Fund	-	1,305	1,305
Accounts receivable - customers	-	4,727	4,727
Property taxes receivable	80,275	-	80,275
Capital assets, not being depreciated	720,888	-	720,888
Capital assets, net of depreciation	2,224,515	-	2,224,515
Total assets	<u>3,072,778</u>	<u>21,055</u>	<u>3,093,833</u>
LIABILITIES			
Accounts payable	785	5,889	6,674
Accrued interest payable	302,154	-	302,154
Due to Enterprise Fund	1,305	-	1,305
Noncurrent liabilities:			
Due within one year	110,000	-	110,000
Due in more than one year	5,454,674	181,500	5,636,174
Total liabilities	<u>5,868,918</u>	<u>187,389</u>	<u>6,056,307</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue			
Total deferred inflows of resources	80,275	-	80,275
	<u>80,275</u>	<u>-</u>	<u>80,275</u>
NET POSITION			
Net investment in capital assets	(1,271,051)	-	(1,271,051)
Restricted for:			
Emergencies	1,600	-	1,600
Unrestricted	(1,606,964)	(166,334)	(1,773,298)
Total net position	<u>\$ (2,876,415)</u>	<u>\$ (166,334)</u>	<u>\$ (3,042,749)</u>

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

**RIVERDALE PEAKS II METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 106,222	\$ -	\$ -	\$ -	\$ (106,222)	\$ -	\$ (106,222)
Interest and related costs on long-term debt	318,700	19,125	-	-	(299,575)	-	(299,575)
Total governmental activities	<u>424,922</u>	<u>19,125</u>	<u>-</u>	<u>-</u>	<u>(405,797)</u>	<u>-</u>	<u>(405,797)</u>
Business-type activities:							
Enterprise	84,791	77,865	-	-	-	(6,926)	(6,926)
Total business-type activities	<u>84,791</u>	<u>77,865</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,926)</u>	<u>(6,926)</u>
Total primary government	<u>\$ 509,713</u>	<u>\$ 96,990</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(405,797)</u>	<u>(6,926)</u>	<u>(412,723)</u>
		General revenues:					
		Taxes:					
					83,218	-	83,218
					7,000	-	7,000
					247	-	247
					(11,552)	11,552	-
					<u>79,828</u>	<u>11,552</u>	<u>91,380</u>
					(325,969)	4,626	(321,343)
					(2,550,446)	(170,960)	(2,721,406)
					<u>\$ (2,876,415)</u>	<u>\$ (166,334)</u>	<u>\$ (3,042,749)</u>

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

**RIVERDALE PEAKS II METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016**

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and investments - unrestricted	\$ 40,041	\$ -	\$ 40,041
Prepaid expenditures	6,559	-	6,559
Cash with County Treasurer	274	226	500
Property tax receivable	41,505	38,770	80,275
TOTAL ASSETS	\$ 88,379	\$ 38,996	\$ 127,375
LIABILITIES			
Accounts payable	\$ 785	\$ -	\$ 785
Due to other funds	-	1,305	1,305
Total liabilities	785	1,305	2,090
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	41,505	38,770	80,275
Total deferred inflows of resources	41,505	38,770	80,275
FUND BALANCES			
Nonspendable			
Prepaid expenditures	6,559	-	6,559
Spendable			
Restricted for emergencies	1,600	-	1,600
Assigned for subsequent year's expenditures	37,930	-	37,930
Unassigned	-	(1,079)	(1,079)
Total fund balances	46,089	(1,079)	45,010
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 88,379	\$ 38,996	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Some long-term assets used in governmental activities are not financial resources and, therefore, are not reported in the Balance Sheet - Governmental Funds.

Capital assets 2,945,403

Some liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the Balance Sheet - Governmental Funds.

General obligation bonds payable (3,065,000)
Accrued interest payable on general obligation bonds (302,154)
Developer advances payable and accrued interest thereon (2,499,674)
Net position of governmental activities **\$ (2,876,415)**

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

**RIVERDALE PEAKS II 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>Total Governmental Funds</u>
REVENUES			
Property tax	\$ 45,571	\$ 37,647	\$ 83,218
Specific ownership tax	3,833	3,167	7,000
Availability of service fees	-	19,125	19,125
Net investment income	196	51	247
Other	915	-	915
Total revenues	<u>50,515</u>	<u>59,990</u>	<u>110,505</u>
EXPENDITURES			
Current			
Management fees	4,034	-	4,034
Accounting	1,726	-	1,726
Audit	-	3,900	3,900
Legal	3,330	-	3,330
Insurance and bonds	1,486	-	1,486
Election	29	-	29
County Treasurer's fees	646	603	1,249
Landscape maintenance	4,117	-	4,117
Snow removal	1,463	-	1,463
Miscellaneous	3,092	-	3,092
Debt service			
Paying agent fees	-	2,000	2,000
Bond interest	-	63,002	63,002
Total expenditures	<u>19,923</u>	<u>69,505</u>	<u>89,428</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>30,592</u>	<u>(9,515)</u>	<u>21,077</u>
OTHER FINANCING SOURCES (USES)			
Transfers (to) from other funds	<u>(11,552)</u>	<u>-</u>	<u>(11,552)</u>
Total other financing sources (uses)	<u>(11,552)</u>	<u>-</u>	<u>(11,552)</u>
NET CHANGE IN FUND BALANCES	19,040	(9,515)	9,525
FUND BALANCES - BEGINNING OF YEAR	27,049	8,436	35,485
FUND BALANCES - END OF YEAR	<u>\$ 46,089</u>	<u>\$ (1,079)</u>	<u>\$ 45,010</u>

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

**RIVERDALE PEAKS II 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**

A reconciliation reflecting the differences between the governmental funds net change in fund balances and change in net position reported for governmental activities in the Statement of Activities as follows:

Net change in fund balances - Total governmental funds	\$ 9,525
<p>Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. Instead the cost of the asset is allocated over its estimated useful life, and recorded as depreciation expense in each of those years.</p>	
Depreciation	(81,796)
<p>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.</p>	
Change in accrued interest on developer advances	(106,157)
Change in accrued interest on bonds	<u>(147,541)</u>
Change in net position - Governmental activities	<u><u>\$ (325,969)</u></u>

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

RIVERDALE PEAKS II METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2016

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Property tax	\$ 46,513	\$ 45,571	\$ 45,571	\$ -
Specific ownership taxes	3,500	3,833	3,833	-
Net investment income	50	196	196	-
Sale of property	-	22,436	-	(22,436)
Other	-	915	915	-
Total revenues	<u>50,063</u>	<u>72,951</u>	<u>50,515</u>	<u>(22,436)</u>
EXPENDITURES				
Management fees	4,034	4,034	4,034	-
Accounting	1,726	1,726	1,726	-
Legal	2,400	2,400	3,330	(930)
Insurance and bonds	1,838	1,838	1,486	352
Election	2,000	2,000	29	1,971
County Treasurer's fees	698	698	646	52
Landscape maintenance	4,683	4,683	4,117	566
Snow removal	1,750	1,750	1,463	287
Miscellaneous	2,500	2,500	3,022	(522)
Banking fees	50	50	70	(20)
Contingency and emergency reserve	6,502	38,321	-	38,321
Total expenditures	<u>28,181</u>	<u>60,000</u>	<u>19,923</u>	<u>40,077</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>21,882</u>	<u>12,951</u>	<u>30,592</u>	<u>17,641</u>
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	<u>(40,000)</u>	<u>(40,000)</u>	<u>(11,552)</u>	<u>28,448</u>
Total other financing sources (uses)	<u>(40,000)</u>	<u>(40,000)</u>	<u>(11,552)</u>	<u>28,448</u>
NET CHANGE IN FUND BALANCE	(18,118)	(27,049)	19,040	46,089
FUND BALANCE - BEGINNING OF YEAR	21,054	27,049	27,049	-
FUND BALANCE - END OF YEAR	<u>\$ 2,936</u>	<u>\$ -</u>	<u>\$ 46,089</u>	<u>\$ 46,089</u>

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

**RIVERDALE PEAKS II METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
December 31, 2016
(with comparative totals for December 31, 2015)**

	Enterprise Fund	
	2016	2015
ASSETS		
Cash and investments - unrestricted	\$ 15,023	\$ 1,036
Due from Debt Service Fund	1,305	-
Accounts receivable - customers	4,727	5,473
Total assets	21,055	6,509
LIABILITIES		
Accounts payable	5,889	4,001
Noncurrent liabilities		
Due in more than one year	181,500	173,468
Total liabilities	187,389	177,469
UNRESTRICTED NET POSITION	\$ (166,334)	\$ (170,960)

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

RIVERDALE PEAKS II METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended December 31, 2016
(with comparative totals for December 31, 2015)

	Enterprise Fund	
	2016	2015
OPERATING REVENUES		
Water charges	\$ 56,269	\$ 33,011
Water conservation review fee	975	1,800
Water meter fee	18,949	5,573
Landscape design fee	1,360	-
Other revenue	312	31
Total operating revenues	<u>77,865</u>	<u>40,415</u>
OPERATING EXPENDITURES		
Management	3,840	3,840
Accounting	6,914	6,914
Billing	3,062	3,105
Operations	11,067	10,906
Insurance	5,186	3,252
Generator preventative maintenance	450	450
Repairs and maintenance	2,898	264
Storage tank repairs	4,737	-
Meter install and inspection	15,559	-
Testing	1,660	1,196
Chemicals and supplies	1,396	750
Generator fuel	-	630
Utilities	19,915	18,518
Miscellaneous	75	75
Total operating expenses	<u>76,759</u>	<u>49,900</u>
OPERATING INCOME (LOSS)	<u>1,106</u>	<u>(9,485)</u>
NONOPERATING REVENUES (EXPENSES)		
Net investment income	-	1
Transfers from other funds	11,552	10,854
Interest expense	(8,032)	(8,031)
Total nonoperating revenues (expenses)	<u>3,520</u>	<u>2,824</u>
CHANGES IN NET POSITION	4,626	(6,661)
NET POSITION - BEGINNING OF YEAR	<u>(170,960)</u>	<u>(164,299)</u>
NET POSITION - END OF YEAR	<u>\$ (166,334)</u>	<u>\$ (170,960)</u>

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

RIVERDALE PEAKS II METROPOLITAN DISTRICT
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND
Year Ended December 31, 2016
(with comparative totals for December 31, 2015)

	Enterprise Fund	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 77,306	\$ 39,016
Payments to suppliers	(74,871)	(50,843)
Net cash provided (required) by operating activities	2,435	(11,827)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer from other funds	11,552	10,854
Net cash provided by noncapital financing activities	11,552	10,854
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment income	-	1
Net cash provided by investing activities	-	1
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,987	(972)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,036	2,008
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 15,023	\$ 1,036
Reconciliation of operating (loss) to net cash provided (required) by operating activities		
Operating income (loss)	\$ 1,106	\$ (9,485)
Adjustments to reconcile operating loss to net cash required by operating activities:		
(Increase) decrease in accounts receivable	746	(1,399)
(Increase) in due from Debt Service Fund	(1,305)	-
Increase (decrease) in accounts payable	1,888	(943)
Net cash provided (required) by operating activities	\$ 2,435	\$ (11,827)

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

**RIVERDALE PEAKS II METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 – DEFINITION OF REPORTING ENTITY

Riverdale Peaks II Metropolitan District (District), a quasi-municipal corporation, was organized on December 2, 2002, and is governed pursuant to the provisions of the Colorado Special District Act. The District's service area is located in Adams County, Colorado. The District was established to provide financing for the design, acquisition and construction of streets, traffic and safety controls, water, sanitary sewer, park and recreation, mosquito control, television relay and translation and transportation facilities.

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide and Fund Financial Statements

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

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

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

**RIVERDALE PEAKS II METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxes and other items, not properly included among program revenues, are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation paid. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

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 general obligation debt of the governmental funds.

The District reports the following major proprietary fund:

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

**RIVERDALE PEAKS II METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Budgets

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

During 2016, the Board of Director's approved supplemental appropriations for the General Fund, Debt Service Fund and Enterprise Fund.

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 funds' average equity balance in total cash. Investments are carried at fair value.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

**RIVERDALE PEAKS II METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital Assets, which include property and infrastructure improvements (e.g. water improvements, park and recreation improvements, 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. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Pump station	25 years
Water system	50 years
Irrigation and fencing	10 years

Water Rights

In order to provide water for in-house and irrigation uses within the District, the District acquired the rights to 87.93 acre-feet of non-tributary Denver Basin aquifer ground water from Prospect Farms, LLC, in 2005. The cost of water rights includes acquisition cost, legal and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed.

Surface Rights

In order to assure uninterrupted provision of water to the District, the District acquired certain surface rights within the boundaries of the District from Riverdale Holdings, LLC, and Elkhart, LLC, in 2005. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed.

Water Facilities Fees

Water facility fees of \$19,750 per residential equivalent unit are charged against properties within the District. The facilities fee is due at the time of issuance of a building permit by Adams County. The District records the facilities fee as revenue when received, which may be at the transfer of property from the Developer to a builder. The District does not anticipate receipt of any additional fees as the remaining vacant land in the District has been acquired by Brighton School District 27J and Adams County. (See Note 9 regarding Developer guarantee.)

**RIVERDALE PEAKS II METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Availability of Service Fees

The District imposes an Availability of Service charge on all vacant lots in the District with a water line installed and ready for connection. The Fee may not exceed fifty percent of the fees, rates or charges paid by the average customer in the District and is calculated by dividing the total usage quantity for the District over the last fiscal year by the total number of users, resulting in an average usage and applying the applicable rates. The calculated maximum fee for calendar year 2016 was \$93.45 per month however the Board of Directors set the fee at \$75 per month. The fees charged are to be used solely for the repayment of bond principal and interest.

Fund Balances – Governmental Funds

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

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

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

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

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

Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

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

Fund Balance (Deficits)

The Debt Service Fund fund balance deficit of \$1,079 is expected to be covered with AOS fees and property taxes during 2017.

**RIVERDALE PEAKS II 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 statement of net position as follows:

Cash and investments – Unrestricted	<u>\$ 55,064</u>
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Cash and investments as of December 31, 2016 consist of the following:

Deposits with financial institutions	\$ 38,979
Investments	<u>16,085</u>
	<u>\$ 55,064</u>

Cash Deposits

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

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

At December 31, 2016, the District's cash deposits had a bank balance of \$46,920 and carrying balance of \$38,979.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District follows Colorado State Statutes which specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

**RIVERDALE PEAKS II METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

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 requirement.

At December 31, 2016, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	<u>\$ 16,085</u>

CSAFE

During 2016, the District invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing CSAFE. CSAFE is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to custodian agreements. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard and Poor's. As of December 31, 2016, the District had \$16,085 invested in CSAFE. Information related to CSAFE, including the annual audited financial statements, can be found at the CSAFE website at www.csafe.org. Information related to Standard & Poor's ratings can be obtained from Standard & Poor's.

Investment Valuation

The District has certain investments which are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: 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.

The District has invested in CSAFE, an external investment pool that records its investments at amortized cost and therefore is not subject to the hierarchy disclosure requirements above.

**RIVERDALE PEAKS II METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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>
<u>Governmental Activities</u>				
Capital assets, not being depreciated:				
Surface rights	\$ 113,718	\$ -	\$ -	\$ 113,718
Water Rights	351,720	-	-	351,720
Land and landscaping	255,450	-	-	255,450
Total capital assets, not being depreciated	<u>720,888</u>	<u>-</u>	<u>-</u>	<u>720,888</u>
Capital assets, being depreciated:				
Water system	1,760,020	-	-	1,760,020
Pump station	1,123,276	-	-	1,123,276
Irrigation and fencing	16,651	-	-	16,651
Total capital assets, being depreciated	<u>2,899,947</u>	<u>-</u>	<u>-</u>	<u>2,899,947</u>
Less accumulated depreciation for:				
Water system	(261,016)	(35,201)	-	(296,217)
Pump station	(324,294)	(44,931)	-	(369,225)
Irrigation and fencing	(8,326)	(1,664)	-	(9,990)
Total accumulated depreciation	<u>(593,636)</u>	<u>(81,796)</u>	<u>-</u>	<u>(675,432)</u>
Total capital assets being depreciated, net	<u>2,306,311</u>	<u>(81,796)</u>	<u>-</u>	<u>2,224,515</u>
 Total capital assets, net	 <u>\$ 3,027,199</u>	 <u>\$ (81,796)</u>	 <u>\$ -</u>	 <u>\$ 2,945,403</u>

Total depreciation expense for the water system, pump station, and irrigation and fencing was charged to the general government function of the District in the amount of \$81,796 for the year ended December 31, 2016.

**RIVERDALE PEAKS II METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 5 – LONG-TERM OBLIGATIONS

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

	<u>Balance at December 31, 2015</u>	<u>New Issues/ Additions</u>	<u>Retirements</u>	<u>Balance at December 31, 2016</u>	<u>Due Within One Year</u>
<u>Governmental</u>					
Series 2005 G.O. Bonds	\$ 3,065,000	\$ -	\$ -	\$ 3,065,000	\$110,000
Developer advances:					
Operations	365,068	-	-	365,068	-
Capital	1,151,454	-	-	1,151,454	-
Accrued interest on					
Developer advances:					
Operations	237,059	25,555	-	262,614	-
Capital	639,936	80,602	-	720,538	-
	<u>5,458,517</u>	<u>106,157</u>	<u>-</u>	<u>5,564,674</u>	<u>110,000</u>
<u>Business-type</u>					
Developer advances:					
Enterprise operations	114,731	-	-	114,731	-
Accrued interest on					
Developer advances:					
Enterprise operations	58,737	8,032	-	66,769	-
	<u>173,468</u>	<u>8,032</u>	<u>-</u>	<u>181,500</u>	<u>-</u>
Total district obligations	<u>\$ 5,631,985</u>	<u>\$ 114,189</u>	<u>\$ -</u>	<u>\$ 5,746,174</u>	<u>\$ 110,000</u>

General Obligation Bonds

On September 29, 2005, the District issued \$3,105,000 in General Obligation Bonds (Limited Tax Convertible to Unlimited Tax) dated September 1, 2005, for infrastructure improvements and related initial operation and maintenance costs. The bonds are term bonds due December 1, 2025 with an interest rate of 6.40% paid semi-annually on June 1 and December 1 and due December 1, 2035 with an interest rate of 6.50% paid semi-annually on June 1 and December 1. The bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$5,000, in any order of maturity and in whole or partial maturities, on December 1, 2015, and on any date thereafter, upon payment of par and accrued interest, without redemption premium. The bonds maturing December 1, 2025 are subject to mandatory sinking fund redemptions on December 1, 2007 and on each December 1 thereafter in increasing annual amounts through December 1, 2025. The bonds maturing on December 1, 2035 are subject to mandatory sinking fund redemptions on December 1, 2026 and on each December 1 thereafter in increasing annual amounts.

The proceeds of such debt were used for bond issuance costs, capitalized interest, capital infrastructure costs and reimbursement to the Developer for advances made to the District.

**RIVERDALE PEAKS II METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

The bonds are payable from pledged revenue, including the District's covenant to levy the required mill levy on all taxable property within the District and water facilities fees (See Note 9 – WATER FACILITIES FEE AGREEMENT). The minimum mill levy is 38.000 mills and the maximum levy is 57.475, as adjusted by the Gallagher Amendment, until the ratio of the District's debt to its assessed value is 50% or less at which time the required mill levy becomes unlimited. The District must levy taxes sufficient to make debt service payments when combined with other pledged revenue sources.

On December 14, 2009, the District entered into an agreement with the bond trustees, Colorado Bondshares, AIM High Income Muni Fund, and Colorado State Bank and Trust, N.A., to temporarily reduce the maximum required mill levy for the tax year 2009 (for collection in 2010) to 40.000. On December 1, 2010 and November 30, 2011 the agreement was renewed for the tax years 2010 and 2011 for collection in 2011 and 2012. On November 28, 2012, November 21, 2013, November 17, 2014, November 16, 2015 and November 16, 2016, the District entered into agreements with the bond trustees, Colorado Bondshares, Invesco High Yield Municipal Fund and Colorado State Bank and Trust, N.A. to temporarily reduce the maximum required mill levy for the tax years 2012, 2013, 2014, 2015 and 2016 (for collection in 2013, 2014, 2015, 2016 and 2017) to 40.000 mills. It was determined by all parties to the agreements that the imposition of the maximum required mill levy, as required by the bond indenture, would not be in the best interests of the District, its taxpayers and residents, or the bondholders. The District levied the maximum required under this agreement of 40.000 mills for debt service to be collected in 2010-2017.

On June 16, 2010 unplatted land within the District was conveyed by the owner to either Adams County or the Brighton School District 27J. The tax-exempt entities do not pay property tax and, therefore, the lots no longer contribute revenue to repay the bonds. In the Limited Offering Memorandum for the 2005 General Obligation Bonds, it was stated that 184 lots within the District would be platted for single family residential development. Due to the conveyance, only 53 lots are now platted for development. A material event notification was filed by the District to inform bondholders and potential purchasers of the Bonds of the reduction of the District's tax base.

On May 21, 2015, a material event notification was filed by the District to inform the bondholders and potential purchasers of the Bonds of the lack of funds available to make the June 1, 2015 interest payment due of \$99,147.50. The amount available from Pledged Revenues in the District's Debt Service Fund, as well as the Bond Fund and Surplus Fund held by the trustee, total \$40,286.78 which resulted in a payment shortfall of \$58,860.72.

On December 10, 2015, a material event notification was filed by the District to inform the bondholders and potential purchasers of the Bonds of the lack of funds available to make the December 1, 2015 principal payment due of \$5,000 and interest payment due of \$99,147.50. The amount available from Pledged Revenues in the District's Debt Service Fund, as well as the Bond Fund and Surplus Fund held by the trustee, total \$22,538.45 which resulted in a payment shortfall of \$5,000 of principal and \$76,609.05 of interest.

**RIVERDALE PEAKS II METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

On June 1, 2016, a material event notification was filed by the District to inform the bondholders and potential purchasers of the Bonds of the lack of funds available to make the June 1, 2016 interest payment due of \$98,987.50. The amount available from Pledged Revenues in the District's Debt Service Fund, as well as the Bond Fund and Surplus Fund held by the trustee, total \$25,002.15 which resulted in a payment shortfall of \$73,985.35.

On December 1, 2016, a material event notification was filed by the District to inform the bondholders and potential purchasers of the Bonds of the lack of funds available to make the December 1, 2016 principal payment due of \$40,000 and interest payment due of \$98,987.50. The amount available from Pledged Revenues in the District's Debt Service Fund, as well as the Bond Fund and Surplus Fund held by the trustee, total \$38,000.00 which resulted in a payment shortfall of \$40,000 of principal and \$60,987.50 of interest.

On June 1, 2017, a material event notification was filed by the District to inform the bondholders and potential purchasers of the Bonds of the lack of funds available to make the June 1, 2017 interest payment due of \$97,707.50. The amount available from Pledged Revenues in the District's Debt Service Fund, as well as the Bond Fund and Surplus Fund held by the trustee, total \$19,000.00 which resulted in a payment shortfall of \$78,707.50.

Under Section 2.01(g) of the Indenture, to the extent interest on any bond is not paid when due, such interest shall compound semiannually on each interest payment date, at the rate then borne by the bond.

As of December 31, 2016, the District had unpaid accrued interest of \$285,629.

The District's bonds scheduled maturities are as follows:

Year Ending December 31,	Principal	Interest	Total
2017	\$ 110,000	* \$ 481,044	* \$ 591,044
2018	75,000	191,255	266,255
2019	80,000	186,455	266,455
2020	90,000	181,335	271,335
2021	95,000	175,575	270,575
2022-2026	630,000	773,875	1,403,875
2027-2031	935,000	532,350	1,467,350
2032-2035	1,050,000	176,800	1,226,800
	<u>\$ 3,065,000</u>	<u>\$ 2,698,689</u>	<u>\$ 5,763,689</u>

* - includes unpaid principal and interest from prior years.

Debt Authorization

On November 5, 2002, the District's electors authorized the issuance of indebtedness in an amount not to exceed \$15,428,750 for infrastructure improvements and \$500,000 for operations at an interest rate not to exceed 18%; and \$15,428,750 for refunding the District's debt or other obligations.

**RIVERDALE PEAKS II METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

At December 31, 2016, the District had authorized but unissued indebtedness in the following amount allocated for the following purposes:

	Authorized November 5, 2002 Election	Authorization Used by Series 2005 Bonds	Remaining December 31, 2016
Water system	\$ 7,581,000	\$ 2,321,919	\$ 5,259,081
Parks and recreation	585,000	493,385	91,615
Operations and maintenance	500,000	-	500,000
Sanitary sewer	3,001,250	289,696	2,711,554
Streets	4,261,500	-	4,261,500
Refunding of debt	15,428,750	-	15,428,750
	<u>\$ 31,357,500</u>	<u>\$ 3,105,000</u>	<u>\$ 28,252,500</u>

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$5,887,500. Mill Levy requirements and restrictions are discussed earlier in this note in the section titled "General Obligation Bonds".

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. As of the date of this report (as noted on the Independent Auditor's Report on page I), the amount and timing of any debt issuance is not determinable.

Advance and Reimbursement Agreement

The District entered into an Advance and Reimbursement Agreement with Quebec Corp. (Quebec), the former developer of the District, on July 1, 2005. According to the terms of the agreement, the District shall reimburse Quebec for any advances made to the District for construction, maintenance and operation costs associated with the provision of certain public improvements, facilities and services, together with interest at 7% per annum from the date of the advance. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements, and debt service costs and expenses of the District. The payment to Quebec is subordinate to the District's obligation to reimburse Gateway American Properties, LLC, for any advances made pursuant to the Advance and Reimbursement Agreement dated January 15, 2003.

There were no advances from Quebec during 2016. The total balance due Quebec, under the Advance and Reimbursement Agreement at December 31, 2016 is \$1,631,253 plus accrued interest of \$1,049,921.

**RIVERDALE PEAKS II METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 6 – FUND EQUITY

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

Nonspendable Fund Balance

The nonspendable fund balance in the General Fund in the amount of \$6,559 is comprised of prepaid amounts which are not in spendable form.

Restricted Fund Balance

The restricted fund balance in the General Fund in the amount of \$1,600 is comprised of the Emergency Reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 12).

Assigned Fund Balance

The assigned fund balance in the General Fund in the amount of \$37,930 is comprised of amounts assigned by the Board of Directors by a resolution to eliminate the projected budgetary deficit in the subsequent year's budget.

NOTE 7 - NET POSITION

The District's net position consists 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, developer advances, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2016, the District reported \$(1,271,051) net investment in capital assets calculated as follows:

Net investment in capital assets:

Capital assets, net	\$ 2,945,403
Current and noncurrent portion of long-term obligations - Bonds	(3,065,000)
Noncurrent portion of long-term obligations - Developer advances (capital)	(1,151,454)
Net investment in capital assets	<u>\$ (1,271,051)</u>

The restricted portion of net position includes amounts 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's restricted net position at December 31, 2016 is \$1,600 as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 12).

**RIVERDALE PEAKS II METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 7 - NET POSITION (CONTINUED)

The District's unrestricted net position at December 31, 2016 totaled \$(1,773,298). This deficit is due to governmental and business-type activities being funded mainly by advances from the former developer of the District, including related accrued interest.

NOTE 8 – INTERFUND TRANSFERS

As of December 31, 2016, the General Fund transferred \$11,552 to the Enterprise Fund to pay for operating expenses not sufficiently funded by water revenues.

NOTE 9 – WATER FACILITIES FEE AGREEMENT

On September 27, 2005, Quebec and Gateway American Properties, LLC (Gateway) entered into an agreement to partially guarantee the collection of water facilities fees. Facilities fees paid at a rate faster than the prescribed minimum guaranty amounts will be credited against the guaranteed amount due in subsequent years. Under the terms of the agreement, Quebec was obligated to pay \$177,750 of these fees for the year ended December 31, 2009, \$592,500 for the year ended December 31, 2010, \$533,250 for the year ended December 31, 2011, \$434,500 for the year ended December 31, 2012, \$434,500 for the year ended December 31, 2013 and \$414,750 for the year ended December 31, 2014. On April 14, 2017, the District sent notice to Quebec Corp. and Gateway regarding the 2009-2015 payments including accrued interest due under the Agreement. As of the date of the audit report, the fees remain unpaid as follows, \$1,227,059 of interest accrued at 10%, per the agreement, was added to the amounts due for a total of \$3,814,309 at December 31, 2016. An allowance for doubtful accounts has been established in the amount of \$3,814,309. Therefore, the net receivable at December 31, 2016 due from the Developer is \$-0-.

NOTE 10 – TOLLING AGREEMENT

With the consent of the then current Bondholders, Quebec Corp. ("Quebec"), Gateway American Properties, LLC ("Gateway"), and the District executed a Tolling Agreement effective November 26, 2012 (the "Tolling Agreement"), suspending the running of all statute(s) of limitations, principles of laches, or other principles or doctrines, whether statutory or common law in origin or nature, which could have the effect or intention of barring or limiting, in whole or in part, the filing and prosecution of any claim, demand, cause of action, or remedy of any kind by the District due to the passage of a period of time running from the occurrence of the wrong complained of or from the District's purported discovery of the wrong complained of in relation to failure of Quebec and Gateway to pay the Shortfall Amounts as required by the Water Facilities Fee Agreement. Quebec and Gateway in no way agree or acknowledge that the District has any claim of whatever nature against them, whether sounding in tort, breach of contract, or any other claim or theory, and by entering into the Tolling Agreement, are not admitting to any wrongdoing in connection with the District's alleged claims in connection with the Water Facilities Agreement. The Tolling Agreement shall remain in effect until the tenth business day after either the District has provided written notice to Quebec of the District's intent to terminate the Tolling Agreement, or Quebec or Gateway has furnished written notice to the District of Quebec or Gateway's intent to terminate the Tolling Agreement.

**RIVERDALE PEAKS II METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 11 - 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) as of December 31, 2016. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

NOTE 12 - TAX, SPENDING AND DEBT LIMITATIONS

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

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provision of TABOR.

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.

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.

On November 5, 2002, the District's electors authorized the District to increase taxes \$200,000 annually or by a lesser annual amount as may be necessary to pay the District's operations and maintenance and other expenses without limitation of rate. Further the District's electors

**RIVERDALE PEAKS II METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 12 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

authorized the District to collect, retain and spend all District revenue, other than ad valorem taxes, without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

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 and qualifications as an Enterprise, will require judicial interpretation.

This information is an integral part of the accompanying financial statements

SUPPLEMENTAL INFORMATION

**RIVERDALE PEAKS II METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended December 31, 2016**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Property taxes	\$ 38,425	\$ 38,425	\$ 37,647	\$ (778)
Specific ownership taxes	2,700	2,700	3,167	467
Availability of service fees	29,700	29,700	19,125	(10,575)
Net investment income	25	25	51	26
Total revenues	<u>70,850</u>	<u>70,850</u>	<u>59,990</u>	<u>(10,860)</u>
EXPENDITURES				
Audit	3,900	3,900	3,900	-
County treasurer's fees	576	603	603	-
Paying agent fees	2,000	2,000	2,000	-
Bond interest	64,374	69,497	63,002	6,495
Total expenditures	<u>70,850</u>	<u>76,000</u>	<u>69,505</u>	<u>6,495</u>
NET CHANGE IN FUND BALANCE	-	(5,150)	(9,515)	(4,365)
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>8,436</u>	<u>8,436</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 3,286</u>	<u>\$ (1,079)</u>	<u>\$ (4,365)</u>

**RIVERDALE PEAKS II METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL
ENTERPRISE FUND
Year Ended December 31, 2016**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Water charges	\$ 37,540	\$ 51,484	\$ 56,269	\$ 4,785
Water conservation review fee	-	975	975	-
Water meter fee	3,345	18,949	18,949	-
Landscape design fee	-	1,360	1,360	-
Other	-	312	312	-
Transfers from other funds	40,000	40,000	11,552	(28,448)
Total revenues	<u>80,885</u>	<u>113,080</u>	<u>89,417</u>	<u>(23,663)</u>
EXPENDITURES				
Management	3,840	3,840	3,840	-
Accounting	6,914	6,914	6,914	-
Billing	3,046	3,046	3,062	(16)
Operations	10,000	10,000	11,067	(1,067)
Insurance	3,576	3,576	5,186	(1,610)
Generator preventive maintenance	450	450	450	-
Repairs and maintenance	1,700	1,700	2,898	(1,198)
Storage tank repair	-	-	4,737	(4,737)
Meter install and inspect	3,345	15,749	15,559	190
Testing	2,500	2,500	1,660	840
Chemicals and supplies	3,500	3,500	1,396	2,104
Utilities	21,000	21,000	19,915	1,085
Miscellaneous	700	700	75	625
Repair and maintenance reserve	22,025	22,025	-	22,025
Total expenditures	<u>82,596</u>	<u>95,000</u>	<u>76,759</u>	<u>18,241</u>
NET CHANGE IN FUNDS AVAILABLE	(1,711)	18,080	12,658	(5,422)
FUNDS AVAILABLE - BEGINNING OF YEAR	1,711	2,508	2,508	-
FUNDS AVAILABLE - END OF YEAR	<u>\$ -</u>	<u>\$ 20,588</u>	<u>\$ 15,166</u>	<u>\$ (5,422)</u>

Funds available is computed as follows:

Current assets	\$ 21,055
Current liabilities	(5,889)
	<u>\$ 15,166</u>

Reconciliation of Budgetary Basis to the Statement of Revenues,
Expenses and Changes in Fund Net Position

Net change in funds available - budgetary basis	\$ 12,658
Change in interest on long term obligations	(8,032)
Change in net position per Statement of Revenues, Expenses and Changes in Fund Net Position	<u>\$ 4,626</u>

OTHER INFORMATION

**RIVERDALE PEAKS II METROPOLITAN DISTRICT
SUMMARY OF ASSESSED VALUATION , MILL LEVY
AND PROPERTY TAXES COLLECTED
Year Ended December 31, 2016**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied			Property Taxes		Percentage Collected to Levied
		General	Debt	Total	Levied	Collected	
2008	\$ 1,209,380	10.000	38.000	48.000	\$ 58,050	\$ 58,062	100.0%
2009	\$ 1,423,670	10.000	38.000	48.000	\$ 68,336	\$ 68,087	99.6%
2010	\$ 1,434,740	33.475	40.000	73.475	\$ 105,418	\$ 105,401	100.0%
2011	\$ 1,257,590	33.475	40.000	73.475	\$ 92,401	\$ 92,396	100.0%
2012	\$ 966,410	33.475	40.000	73.475	\$ 71,007	\$ 71,003	100.0%
2013	\$ 945,330	33.475	40.000	73.475	\$ 69,458	\$ 69,465	100.0%
2014	\$ 840,770	42.821	40.000	82.821	\$ 69,633	\$ 64,255	92.3%
2015	\$ 782,800	42.821	40.000	82.821	\$ 64,832	\$ 61,329	94.6%
2016	\$ 960,620	48.419 (a)	40.000	88.419	\$ 84,937	\$ 83,218	98.0%
Estimated for year ending December 31, 2017	\$ 969,260	42.821	40.000	82.821	\$ 80,275		

NOTE: Property taxes collected in any one year may include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.

(a) - includes 5.598 mill levy for refunds and abatements.

**RIVERDALE PEAKS II METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016**

**\$3,105,000 General Obligation Bonds, Series 2005
(Limited Tax Convertible to Unlimited Tax)
Interest Rate 6.40% (\$970,000 Term Bond Due
December 1, 2025) and 6.50% (\$2,135,000
Term Bond Due December 1, 2035)
Principal Due December 1
Interest Due June 1 and December 1**

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt Service</u>
2017 *	\$ 110,000	\$ 481,044	\$ 591,044
2018	75,000	191,255	266,255
2019	80,000	186,455	266,455
2020	90,000	181,335	271,335
2021	95,000	175,575	270,575
2022	105,000	169,495	274,495
2023	115,000	162,775	277,775
2024	125,000	155,415	280,415
2025	135,000	147,415	282,415
2026	150,000	138,775	288,775
2027	160,000	129,025	289,025
2028	175,000	118,625	293,625
2029	185,000	107,250	292,250
2030	200,000	95,225	295,225
2031	215,000	82,225	297,225
2032	235,000	68,250	303,250
2033	250,000	52,975	302,975
2034	275,000	36,725	311,725
2035	290,000	18,850	308,850
	<u>\$ 3,065,000</u>	<u>\$ 2,698,689</u>	<u>\$ 5,763,689</u>

* includes \$45,000 of unpaid principal due on December 1, 2015 and December 1, 2016 and \$285,629 of unpaid interest.