

RIVER OAKS METROPOLITAN DISTRICT
Adams County, Colorado

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
December 31, 2016



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Dazzio & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
River Oaks Metropolitan District
Adams County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the River Oaks Metropolitan District as of and for the year 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.

8200 South Quebec Street, Suite A3259, Centennial, Colorado 80112
303-905-0809 • info@dazziocpa.com

• Member American Institute of Certified Public Accountants • Member Colorado Society of Certified Public Accountants •

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 River Oaks Metropolitan District, as of December 31, 2016, and the respective changes in financial position 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the River Oaks Metropolitan District's basic financial statements. The Supplementary Information and the Other Information, as listed on the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Other Information 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 them.

Dassio & Associates, P.C.

May 10, 2017

BASIC FINANCIAL STATEMENTS

**RIVER OAKS METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2016**

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 320,900
Cash and Investments - Restricted	106,835
Receivable - County Treasurer	2,573
Property taxes receivable	388,495
Capital assets, net	<u>164,533</u>
Total assets	<u>983,336</u>
LIABILITIES	
Accounts payable	25,169
Accrued bond interest payable	12,454
Noncurrent liabilities:	
Due within one year	126,802
Due in more than one year	<u>3,840,426</u>
Total liabilities	<u>4,004,851</u>
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	<u>388,495</u>
Total deferred inflows of resources	<u>388,495</u>
NET POSITION	
Net investment in capital assets	164,533
Restricted for:	
Emergency reserves	4,200
Debt service	76,267
Unrestricted	<u>(3,655,011)</u>
Total net position	<u><u>\$ (3,410,010)</u></u>

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

**RIVER OAKS METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</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, including depreciation	\$ 70,443	\$ -	\$ -	\$ -	\$ (70,443)
Interest on long-term debt and related expenses	430,671	-	-	-	(430,671)
	<u>\$ 501,114</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(501,114)</u>
General revenues:					
Property taxes					436,828
Specific ownership taxes					36,002
Net investment income					5,973
Total general revenues					<u>478,803</u>
Change in net position					(22,311)
Net position - Beginning					<u>(3,387,699)</u>
Net position - Ending					<u>\$ (3,410,010)</u>

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

**RIVER OAKS METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016**

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 320,900	\$ -	\$ 320,900
Cash and Investments - Restricted	4,200	102,635	106,835
Due from Other Funds	6,800	-	6,800
Receivable - County Treasurer	748	1,825	2,573
Property taxes receivable	<u>127,008</u>	<u>261,487</u>	<u>388,495</u>
TOTAL ASSETS	<u>\$ 459,656</u>	<u>\$ 365,947</u>	<u>\$ 825,603</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 16,230	\$ 8,939	\$ 25,169
Due to other funds	-	6,800	6,800
Total liabilities	<u>16,230</u>	<u>15,739</u>	<u>31,969</u>
DEFERRED INFLOWS OF RESOURCES			
Property tax revenue	<u>127,008</u>	<u>261,487</u>	<u>388,495</u>
Total deferred inflows of resources	<u>127,008</u>	<u>261,487</u>	<u>388,495</u>
FUND BALANCES			
Emergency reserves (TABOR)	4,200	-	4,200
Restricted for:			
Debt service	-	88,721	88,721
Unassigned	<u>312,218</u>	<u>-</u>	<u>312,218</u>
Total fund balances	<u>316,418</u>	<u>88,721</u>	<u>405,139</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 459,656</u>	<u>\$ 365,947</u>	

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 in the funds.	164,533
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds payable	(3,600,000)
Bond premium	(367,228)
Accrued bond interest payable	(12,454)
Net position of governmental activities	<u>\$ (3,410,010)</u>

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

RIVER OAKS 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 taxes	\$ 126,942	\$ 309,886	\$ 436,828
Specific ownership taxes	10,466	25,536	36,002
Net investment income	1,784	4,189	5,973
Total revenues	<u>139,192</u>	<u>339,611</u>	<u>478,803</u>
EXPENDITURES			
Current			
Accounting	17,372	-	17,372
Audit	4,000	-	4,000
Elections	423	-	423
Legal	18,008	-	18,008
Insurance and bonds	2,209	-	2,209
Directors' fees	1,400	-	1,400
County Treasurer's fees	1,905	4,650	6,555
Dues and subscriptions	340	-	340
Refinancing alternatives	12,008	-	12,008
Debt service			
Bond issue cost	-	166,311	166,311
Bond interest - 2006	-	115,650	115,650
Paying agent fees	-	4,124	4,124
Bond interest - 2016	-	11,554	11,554
Bond Principal - 2016	-	115,000	115,000
Total expenditures	<u>57,787</u>	<u>417,289</u>	<u>475,076</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>81,405</u>	<u>(77,678)</u>	<u>3,727</u>
OTHER FINANCING SOURCES (USES)			
Bond Proceeds	-	3,715,000	3,715,000
Payment to refunding escrow	-	(4,318,689)	(4,318,689)
Reoffering Premium	-	369,632	369,632
Repay Developer advance	-	(376,400)	(376,400)
Total other financing sources (uses)	<u>-</u>	<u>(610,457)</u>	<u>(610,457)</u>
NET CHANGE IN FUND BALANCES	81,405	(688,135)	(606,730)
FUND BALANCES - BEGINNING OF YEAR	<u>235,013</u>	<u>776,856</u>	<u>1,011,869</u>
FUND BALANCES - END OF YEAR	<u>\$ 316,418</u>	<u>\$ 88,721</u>	<u>\$ 405,139</u>

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

**RIVER OAKS 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 changes in fund balances - Total governmental funds	\$ (606,730)
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Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.

Depreciation	(12,657)
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The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued as expenditures, whereas these amounts are deferred and amortized in the statement of activities.

Bond issuance	(3,715,000)
Bond premium	(369,632)
Principal Payment	115,000
Repay Developer advance	376,400
Refunding Escrow payment - 2006 & 2010 Bonds	4,180,000

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest on bonds payable - Change in liability	7,904
Amortization of bond premium	2,404

Change in net position of governmental activities	\$ (22,311)
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These financial statements should be read only in connection with
the accompanying notes to financial statements.

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

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$ 126,942	\$ 126,942	\$ -
Specific ownership taxes	8,890	10,466	1,576
Net investment income	400	1,784	1,384
Total revenues	<u>136,232</u>	<u>139,192</u>	<u>2,960</u>
EXPENDITURES			
Current			
Accounting	16,000	17,372	(1,372)
Audit	4,300	4,000	300
Elections	2,000	423	1,577
Legal	16,000	18,008	(2,008)
Insurance and bonds	2,500	2,209	291
Directors' fees	900	1,400	(500)
County Treasurer's fees	1,904	1,905	(1)
Dues and subscriptions	400	340	60
Miscellaneous	570	122	448
Refinancing alternatives	10,000	12,008	(2,008)
Contingency	3,426	-	3,426
Total expenditures	<u>58,000</u>	<u>57,787</u>	<u>213</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>78,232</u>	<u>81,405</u>	<u>3,173</u>
OTHER FINANCING SOURCES (USES)			
Transfers to other fund	<u>(35,000)</u>	<u>-</u>	<u>(35,000)</u>
Total other financing sources (uses)	<u>(35,000)</u>	<u>-</u>	<u>(35,000)</u>
NET CHANGE IN FUND BALANCES	43,232	81,405	38,173
FUND BALANCES - BEGINNING OF YEAR	242,859	235,013	(7,846)
FUND BALANCES - END OF YEAR	<u>\$ 286,091</u>	<u>\$ 316,418</u>	<u>\$ 30,327</u>

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

**RIVER OAKS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 1 - DEFINITION OF REPORTING ENTITY

River Oaks Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court for Adams County on November 21, 2003, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a service plan approved by Commerce City (City) on September 15, 2003. The District's service area is located in Adams County, Colorado entirely within the boundaries of the City. The District was established to provide financing for the design, acquisition, construction and installation of streets, traffic and safety controls, park and recreation, transportation, television relay and translator, mosquito control, water facilities, sanitary sewer, and storm drainage.

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property 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.

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

Separate financial statements are provided for governmental funds. 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. Redemption of bonds 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 and specific ownership taxes. 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 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.

RIVER OAKS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

The District has amended its annual budget for the year ended December 31, 2016.

Property Taxes

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

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

Capital Assets

Capital assets, which include roadway improvements, are reported by the District. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over 20 years for roadway improvements.

RIVER OAKS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amortization

Original Issue Discount/Premium

In the government-wide financial statements bond premiums are deferred and amortized over the life of the bonds using the effective interest method.

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item, cost of refunding, that qualifies for reporting in this category.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one item that qualifies for reporting in this category. Accordingly, the item, *property tax revenue*, is 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 government's practice to use restricted resources first, then unrestricted resources as they are needed.

In the government-wide financial statements, fund equity is classified as net position. Net position may be classified into three components: net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

- Net investment in capital assets – this component of net position consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any debt that is attributable to the acquisition, construction or improvement of those assets. If there are significant unspent debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in this component.
- Restricted – this component of net position consists of assets that are restricted for use as imposed by external parties such as creditors, grantors or contributors, or as imposed by laws or regulations of other governments, or as imposed through constitutional provisions or enabling legislation.
- Unrestricted – the component of net position that does not meet the definitions above.

**RIVER OAKS 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.

**RIVER OAKS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - CASH AND INVESTMENTS

Investments as of December 31, 2016, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 320,900
Cash and investments - restricted	<u>106,835</u>
Total investments	<u>\$ 427,735</u>

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

Deposits with financial institution	\$ 3,766
Investments	<u>423,969</u>
Total	<u>\$ 427,735</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 had a bank balance an carrying balance of \$3,766.

Investments

The District has not adopted a formal investment policy; however, 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 or investment custodial risk disclosure requirements for investments that are in the possession of another party.

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

**RIVER OAKS 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 had 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:

Investment	Maturity	Fair Value
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	\$ 423,781
Colorado Liquid Asset Trust (Colotrust)	Weighted average under 60 days	188
		<u>\$ 423,969</u>

RIVER OAKS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

CSAFE

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. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, highest rated commercial paper, certain money market funds, and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank serves as custodian for CSAFE's portfolios pursuant to a custodian agreement. 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 & Poor's.

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (Colotrust), 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 Colotrust. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. Colotrust offers two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities, certain obligations of agencies of the U.S. government and written purchase agreements collateralized by U.S. Treasury securities or certain obligations of U.S. government agencies. COLOTRUST PLUS+ may also invest in highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as a custodian for Colotrust's portfolios pursuant to a custodian agreement. The custodian acts as a safekeeping agent for Colotrust'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 Colotrust. Colotrust is rated AAAM by Standard & Poor's.

**RIVER OAKS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 4 - CAPITAL ASSETS

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

Governmental Activities	Balance at December 31, 2015	Increases	Decreases	Balance at December 31, 2016
Capital assets, being depreciated:				
Roadway improvements	\$ 253,132	\$ -	\$ -	\$ 253,132
Less accumulated depreciation for:				
Roadway improvements	(75,942)	(12,657)	-	(88,599)
Total capital assets, being depreciated, net	177,190	(12,657)	-	164,533
Total capital assets	<u>\$ 177,190</u>	<u>\$ (12,657)</u>	<u>\$ -</u>	<u>\$ 164,533</u>

Depreciation expense was charged to the general government function.

The District owns certain roadway improvements (Filing 2 Roadways) that will be maintained by the Homeowner's Association. The District will consider taking on maintenance costs for the roadways in the future.

NOTE 5 - LONG-TERM DEBT

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

	Balance at December 31, 2015	Additions	Reductions	Balance at December 31, 2016	Due Within One Year
2006 G.O. Bonds	\$ 3,855,000	\$ -	\$ 3,855,000	\$ -	\$ -
2010 Subordinate Bonds	325,000	-	325,000	-	-
2016 G.O. Bonds	-	3,715,000	115,000	3,600,000	95,000
2016 Bond premium	-	369,631	2,403	367,228	31,802
Developer advances	376,400	-	376,400	-	-
	<u>\$ 4,556,400</u>	<u>\$ 4,084,631</u>	<u>\$ 4,673,803</u>	<u>\$ 3,967,228</u>	<u>\$ 126,802</u>

**RIVER OAKS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Series 2006 Bonds

On February 8, 2006, the District issued \$3,915,000 in General Obligation Bonds (Limited Tax Convertible to Unlimited Tax) dated February 8, 2006, for infrastructure improvements. The bonds are term bonds due December 1, 2035, with an interest of 6.00%, paid semiannually 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 \$1,000, on December 1, 2016, and on any date thereafter, upon payment of par and accrued interest, without redemption premium. The bonds are subject to mandatory sinking fund redemption on December 1, 2015, and on each December 1 thereafter in increasing amounts annually through maturity. The bonds are payable from Pledged Revenues, including the District's covenant to levy the required mill levy on all taxable property within the District to pay for debt service payments as well as a portion of specific ownership taxes collected by the District as a result of the imposition of the required mill levy.

Prior to the time when the debt to assessed ratio is less than 50%, the District is required to impose a mill levy sufficient to pay principal and interest on the bonds as they come due and to make up any deficiencies in the Reserve Fund, but not less than 41.500 mills or more than 50.000 mills, as adjusted by the Gallagher amendment, on the assessed valuation of the District.

Series 2010 Sub-Bonds

On January 14, 2010, the District issued Subordinate General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds, Series 2010 in the amount of \$500,000. The proceeds from the sale of the bonds were used for the purpose of reimbursing the Developer for the advancement of capital infrastructure improvements costs. The Bonds mature on December 15, 2039, and bear interest at 8.0% and are payable annually on December 15, beginning on December 15, 2010. Any unpaid interest compounds annually. All of the Subordinate Bonds, together with the interest thereon and any premium due in connection therewith, shall be payable solely from and to the extent of the Subordinate Pledged Revenue, which includes any money released from the Surplus Fund. The Surplus Fund will be released once the Senior Debt to Assessed Ratio is 50% or less. Subordinate Pledged Revenue pays current interest, then accrued interest, then principal. The Sub-Bonds are callable at any time at par plus accrued interest. Upon the issuance of the Sub-Bonds the maximum mill levy for debt service is 41.500 mills subject to adjustment per the Gallagher Amendment.

On November 4, 2016, the District refunded and defeased (debt legally satisfied)] \$3,855,000 of General Obligation Limited Tax bonds dated February 8, 2006 and \$325,000 of Subordinate bonds dated January 14, 2010 with combined average interest rate of 6.03% by the issuance of \$3,715,000 General Obligation Refunding bonds dated November 4, 2016 with an average interest rate of 4.2%. The District refunded the bonds to reduce its total debt service payments over the next 19 years by almost \$1,639,884 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$935,117. The defeased bonds are not considered a liability of the District since sufficient funds in the amount of \$4,318,689 were deposited with a trustee and invested in U.S. government securities for the purpose of paying the principal and interest of the defeased bonds until the call date, at which point the bonds will be repaid in its entirety from the remaining funds in the escrow account. The 2006 bonds were redeemed on December 1, 2016 and the 2010 bonds were redeemed on November 4, 2016.

**RIVER OAKS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Series 2016 Bonds

On November 4, 2016, the District issued \$3,715,000 in General Obligation Refunding Bonds (Unlimited Tax) to refund its Series 2006 Bonds and Series 2010 Subordinate Bonds. The Bonds are due December 1, 2035, with an interest rate of 4.00% - 4.25%, paid semiannually on June 1 and December 1. The yield on the Bonds is 2.931%. 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, on December 1, 2026, and on any date thereafter, upon payment of par and accrued interest, without redemption premium. The bonds are subject to mandatory sinking fund redemption on December 1, 2016, and on each December 1 thereafter in increasing amounts annually through maturity. The bonds are payable from the District's covenant to levy a mill levy on all taxable property within the District in an amount sufficient to pay for debt service payments as well as a portion of specific ownership taxes collected by the District as a result of the imposition of the mill levy. Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") issued its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy

The District's bond obligations will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 95,000	\$ 149,450	\$ 244,450
2018	115,000	145,650	260,650
2019	120,000	141,050	261,050
2020	130,000	136,250	266,250
2021	135,000	131,050	266,050
2022-2026	825,000	565,650	1,390,650
2027-2031	1,080,000	376,763	1,456,763
2032-2035	1,100,000	119,851	1,219,851
	<u>\$ 3,600,000</u>	<u>\$ 1,765,714</u>	<u>\$ 5,365,714</u>

Developer Advances

On March 23, 2004, the District entered into an Advance and Reimbursement Agreement with the Developer to repay the Developer for organizational and operational and maintenance costs. The District shall repay operational advances plus 7% interest, subject to the annual appropriation of funds by the District upon a determination by the Board that funds are available for this repayment. The District shall repay capital and organization costs without interest, subject to the annual appropriation of funds by the District upon a determination by the Board that funds are available for the repayment. The District repaid the Developer for operational advances and the organizational advances in full on May 21, 2012.

**RIVER OAKS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Pursuant to the terms defined in the Indenture of Trust for the Series 2006 Bonds, \$376,400 of capital repayments were withheld from the Developer to establish a Reserve Fund to further secure the bonds, such amount is reflected as a Developer Capital advance as of year end. As of year end, the Developer advance was repaid in full with the issuance of the 2016 Bonds.

Authorized Debt

On November 4, 2003, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$24,592,200 at an interest rate not to exceed 18% per annum. At December 31, 2016, the District had authorized but unissued indebtedness in the following amounts for the following purposes:

	<u>Authorized November 4, 2003 Election</u>	<u>Authorization Used, Series 2006</u>	<u>Authorization Used, Series 2010</u>	<u>Authorization Used, Series 2016</u>	<u>Remaining at December 31, 2016</u>
Street improvements	\$ 4,500,000	\$ 1,870,000	\$ 248,474	\$ -	\$ 2,381,526
Traffic and safety controls	500,000	20,000	-	-	480,000
Water supply	1,546,000	905,000	133,093	-	507,907
Sanitary sewer	3,330,000	1,120,000	118,433	-	2,091,567
Parks and recreational facilities	1,000,100	-	-	-	1,000,100
Public transportation system	750,000	-	-	-	750,000
Television relay and translation system	520,000	-	-	-	520,000
Mosquito control	100,000	-	-	-	100,000
Operations and maintenance	100,000	-	-	-	100,000
Bond refunding	12,246,100	-	-	3,715,000	8,531,100
	<u>\$ 24,592,200</u>	<u>\$ 3,915,000</u>	<u>\$ 500,000</u>	<u>\$ 3,715,000</u>	<u>\$ 16,462,200</u>

The service plan limits the District's debt service to a maximum mill levy of 50.000 mills provided, however, that in the event the method of calculating the assessed valuation is changed after the date of the approved service plan, the mill levy limitation applicable to such debt may be increased or decreased to reflect such changes.

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 - RELATED PARTIES

Under the service plan, the organizer of the District was Southwestern Investment Group, LLC. The Developer of the land within the District is SW Peoria, LLC, a Colorado limited liability company (SW Peoria). Two of the current members of the Board of Directors of the District are associated with the Developer or its management and may have conflicts of interest in dealing with the District.

RIVER OAKS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 7 - NET POSITION

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

Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2016, the District had net investment in capital assets of \$164,533.

Restricted assets include net position 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 of \$80,647 as of December 31, 2016, as follows:

Restricted net position:

Emergency reserves	\$ 4,200
Debt service	<u>76,267</u>
Total	<u>\$ 80,467</u>

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

NOTE 8 - RISK MANAGEMENT

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

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

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

**RIVER OAKS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 9 - 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.

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 7, 2006, District voters authorized the District to increase property taxes \$750,000 annually, without limitation to rate, to pay the District's operations, maintenance and other expenses. Additionally, the District voters approved a revenue change to allow the District to retain and spend all revenue, other than ad valorem taxes, in excess of TABOR spending, revenue raising or other limitations.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to legal 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

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

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Property taxes	\$ 309,887	\$ 309,887	\$ 309,886	\$ (1)
Specific ownership taxes	21,690	25,500	25,536	36
Net investment income	2,000	4,100	4,189	89
Total revenues	<u>333,577</u>	<u>339,487</u>	<u>339,611</u>	<u>124</u>
EXPENDITURES				
Current				
County Treasurer's fees	4,648	4,648	4,650	(2)
Contingency	2,052	86,582	-	86,582
Debt service				
Bond Principal	80,000	-	-	-
Subordinate bond principal	25,000	-	-	-
Subordinate bond interest	26,000	-	-	-
Bond interest - 2006	231,300	115,650	115,650	-
Bond issue costs	-	165,996	166,311	(315)
Paying agent fees	2,000	4,124	4,124	-
Bond interest - 2016	-	11,600	11,554	46
Bond Principal- 2016	-	115,000	115,000	-
Total expenditures	<u>371,000</u>	<u>503,600</u>	<u>417,289</u>	<u>86,311</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(37,423)</u>	<u>(164,113)</u>	<u>(77,678)</u>	<u>86,435</u>
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	-	3,715,000	3,715,000	-
Reoffering Premium	-	370,000	369,632	368
Payment to Refunding Escrow	-	(4,320,000)	(4,318,689)	(1,311)
Repay Developer Advance	-	(376,400)	(376,400)	-
Transfers from other fund	35,000	-	-	-
Total other financing sources (uses)	<u>35,000</u>	<u>(611,400)</u>	<u>(610,457)</u>	<u>(943)</u>
NET CHANGE IN FUND BALANCES	(2,423)	(775,513)	(688,135)	87,378
FUND BALANCES - BEGINNING OF YEAR	<u>775,491</u>	<u>776,856</u>	<u>776,856</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 773,068</u>	<u>\$ 1,343</u>	<u>\$ 88,721</u>	<u>\$ 87,378</u>

OTHER INFORMATION

**RIVER OAKS METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016**

\$3,715,000			
General Obligation Bonds			
Series 2016			
Dated November 4, 2016			
Principal Due December 1			
Interest Rate 4.00% - 4.25% Payable			
June 1 and December 1			
<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 95,000	\$ 149,450	\$ 244,450
2018	115,000	145,650	260,650
2019	120,000	141,050	261,050
2020	130,000	136,250	266,250
2021	135,000	131,050	266,050
2022	150,000	125,650	275,650
2023	155,000	119,650	274,650
2024	165,000	113,450	278,450
2025	170,000	106,850	276,850
2026	185,000	100,050	285,050
2027	190,000	92,650	282,650
2028	205,000	84,575	289,575
2029	215,000	75,863	290,863
2030	230,000	66,725	296,725
2031	240,000	56,950	296,950
2032	255,000	46,750	301,750
2033	265,000	35,913	300,913
2034	285,000	24,650	309,650
2035	295,000	12,538	307,538
	<u>\$ 3,600,000</u>	<u>\$ 1,765,714</u>	<u>\$ 5,365,714</u>

The Series 2016 Bonds are subject to redemption prior to maturity, at the option of the District, beginning December 1, 2026, with no redemption premium.

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

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Tax Levy	Mills Levied		Total Property Taxes		Percent Collected to Levied
		Operations	Debt Service	Levied	Collected	
2012	\$ 6,504,450	17.000	41.500	\$ 380,510	\$380,510	100.00%
2013	\$ 6,523,960	17.000	41.500	\$ 381,651	\$381,652	100.00%
2014	\$ 6,334,880	17.000	41.500	\$ 370,591	\$370,591	100.00%
2015	\$ 6,338,950	17.000	41.500	\$ 370,828	\$370,828	100.00%
2016	\$ 7,467,150	17.000	41.500	\$ 436,828	\$436,828	100.00%
Estimated for the year ending December 31, 2017	\$ 7,471,050	17.000	35.000	\$ 388,495		