

RAVENNA METROPOLITAN DISTRICT
Douglas County, Colorado

FINANCIAL STATEMENTS
December 31, 2016



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Certified Public Accountants and Business Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ravenna Metropolitan District
Douglas County, Colorado

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Ravenna Metropolitan District, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the District will continue as a going concern. As discussed in Note 11 to the financial statements, the District has not yet established a revenue base sufficient to pay the District's debt service requirements or its operating expenses. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 11 and Note 12 (regarding Chapter 9 Bankruptcy Filing). The financial statements do not include any adjustments that might result from the District's efforts in these regards. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 27 be presented to supplement the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The supplemental information as listed in the table of contents is presented for purposed of legal compliance and additional analysis and is not a required part of the basic financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Danner Higgin & Associates, PC

BASIC FINANCIAL STATEMENTS

RAVENNA 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 | \$ 139,903 | \$ 156,560 | \$ 296,463 |
| Cash and investments - restricted | 36,726 | - | 36,726 |
| Due from county treasurer | 15,997 | - | 15,997 |
| Accounts receivable | 116,850 | 187,736 | 304,586 |
| Prepaid expense | 10,695 | - | 10,695 |
| Property tax receivable | 568,490 | - | 568,490 |
| Capital assets, net | 10,692,955 | - | 10,692,955 |
| Total assets | <u>11,581,616</u> | <u>344,296</u> | <u>11,925,912</u> |
| LIABILITIES | | | |
| Accounts payable | - | 144,277 | 144,277 |
| Accrued liabilities | 83,999 | - | 83,999 |
| Accrued interest on bonds payable | 3,049,633 | - | 3,049,633 |
| Noncurrent liabilities: | | | |
| Due within one year | 315,000 | - | 315,000 |
| Due in more than one year | | | |
| Bonds payable | 10,789,901 | - | 10,789,901 |
| Note payable | 4,970,962 | 304,517 | 5,275,479 |
| Accrued interest on note payable | 2,913,626 | 173,399 | 3,087,025 |
| Total liabilities | <u>22,123,121</u> | <u>622,193</u> | <u>22,745,314</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Property taxes | 568,490 | - | 568,490 |
| Deferred fee receipts | 116,850 | 106,113 | 222,963 |
| Total deferred inflows of resources | <u>685,340</u> | <u>106,113</u> | <u>791,453</u> |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | | | |
| | <u>22,808,461</u> | <u>728,306</u> | <u>23,536,767</u> |
| NET POSITION | | | |
| Net investment in capital assets | (11,346,167) | - | (11,346,167) |
| Restricted for: | | | |
| Emergency reserves | 2,147 | - | 2,147 |
| Debt service | 49,814 | - | 49,814 |
| Unrestricted | 67,361 | (384,010) | (316,649) |
| Total net position | <u>\$ (11,226,845)</u> | <u>\$ (384,010)</u> | <u>\$ (11,610,855)</u> |

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

RAVENNA METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

| Functions/Programs | Expenses | Program Revenues | | Net (Expenses) Revenues and Changes in Net Position | | | Total |
|--|---------------------|----------------------|------------------------------------|---|-------------------------|--------------------------|------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 412,518 | \$ - | \$ - | \$ - | \$ (412,518) | \$ - | \$ (412,518) |
| Interest and other costs of long-term debt | 1,377,338 | - | - | - | (1,377,338) | - | (1,377,338) |
| | <u>\$ 1,789,856</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (1,789,856)</u> | <u>\$ -</u> | <u>\$ (1,789,856)</u> |
| Business-type activities: | | | | | | | |
| Sewer | \$ 548,126 | \$ 90,335 | \$ - | \$ - | \$ - | \$ (457,791) | \$ (457,791) |
| Water | 892,533 | 83,899 | - | - | - | (808,634) | (808,634) |
| | <u>\$ 1,440,659</u> | <u>\$ 174,234</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>(1,266,425)</u> | <u>(1,266,425)</u> |
| General revenues: | | | | | | | |
| Property taxes | | | | | 569,716 | - | 569,716 |
| Specific ownership tax | | | | | 44,940 | - | 44,940 |
| Investment income | | | | | 38,671 | - | 38,671 |
| Facility fees | | | | | 140,036 | - | 140,036 |
| Water resource fees | | | | | - | 71,297 | 71,297 |
| Water/sewer tap fees | | | | | - | 963,286 | 963,286 |
| Operations fees | | | | | - | 18,983 | 18,983 |
| Other fees/income | | | | | - | 226,973 | 226,973 |
| Transfer in (out) | | | | | - | - | - |
| Total general revenues | | | | | <u>793,363</u> | <u>1,280,539</u> | <u>2,073,902</u> |
| Change in net position | | | | | (996,493) | 14,114 | (982,379) |
| Net Position - Beginning | | | | | <u>(10,230,352)</u> | <u>(398,124)</u> | <u>(10,628,476)</u> |
| Net Position - Ending | | | | | <u>\$ (11,226,845)</u> | <u>\$ (384,010)</u> | <u>\$ (11,610,855)</u> |

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

**RAVENNA METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016**

| | General | Debt Service | Total Governmental Funds |
|---|----------------|-------------------------|---|
| ASSETS | | | |
| Cash and investments | \$ 142,050 | \$ 34,579 | \$ 176,629 |
| Due from county treasurer | 762 | 15,235 | 15,997 |
| Accounts receivable | 116,850 | - | 116,850 |
| Prepaid expense | 10,695 | - | 10,695 |
| Property taxes receivable | 81,213 | 487,277 | 568,490 |
| Total assets | \$ 351,570 | \$ 537,091 | \$ 888,661 |
| LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE | | | |
| Liabilities | | | |
| Accounts payable and accrued liabilities | \$ 83,999 | \$ - | \$ 83,999 |
| Total liabilities | 83,999 | - | 83,999 |
| Deferred Inflows of Resources | | | |
| Property taxes | 81,213 | 487,277 | 568,490 |
| Deferred fee receipts | 116,850 | - | 116,850 |
| Total deferred inflows of resources | 198,063 | 487,277 | 685,340 |
| FUND BALANCES | | | |
| Nonspendable | 10,695 | - | 10,695 |
| Restricted | 2,147 | 49,814 | 51,961 |
| Unassigned | 56,666 | - | 56,666 |
| Total fund balance | 69,508 | 49,814 | 119,322 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 351,570 | \$ 537,091 | |

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.

| | |
|----------------------|------------|
| Total capital assets | 10,692,955 |
|----------------------|------------|

Long-term liabilities, including developer advances and accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds.

| | |
|---|-----------------|
| Bonds payable | (11,104,901) |
| Interest on bonds payable | (3,049,633) |
| Note payable | (4,970,962) |
| Accrued interest on note | (2,913,626) |
| Net position of governmental activities | \$ (11,226,845) |

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

RAVENNA METROPOLITAN DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

| | General | Debt Service | Total Governmental Funds |
|---|-------------------------|-------------------------|---|
| REVENUE | | | |
| Property taxes | \$ 27,130 | \$ 542,586 | \$ 569,716 |
| Specific ownership tax | 2,140 | 42,800 | 44,940 |
| Facilities acquisition fees | 40,036 | - | 40,036 |
| Facility fees | - | 100,000 | 100,000 |
| Interest income | 2,234 | 36,437 | 38,671 |
| Total revenue | <u>71,540</u> | <u>721,823</u> | <u>793,363</u> |
| EXPENDITURES | | | |
| Audit | 7,528 | - | 7,528 |
| County Treasurer's fee | 433 | 8,669 | 9,102 |
| Insurance and bonds | 10,279 | - | 10,279 |
| Miscellaneous | 6,008 | - | 6,008 |
| Bond interest | - | 390,058 | 390,058 |
| Bond principal | - | 315,000 | 315,000 |
| Paying agent fees | - | 800 | 800 |
| Total expenditures | <u>24,248</u> | <u>714,527</u> | <u>738,775</u> |
| NET CHANGE IN FUND BALANCES | 47,292 | 7,296 | 54,588 |
| FUND BALANCE - BEGINNING OF YEAR | <u>22,216</u> | <u>42,518</u> | <u>64,734</u> |
| FUND BALANCE - END OF YEAR | <u><u>\$ 69,508</u></u> | <u><u>\$ 49,814</u></u> | <u><u>\$ 119,322</u></u> |

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

**RAVENNA METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015**

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

| | | |
|--|--|----------------------------|
| Net changes in fund balances - Total governmental funds | | <u>\$ 54,588</u> |
| <p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of 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 interest expenditures when paid, whereas these amounts are accrued as incurred in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p> | | |
| Bond principal paid | | 315,000 |
| Change in accrued note interest payable | | <u>(398,767)</u> |
| | | <u>(83,767)</u> |
| <p>Some expenses 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> | | |
| Depreciation expense | | (378,801) |
| Change in accrued interest payable - bonds | | <u>(588,513)</u> |
| | | <u>(967,314)</u> |
| Change in net position of governmental activities | | <u><u>\$ (996,493)</u></u> |

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

**RAVENNA METROPOLITAN DISTRICT
STATEMENT OF NET POSITION (DEFICIT)
WATER AND SEWER ENTERPRISE FUND
December 31, 2016**

ASSETS

| | |
|----------------------|----------------|
| Cash and investments | \$ 156,560 |
| Accounts receivable | 187,736 |
| Prepaid expenses | - |
| Total assets | <u>344,296</u> |

LIABILITIES

Current liabilities:

| | |
|--|----------------|
| Accounts payable and accrued liabilities | <u>144,277</u> |
| Total current liabilities | <u>144,277</u> |

Noncurrent liabilities:

| | |
|-----------------------------------|----------------|
| Note payable and accrued interest | <u>477,916</u> |
| Total noncurrent liabilities | <u>477,916</u> |

| | |
|-------------------|----------------|
| Total liabilities | <u>622,193</u> |
|-------------------|----------------|

DEFERRED INFLOWS OF RESOURCES

| | |
|-----------------------|----------------|
| Deferred fee receipts | <u>106,113</u> |
|-----------------------|----------------|

NET POSITION (DEFICIT)

| | |
|------------------------------|----------------------------|
| Unrestricted | <u>(384,010)</u> |
| Total net position (deficit) | <u><u>\$ (384,010)</u></u> |

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

RAVENNA METROPOLITAN DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
WATER AND SEWER ENTERPRISE FUND
For the Year Ended December 31, 2016

| | Water | Sewer | Total |
|---|--------------|--------------|--------------|
| OPERATING REVENUE | | | |
| Service charges | \$ 83,899 | \$ 90,335 | \$ 174,234 |
| Total operating revenue | 83,899 | 90,335 | 174,234 |
| OPERATING EXPENSES | | | |
| District management and accounting | 135,929 | - | 135,929 |
| Legal | 235,675 | - | 235,675 |
| Engineering | 220 | - | 220 |
| Operations | 465,384 | 41,237 | 506,621 |
| Utilities | 30,897 | - | 30,897 |
| Total operating expenses | 868,105 | 41,237 | 909,342 |
| OPERATING INCOME (LOSS) | (784,206) | 49,098 | (735,108) |
| NONOPERATING REVENUE (EXPENSE) | | | |
| Water resource fees | 71,297 | - | 71,297 |
| Operations fees | 18,983 | - | 18,983 |
| Water tap fees | 484,707 | - | 484,707 |
| Sewer tap fees | - | 478,579 | 478,579 |
| Note payable - accrued interest | (24,428) | - | (24,428) |
| Miscellaneous income | 226,973 | - | 226,973 |
| IGA Roxborough MD - permits/taps | - | (506,889) | (506,889) |
| Total nonoperating revenue (expense) | 777,532 | (28,310) | 749,222 |
| CHANGE IN NET POSITION | (6,674) | 20,788 | 14,114 |
| TOTAL NET POSITION - BEGINNING OF YEAR | (408,754) | 10,630 | (398,124) |
| TOTAL NET POSITION - END OF YEAR | \$ (415,428) | \$ 31,418 | \$ (384,010) |

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

**RAVENNA METROPOLITAN DISTRICT
STATEMENT OF CASH FLOWS
WATER AND SEWER ENTERPRISE FUND
For the Year Ended December 31, 2016**

| | |
|--|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Service and related fees | \$ 199,720 |
| Payment for operating expenses | (933,776) |
| Net cash (required) by operating activities | <u>(734,056)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Other income (expenses) | <u>666,541</u> |
| Net cash provided by noncapital financing activities | <u>666,541</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | |
| | (67,515) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | |
| | <u>224,075</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | |
| | <u><u>\$ 156,560</u></u> |

(Continued)

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

RAVENNA METROPOLITAN DISTRICT
STATEMENT OF CASH FLOWS
WATER AND SEWER ENTERPRISE FUND
For the Year Ended December 31, 2016
(Continued)

**Reconciliation of operating income (loss) to net cash provided
(required) by operating activities**

| | |
|--|----------------------------|
| Income (Loss) from operations | \$ (735,108) |
| Adjustments to reconcile income (loss) from operations to net cash flows provided (used) by operating activities: | |
| Increase (decrease) in deferred fee receipts | 25,487 |
| Increase (decrease) in operating accounts payable | <u>(24,435)</u> |
| Net cash (required) by operating activities | <u><u>\$ (734,056)</u></u> |

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

RAVENNA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - DEFINITION OF REPORTING ENTITY

Ravenna Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado was organized on May 28, 2004 and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Douglas County, Colorado.

The District was established principally to provide streets, traffic and safety controls, water, sanitary sewer, storm drainage, television relay, parks and recreation, and mosquito control to areas within and without the boundaries of the District.

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 District 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. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

In addition to assets, the statement of net position may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position and fund balance that applies to future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then.

RAVENNA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition to liabilities, the statement of net position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position and fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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. 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 property and equipment are shown as increases in assets and redemption of bonds, notes, and developer advances 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 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 other funds.

RAVENNA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The Enterprise Fund is used to support the acquisition, construction, operation, and maintenance of the facilities. The financial activities of the Enterprise are accounted for as part of the financial statements of the District.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted first, then unrestricted resources as they are needed.

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.

Supplementary appropriations approved by the District's Board of Directors modified the appropriation from \$654,578 to \$731,743 in the Debt Service Fund, and from \$1,130,964 to \$1,585,000 in the 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 account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash. Investments are carried at fair value.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien

RAVENNA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 inflows of resources in the year they are levied and measurable. The property tax revenues are recorded as revenue in the year they are available or collected.

Capital Assets

Capital assets, which include equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the governmental-wide financial statements. 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. It is the District's policy to capitalize those assets with a cost or value of \$5,000 or more.

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 that will be dedicated to other governmental entities are not depreciated. Improvements to be owned by the District, with the exception of certain landscaping improvements (e.g. trees, sod, and similar items), 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:

| | |
|-------------------------------|-------------|
| Vehicles and equipment | 10 years |
| Water wells | 50 years |
| Drainage system | 40 years |
| Streets | 40 years |
| Landscaping/irrigation system | 20-25 years |
| Park and recreation equipment | 15-20 years |

Fees

The District imposes certain development impact, water and sewer fees on property within the Districts. The facility fees, water tap fees, and sewer tap fees are required to be paid prior to the issuance of a building permit by the County. The District records the revenue when the fees are paid and received.

RAVENNA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity

The GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for reporting periods beginning after June 15, 2010. The statement establishes fund balance classifications, provides for a hierarchy of spending constraints for spendable resources and requires disclosure of nonspendable and spendable resources. The District adopted this in fiscal year 2011, based on that statement, fund balances of governmental funds are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes determined by a formal action of District's Board. The Board is the highest level of decision-making body for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed by that are intended to be used for specific purposes. Only the Board may assign fund balances for specific purposes.

Unassigned – All other spendable amounts.

Restricted Fund Balance

Emergency Reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado. \$2,147 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund of \$49,814 represents the amount available for debt service payments at December 31, 2016.

NOTE 3 - CASH AND INVESTMENTS

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

RAVENNA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Statement of net position:

| | |
|-------------------------------------|--------------------------|
| Cash and investments - Unrestricted | \$ 296,410 |
| Cash and investments - Restricted | <u>36,779</u> |
| Total cash and investments | <u><u>\$ 333,189</u></u> |

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

| | |
|--------------------------------------|--------------------------|
| Deposits with financial institutions | \$ 262,107 |
| Investments | <u>71,082</u> |
| Total cash and investments | <u><u>\$ 333,189</u></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 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 \$316,415 and a carrying balance of \$262,107.

Investments

Credit Risk

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

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

**RAVENNA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

- * Obligations of the United States and certain U.S. government agency securities
- * Certain international agency securities
- * Certain certificates of participation
- * Certain securities lending agreements
- * General obligation and revenue bonds of U.S. local government entities
- * Bankers' acceptances of certain banks
- * Commercial paper
- * Written repurchase and reverse repurchase agreements collateralized by certain authorized securities
- * Certain money market funds
- * Guaranteed investment contracts
- * Local government investment pools

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

The local government investment pools, which include the Colorado Surplus Asset Fund Trust (CSAFE) and the Colorado Local Government Liquid Asset Trust (Colotrust) are both rated AAAM by Standard & Poor's.

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.

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.

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 | <u>\$ 36,529</u> |

RAVENNA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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 the Trust. The trust 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.

Cash and investments of \$34,579 is restricted for future debt service payments, and \$2,147 is restricted for emergencies.

NOTE 4 - CAPITAL ASSETS

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

RAVENNA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 4 - CAPITAL ASSETS (CONTINUED)

| | Balance December 31, 2015 | Additions | Retirements/ Reclassifications | Balance December 31, 2016 |
|---|--|---------------------|---|--|
| Governmental activities: | | | | |
| Capital assets, not being depreciated | | | | |
| Construction in process | \$ - | \$ - | \$ - | \$ - |
| Total capital assets, not being depreciated | - | - | - | - |
| Capital assets, being depreciated | | | | |
| Storm drainage | 4,370,865 | - | - | 4,370,865 |
| Waterline construction | 2,190,587 | - | - | 2,190,587 |
| Sanitary sewer | 2,116,614 | - | - | 2,116,614 |
| Streets | 4,874,110 | - | - | 4,874,110 |
| Landscaping improvements | 876,655 | - | - | 876,655 |
| Vehicles and equipment | 49,300 | - | - | 49,300 |
| Total capital assets, being depreciated | 14,478,131 | - | - | 14,478,131 |
| Less accumulated depreciation on for: | | | | |
| Storm drainage | (983,448) | (109,272) | - | (1,092,720) |
| Waterline construction | (492,885) | (54,765) | - | (547,650) |
| Sanitary sewer | (476,235) | (52,915) | - | (529,150) |
| Streets | (1,096,677) | (121,853) | - | (1,218,530) |
| Landscaping improvements | (315,594) | (35,066) | - | (350,660) |
| Vehicles and equipment | (41,536) | (4,930) | - | (46,466) |
| Total accumulated depreciation | (3,406,375) | (378,801) | - | (3,785,176) |
| Total capital assets, being depreciated, net | 11,071,756 | (378,801) | - | 10,692,955 |
| Total capital assets, net | <u>\$ 11,071,756</u> | <u>\$ (378,801)</u> | <u>\$ -</u> | <u>\$ 10,692,955</u> |

Depreciation of \$378,801 was charged to general government expense.

NOTE 5 - LONG-TERM OBLIGATIONS

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

**RAVENNA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

| | Balance at December 31, 2015 | Additions | Retirements | Balance at December 31, 2016 | Due Within One Year |
|-------------------------------------|---|---------------------|--------------------|---|------------------------------------|
| G.O. Limited Tax Bonds, Series 2007 | \$ 9,000,000 | \$ - | \$ - | \$ 9,000,000 | \$ - |
| Unpaid interest on G.O bonds | 2,571,281 | 868,408 | 390,058 | 3,049,631 | - |
| 2007 Supplemental B Coupons | 2,257,238 | 162,663 | 315,000 | 2,104,901 | 315,000 |
| General Obligation Subordinate | | | | | |
| Promissory Note Series 2009A | 5,275,479 | - | - | 5,275,479 | - |
| Accrued interest on note payable | 2,663,830 | 423,195 | - | 3,087,025 | - |
| | <u>\$ 21,767,828</u> | <u>\$ 1,454,266</u> | <u>\$ 705,058</u> | <u>\$ 22,517,036</u> | <u>\$ 315,000</u> |

General Obligation Limited Tax Bonds Series 2007/Supplemental "B" Interest Registered Coupons

On December 6, 2007, the District issued \$9,000,000 in General Obligation Limited Tax Bonds and Supplemental Registered Coupons for the purpose of funding the design, acquisition, construction, completion, installation, relocation and/or provision of public improvements for the District, capitalizing a portion of the initial interest to accrue on the Series 2007 Obligations and paying the costs of issuing the Series 2007 Obligations. The Term Bonds mature on December 1, 2037, and bear an interest rate of 7.00%. The Supplemental "B" Interest Registered Coupons mature and accrete interest at the rate of 8.25% interest.

The Series 2007 bonds are secured by pledged revenue consisting of revenues to be derived from a property tax mill levy of not more than 60 mills, the portion of the allocable share of specific ownership taxes and proceeds of a certain one-time facility fee of \$5,000 imposed at the issuance of a new home building permit. The Bonds maturing on or after December 1, 2018 are subject to optional redemption prior to maturity, at the option of the District, in whole or in part, on and after December 1, 2017 and on any date thereafter, at the redemption price equal to the principal amount of each Bond or portion thereof redeemed, plus accrued interest thereon to the date of redemption, without redemption premium.

The District transferred \$5,000 from the Enterprise Fund to the Debt Service Fund to correct prior year facility fee revenues recognized in the Enterprise Fund.

Debt service payments for each of the next five years, and five-year increments thereafter, is as follows:

**RAVENNA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

| | <u>Principal</u> | <u>Interest</u> | <u>Supplemental B Interest Coupons</u> | <u>Total</u> |
|-----------|---------------------|----------------------|--|----------------------|
| 2017 | \$ - | \$ 3,611,238 | \$ 315,000 | \$ 3,926,238 |
| 2018 | - | 630,000 | 330,000 | 960,000 |
| 2019 | - | 630,000 | 325,000 | 955,000 |
| 2020 | - | 630,000 | 340,000 | 970,000 |
| 2021 | - | 630,000 | 340,000 | 970,000 |
| 2022-2026 | 1,180,000 | 3,072,300 | 730,000 | 4,982,300 |
| 2027-2031 | 2,735,000 | 2,384,900 | - | 5,119,900 |
| 2032-2036 | 4,070,000 | 1,253,700 | - | 5,323,700 |
| 2037 | 1,015,000 | 71,050 | - | 1,086,050 |
| | <u>\$ 9,000,000</u> | <u>\$ 12,913,188</u> | <u>\$ 2,380,000</u> | <u>\$ 24,293,188</u> |

Authorized Debt

A majority of the qualified electors of the District who voted in an election authorized the issuance of indebtedness in an amount not to exceed \$70,500,000 at an interest rate not to exceed 18% per annum. Remaining authorized but unissued debt at December 31, 2016 follows:

| | <u>Voter Authorization</u> | <u>Authorization Used</u> | <u>Remaining at December 31, 2016</u> |
|---------------------|--------------------------------|-------------------------------|---|
| Streets | \$ 3,561,827 | \$ 3,561,827 | \$ - |
| Park and recreation | 1,610,232 | 1,610,232 | - |
| Water | 13,239,108 | - | 13,239,108 |
| Sanitation | 5,588,833 | 3,827,941 | 1,760,892 |
| Operations | 500,000 | - | 500,000 |
| Refunding | 46,000,000 | - | 46,000,000 |
| | <u>\$ 70,500,000</u> | <u>\$ 9,000,000</u> | <u>\$ 61,500,000</u> |

NOTE 6 - 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, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. As of December 31, 2016, the District had net investments in capital assets, in the amount of (\$11,346,166), calculated as follows:

**RAVENNA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

Net investment in capital assets:

| | |
|------------------------------------|-----------------|
| Capital assets, net | \$ 10,692,955 |
| Bonds and accrued interest payable | (14,154,532) |
| Note and accrued interest payable | (7,884,589) |
| | \$ (11,346,166) |

Restricted assets include net position that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District has restricted net position of \$49,814 for emergency reserves and debt requirements.

NOTE 7 - AGREEMENTS

Intergovernmental Agreement Regarding Provision of Wastewater Facilities and Services

The District entered into an intergovernmental agreement with Roxborough Park Metropolitan District (“Roxborough Park”), dated May 18, 2005, regarding the provision of wastewater facilities and services to the Ravenna development. The terms of the Agreement permit the District to purchase wastewater connections for three hundred (300) single-family equivalents (“SFE”) or for the actual number of SFE units constructed within Ravenna.

The Agreement further provides that Roxborough Park will provide wastewater service to the District, and not to individual users within Ravenna. Roxborough Park will bill the District and, in turn, the District will bill users within Ravenna for wastewater service.

License Agreement

The District entered into a License Agreement with the City and County of Denver, acting by and through its Board of Water Commissioners (the “Water Board”), dated October 12, 2005. The Water Board granted the District a license to construct, utilize, maintain, repair, and replace a 6’ x 10’ box culvert storm sewer within the Water Board’s High Line Canal.

First Amended and Restated Water Service Agreement

The District entered into a First Amended and Restated Water Service Agreement with United Water and Sanitation District, acting by and through its Ravenna Project Water Activity Enterprise (“United”), dated June 20, 2006, with regard to the provision of water service to the District. United agreed to annually provide up to 424 acre feet of water service through United’s water facilities, including up to three hundred (300) domestic service water taps to residential lots and golf course facilities. The Agreement further identifies United and the District’s responsibilities with regard to the financing, construction, operation, and maintenance of certain water facilities and improvements. This Agreement was subsequently amended on September 30, 2008, to further allocate operation and maintenance responsibilities of the water facilities between United and the District, and on May 3, 2010, to address non-potable service charges for the golf course.

RAVENNA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 7 – AGREEMENTS (CONTINUED)

Intergovernmental Agreement for Maintenance

The District entered into an intergovernmental agreement for maintenance with the City and County of Denver, acting by and through its Water Board, effective March 23, 2007, to provide for the District's use and maintenance of certain roadway improvements located on Tract D, River Canyon Filing No. 2, in the Ravenna development. Tract D is owned by the Water Board. The agreement is in effect in perpetuity or until it is modified by written agreement of the parties.

Agreement for Treated Water Emergency Interconnection

The District entered into an Agreement for Treated Water Emergency Interconnection with Roxborough Water and Sanitation District on May 18, 2016, to provide for connections between the District's and Roxborough's water treatment and distribution systems so that Roxborough can assist the District in providing water services during an emergency.

Lease Purchase and Pledge Agreement

On July 1, 2007, the District, the District's Water Enterprise, and United Water and Sanitation District, acting by and through its Ravenna Project Water Activity Enterprise ("United"), entered into that certain Lease Purchase and Pledge Agreement ("Lease") pursuant to which United agreed to lease certain water system facilities to the District and its Enterprise in exchange for lease payments that were pledged to the repayment of bonds issued by United. The original annual lease payment schedule for the District matched United's bond payment schedule. The lease payments were initially funded by a 13.000 mill levy by the District's General Fund. Due to the reduction in assessed valuation, the 13.000 mill levy is no longer available to fund the lease payments. For calendar years 2011 through 2013, the District's Enterprise imposed a Facilities Acquisition Fee on each lot in the District in accordance with the terms of the Lease, and the revenues from the Fee were applied to the lease payments.

RAVENNA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 7 – AGREEMENTS (CONTINUED)

Advance and Reimbursement Agreement for Capital Advances

The District entered into an Advance and Reimbursement Agreement with River Canyon Real Estate Investments, LLC (“RCREI”) on November 19, 2009, for the purpose of consolidating all understandings and commitments between the parties relating to the funding and repayment of the District’s costs associated with the construction, design, engineering and related capital costs for certain public improvements, facilities and services. The Agreement provides for the advancement of funds of up to Seven Million Dollars (\$7,000,000). To evidence the District’s reimbursement obligation to RCREI, the District issued a General Obligation Subordinate Promissory Note, Series 2009A (“Note”), to RCREI in the amount of Seven Million Dollars (\$7,000,000). The Note bears interest at 8% annum and matures on November 18, 2049. Payments on the Note do not commence until the first December 20 after one hundred (150) building permits for single-family residential units have been issued within the boundaries of the District and the golf course is open for play, and on each December 20 thereafter to the maturity date. If, on the maturity date, any principal or interest on the Note remains outstanding, the Note shall be cancelled and no further amounts shall be due or payable on the Note. The obligation to make payments on this Note is subordinate to the payment of all amounts due and owing under the District’s Series 2007 bonds. At December 31, 2016, the Note had an outstanding balance of \$5,275,479 plus \$3,087,025 in accrued interest.

NOTE 8 - RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District may be 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 9 – RELATED PARTY

River Canyon Real Estate Investments, LLC is the current holder of the Note issued by the District pursuant to the Advance and Reimbursement Agreement dated November 19, 2009 (see Note 7). Specific details of transactions with River Canyon Real Estate Investments, LLC regarding organization, advances and debt are described elsewhere in these footnotes.

RAVENNA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 9 – RELATED PARTY (CONTINUED)

River Canyon Real Estate Investments, LLC, the owner of the majority of the lots located within the District's boundaries, filed a petition pursuant to Chapter 11 of the U.S. Bankruptcy Code on May 23, 2012. The owner of the lots is responsible for making payments of all taxes, fees, rates, tolls and charges imposed by the District for services and facilities provided to these lots. Pursuant to the terms of the bankruptcy plan of reorganization, which was confirmed by the court on July 31, 2014, the owner will pay certain claims to the District at a decreased amount or at the time lots are sold.

NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS

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

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

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

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

NOTE 11 – FUTURE OPERATIONS OF THE DISTRICT – GOING CONCERN

The District has not yet established a revenue base sufficient to pay the District's debt service requirements or their operations. In addition, 95% of the maximum allowable mills to be imposed is needed to meet the debt requirements of the District's General Obligation bonds. This results in only 5% of the tax revenue being available for operations which is substantially less than what is necessary to operate the District.

The District is pursuing inclusion into the Roxborough Water and Sanitation District in order to transition its water and wastewater services to Roxborough, which will allow the District to become a debt only district. Inclusion into Roxborough also will place the District on a renewable water supply, as opposed to its current groundwater supply. On November 8, 2016, the eligible electors of the District approved the inclusion of the property in the District into the boundaries of Roxborough, subject to the satisfaction of certain conditions. The District Court of

RAVENNA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

**NOTE 11 – FUTURE OPERATIONS OF THE DISTRICT – GOING CONCERN
(CONTINUED)**

Douglas County, Colorado has issued an Order for inclusion, which Order will be recorded upon closing of the District's restructure of debt. The District is also negotiating with bond and leaseholders to restructure its debt into one limited general obligation debt issue. Regarding operations not related to water and sanitation, the District is negotiating with the Homeowner's Association to manage and own those facilities, which, along with the restructure of the debt, may allow the District to significantly reduce its expense structure.

NOTE 12 –CHAPTER 9 BANKRUPTCY FILING and DISPOSITION

On April 2, 2014, the District commenced a Chapter 9 bankruptcy case in the United States Bankruptcy Court for the District of Colorado (the Court). On April 3, 2014, the District filed its Plan for Adjustment of Debts of Ravenna Metropolitan District (the Plan) with the Court. The Plan addressed adjustments of various classes of debts and claims. The District's eligibility to seek Chapter 9 relief and the Plan was contested by certain creditors of the District. The Court issued a ruling denying the District's eligibility to proceed with the Plan. The District has filed an appeal of the Bankruptcy Court decision. On December 21, 2016, the parties filed a Stipulation to Dismiss the Appeal and the Court filed an order dismissing the appeal on the same date. The District continues to work with its creditors in an effort to restructure the District's long-term obligations.

REQUIRED SUPPLEMENTARY INFORMATION

**RAVENNA METROPOLITAN DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2016**

| | Original and Final Budget Amounts | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|--|---------------------------|---|
| REVENUE | | | |
| Property taxes | \$ 23,260 | \$ 27,130 | \$ 3,870 |
| Specific ownership tax | 1,861 | 2,140 | 279 |
| Facilities Acquisition Fees | 148,118 | 40,036 | (108,082) |
| Interest and other income | 2,643 | 2,234 | (409) |
| Total revenue | <u>175,882</u> | <u>71,540</u> | <u>(104,342)</u> |
| EXPENDITURES | | | |
| Audit | 7,500 | 7,528 | (28) |
| County treasurer's fees | 381 | 433 | (52) |
| Insurance and bonds | 9,021 | 10,279 | (1,258) |
| Lease payment | 148,118 | - | 148,118 |
| Miscellaneous | 6,000 | 6,008 | (8) |
| Total expenditures | <u>171,020</u> | <u>24,248</u> | <u>146,772</u> |
| NET CHANGE IN FUND BALANCE | 4,862 | 47,292 | 42,430 |
| FUND BALANCE -BEGINNING OF YEAR | <u>17,604</u> | <u>22,216</u> | <u>4,612</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 22,466</u> | <u>\$ 69,508</u> | <u>\$ 47,042</u> |

SUPPLEMENTAL INFORMATION

RAVENNA METROPOLITAN DISTRICT
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year ended December 31, 2016

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|-----------------------|----------------|---------------------------|---|
| | Original | Final | | |
| REVENUE | | | | |
| Property tax | \$ 465,200 | \$ 465,200 | \$ 542,586 | \$ 77,386 |
| Specific ownership tax | 37,216 | 42,000 | 42,800 | 800 |
| Facility fee | 100,000 | 100,000 | 100,000 | - |
| Interest and other income | 51,857 | 82,025 | 36,437 | (45,588) |
| Total revenue | <u>654,273</u> | <u>689,225</u> | <u>721,823</u> | <u>32,598</u> |
| EXPENDITURES | | | | |
| County treasurer's fees | 6,978 | 8,073 | 8,669 | (596) |
| Bond principal | 315,000 | 315,000 | 315,000 | - |
| Bond interest | 331,700 | 407,870 | 390,058 | 17,812 |
| Paying agent fees | 900 | 800 | 800 | - |
| Total expenditures | <u>654,578</u> | <u>731,743</u> | <u>714,527</u> | <u>17,216</u> |
| NET CHANGE IN FUND BALANCE | (305) | (42,518) | 7,296 | 49,814 |
| FUND BALANCE - BEGINNING OF YEAR | <u>10,452</u> | <u>42,518</u> | <u>42,518</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 10,147</u> | <u>\$ -</u> | <u>\$ 49,814</u> | <u>\$ 49,814</u> |

RAVENNA METROPOLITAN DISTRICT
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL
WATER AND SEWER ENTERPRISE FUND
For the Year ended December 31, 2016

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|-----------------------|------------------|---------------------------|---|
| | Original | Final | | |
| REVENUE | | | | |
| Sewer - service fees | \$ 77,070 | \$ 77,070 | \$ 90,335 | \$ 13,265 |
| Sewer tap fees - Roxborough | 371,763 | 605,000 | 478,579 | (126,421) |
| Water taps | 483,845 | 569,512 | 484,707 | (84,805) |
| Water resource fees | 90,667 | 60,689 | 71,297 | 10,608 |
| Water Usage | 42,039 | 80,172 | 83,899 | 3,727 |
| Operations fee | 5,500 | 15,644 | 18,983 | 3,339 |
| Golf Course/HOA Reimbursement/Other | 165,529 | 146,287 | 226,973 | 80,686 |
| Total revenue | <u>1,236,413</u> | <u>1,554,374</u> | <u>1,454,773</u> | <u>(99,601)</u> |
| EXPENDITURES | | | | |
| District management and accounting | 166,045 | 166,045 | 135,929 | 30,116 |
| Engineering | 4,000 | 4,000 | 220 | 3,780 |
| Vehicle fuel and maintenance- Ranger | 7,250 | 7,250 | 4,661 | 2,589 |
| IGA United - water resource fees and taps | 90,667 | 60,689 | - | 60,689 |
| Legal | 95,000 | 195,000 | 235,675 | (40,675) |
| Miscellaneous and contingency | 25,000 | 25,000 | 2,762 | 22,238 |
| Storage | 800 | 800 | 847 | (47) |
| Trash pickup | 1,500 | 2,390 | 2,226 | 164 |
| Water treatment plant | 73,142 | 89,610 | 87,033 | 2,577 |
| Raw water delivery - Onsite | 63,861 | 81,265 | 96,573 | (15,308) |
| Raw water delivery - Offsite | 108,704 | 142,716 | 162,007 | (19,291) |
| Distribution system | 5,094 | 5,094 | 4,235 | 859 |
| Streets: Snow and ice operations | 33,751 | 33,751 | 32,145 | 1,606 |
| Streets: Maintenance | 5,126 | 46,181 | 50,125 | (3,944) |
| Streets: Lights | 10,094 | 10,934 | 9,649 | 1,285 |
| Storm water system | 1,949 | 1,949 | 1,980 | (31) |
| Meter package fees | - | 34,913 | 30,897 | 4,016 |
| Entry - Way features | 8,322 | 11,650 | 11,141 | 509 |
| Sewer system | 1,650 | 19,002 | 18,832 | 170 |
| Sewer fees/permits/taps to Roxborough | 429,009 | 646,760 | 529,294 | 117,466 |
| Total expenditures | <u>1,130,964</u> | <u>1,584,999</u> | <u>1,416,231</u> | <u>168,768</u> |
| NET CHANGE IN FUND BALANCE | 105,449 | (30,625) | 38,542 | 69,167 |
| FUND BALANCE (DEFICIT) - BEGINNING OF YEAR | <u>27,682</u> | <u>55,364</u> | <u>38,830</u> | <u>(16,534)</u> |
| FUND BALANCE (DEFICIT) - END OF YEAR | <u>\$ 133,131</u> | <u>\$ 24,739</u> | <u>\$ 77,372</u> | <u>\$ 52,633</u> |

**RAVENNA METROPOLITAN DISTRICT
RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO
NET INCOME (GAAP BASIS)
WATER AND SEWER ENTERPRISE FUND
For the Year ended December 31, 2016**

| | |
|---|-------------------------|
| EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES) | \$ 38,542 |
| Deduct: | |
| Accrued interest | <u>(24,428)</u> |
| Net income (GAAP basis) | <u><u>\$ 14,114</u></u> |

**RAVENNA METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS (ORIGINAL) TO MATURITY**

December 31, 2016

\$13,280,000

General Obligation Tax Limited

Dated December 6, 2007

Interest Rate of 7%

Interest is Paid on June 1 and December 1

Principal payable on December 1

| | Principal | Interest | Supplemental B Interest Coupons | Total Debt Service |
|------|---------------------|---------------------|--|-------------------------------|
| 2017 | \$ - | \$ 630,000 | \$ 315,000 | \$ 945,000 |
| 2018 | - | 630,000 | 330,000 | 960,000 |
| 2019 | - | 630,000 | 325,000 | 955,000 |
| 2020 | - | 630,000 | 340,000 | 970,000 |
| 2021 | - | 630,000 | 340,000 | 970,000 |
| 2022 | - | 630,000 | 365,000 | 995,000 |
| 2023 | - | 630,000 | 365,000 | 995,000 |
| 2024 | 360,000 | 630,000 | - | 990,000 |
| 2025 | 390,000 | 604,800 | - | 994,800 |
| 2026 | 430,000 | 577,500 | - | 1,007,500 |
| 2027 | 460,000 | 547,400 | - | 1,007,400 |
| 2028 | 505,000 | 515,200 | - | 1,020,200 |
| 2029 | 540,000 | 479,850 | - | 1,019,850 |
| 2030 | 595,000 | 442,050 | - | 1,037,050 |
| 2031 | 635,000 | 400,400 | - | 1,035,400 |
| 2032 | 695,000 | 355,950 | - | 1,050,950 |
| 2033 | 745,000 | 307,300 | - | 1,052,300 |
| 2034 | 815,000 | 255,150 | - | 1,070,150 |
| 2035 | 870,000 | 198,100 | - | 1,068,100 |
| 2036 | 945,000 | 137,200 | - | 1,082,200 |
| 2037 | 1,015,000 | 71,050 | - | 1,086,050 |
| | <u>\$ 9,000,000</u> | <u>\$ 9,931,950</u> | <u>\$ 2,380,000</u> | <u>\$ 21,311,950</u> |

Note: This represents the original repayment schedule only. See Note 5 of the financial statements for additional information