

**TRIVIEW METROPOLITAN DISTRICT NO. 2**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**



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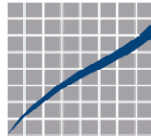
*By the Office of the State Auditor at 3:29 pm, Aug 04, 2017*



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**BiggsKofford**  
CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors  
**Triview Metropolitan District No. 2**  
Colorado Springs, Colorado

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Triview Metropolitan District No. 2 ("District") as of and for the year ended December 31, 2016, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

## ***Opinions***

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

## ***Other Matters***

### *Required Supplementary Information*

Management has 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 which 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 opinions on the basic financial statements are not affected by this missing information.

### *Other Information*

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

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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.

*BiggsKofford, P.C.*

Colorado Springs, Colorado  
June 28, 2017

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## **BASIC FINANCIAL STATEMENTS**

**TRIVIEW METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2016**

	<b>Governmental Activities</b>
<b><u>ASSETS</u></b>	
Cash and investments	\$ 13,243
Cash and investments - restricted	134,861
Accounts receivable - County Treasurer	1,011
Prepaid insurance	2,338
Property taxes receivable	114,172
Infrastructure assets	377,504
<b>Total assets</b>	<b>643,129</b>
<b><u>LIABILITIES</u></b>	
Accounts payable and accrued liabilities	32,171
Accrued interest payable	6,547
Noncurrent liabilities:	
Due within one year	1,475,000
Due in more than one year	28,431
<b>Total liabilities</b>	<b>1,542,149</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Deferred tax revenues	114,172
<b>Total deferred inflows of resources</b>	<b>114,172</b>
<b><u>NET POSITION</u></b>	
Restricted for:	
Debt service	129,111
Emergency reserve	451
Unrestricted	(1,142,754)
<b>Total net position</b>	<b>\$ (1,013,192)</b>

The accompanying notes and independent auditor's report  
should be read with this financial statement.

**TRIVIEW METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2016**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenue and Change in Net position of Primary Government - Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>FUNCTIONS/PROGRAMS</b>				
<b>PRIMARY GOVERNMENT:</b>				
General government	\$ 22,217	\$ -	\$ -	\$ (22,217)
Infrastructure assets dedicated to Town of Monument	348,953	-	-	(348,953)
Interest and related costs on long-term debt	48,292	-	-	(48,292)
<b>Total primary government</b>	<b>\$ 419,462</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(419,462)</b>
<b>GENERAL REVENUES:</b>				
Property taxes				101,069
Specific ownership taxes				11,639
Investment earnings				98
<b>Total general revenues</b>				<b>112,806</b>
<b>Changes in net position</b>				<b>(306,656)</b>
<b>Net position, beginning of year</b>				<b>(706,536)</b>
<b>Net position, end of year</b>				<b>\$ (1,013,192)</b>

The accompanying notes and independent auditor's report should be read with this financial statement.

**TRIVIEW METROPOLITAN DISTRICT NO. 2**  
**BALANCE SHEETS**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2016**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 13,243	\$ -	\$ 13,243
Cash and investments - restricted	-	134,861	134,861
Accounts receivables - County Treasurer	214	797	1,011
Prepaid insurance	2,338	-	2,338
Property taxes receivable	24,172	90,000	114,172
<b>Total assets</b>	<b>\$ 39,967</b>	<b>\$ 225,658</b>	<b>265,625</b>
<b><u>LIABILITIES</u></b>			
Accounts payable and accrued liabilities	2,171	-	2,171
<b>Total liabilities</b>	<b>2,171</b>	<b>-</b>	<b>2,171</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred property tax revenues	24,172	90,000	114,172
<b>Total deferred inflows of resources</b>	<b>24,172</b>	<b>90,000</b>	<b>114,172</b>
<b><u>FUND BALANCES</u></b>			
Restricted for:			
Debt service	-	135,658	135,658
Emergency reserve	451	-	451
Unassigned:			
General government	13,173	-	13,173
<b>Total fund balances</b>	<b>13,624</b>	<b>135,658</b>	<b>149,282</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 39,967</b>	<b>\$ 225,658</b>	

Amounts reported in 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:

Infrastructure assets	377,504
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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 and developer advances	(1,503,431)
Accrued interest payable	(6,547)
Management fees payable	(30,000)

Net position of governmental activities	<b>\$ (1,013,192)</b>
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The accompanying notes and independent auditor's report  
should be read with this financial statement.

**TRIVIEW METROPOLITAN DISTRICT NO. 2**  
**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2016**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b><u>REVENUES</u></b>			
Property taxes	\$ 21,398	\$ 79,671	\$ 101,069
Specific ownership taxes	2,464	9,175	11,639
Net investment income	58	40	98
<b>Total revenues</b>	<b>23,920</b>	<b>88,886</b>	<b>112,806</b>
<b><u>EXPENDITURES</u></b>			
Current:			
Accounting	5,250	-	5,250
Bank fees	2,200	-	2,200
County Treasurer's fees	321	1,196	1,517
Insurance	2,297	-	2,297
Legal	4,700	-	4,700
Other expenses	253	-	253
Debt service:			
Interest expense	-	46,051	46,051
Bond principal	-	15,000	15,000
<b>Total expenditures</b>	<b>15,021</b>	<b>62,247</b>	<b>77,268</b>
Excess of revenues over expenditures	8,899	26,639	35,538
<b>Net change in fund balances</b>	<b>8,899</b>	<b>26,639</b>	<b>35,538</b>
Fund balances, beginning of year	4,725	109,019	113,744
<b>Fund balances, end of year</b>	<b>\$ 13,624</b>	<b>\$ 135,658</b>	<b>\$ 149,282</b>

The accompanying notes and independent auditor's report should be read with this financial statement.

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**TRIVIEW METROPOLITAN DISTRICT NO. 2**  
**RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2016**

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

<b>Net change in fund balances - total governmental funds</b>	\$	35,538
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 capital outlay expense:		
Costs dedicated to the Town of Monument		(348,953)
The issuance of debt provides current financial resources to governmental funds, while the repayment of principal of debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of debt is as follows:		
Bonds payable principal payment		15,000
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:		
Management fees payable		(6,000)
Change in accrued interest payable		(2,241)
<b>Changes in net position of governmental activities</b>	<b>\$</b>	<b>(306,656)</b>

The accompanying notes and independent auditor's report should be read with this financial statement.

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**TRIVIEW METROPOLITAN DISTRICT NO. 2**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2016**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b><u>REVENUES</u></b>				
Property taxes	\$ 21,414	\$ 21,398	\$ 21,398	\$ -
Specific ownership taxes	1,270	2,464	2,464	-
Net investment income	-	61	58	(3)
<b>Total revenues</b>	<b>22,684</b>	<b>23,923</b>	<b>23,920</b>	<b>(3)</b>
<b><u>EXPENDITURES</u></b>				
Audit Fees	5,300	5,250	5,250	-
Bank charges	2,200	2,200	2,200	-
County Treasurer's fees	321	321	321	-
Insurance	2,291	2,297	2,297	-
Legal	1,000	4,700	4,700	-
Management fees	6,000	6,000	-	6,000
Other	300	253	253	-
<b>Total expenditures</b>	<b>17,412</b>	<b>21,021</b>	<b>15,021</b>	<b>6,000</b>
Excess of revenues over (under) expenditures	5,272	2,902	8,899	5,997
Net change in fund balance	<u>\$ 5,272</u>	<u>\$ 2,902</u>	\$ 8,899	<u>\$ 5,997</u>
Fund balance, beginning of year			4,725	
Fund balance, end of year			<u>\$ 13,624</u>	

The accompanying notes and independent auditor's report  
should be read with this financial statement.

**TRIVIEW METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**1. DEFINITION OF REPORTING ENTITY**

Triview Metropolitan District No. 2 ("District #2"), a quasi-municipal corporation and a political subdivision of the State of Colorado created pursuant to the Special District Act, was formed in 2006 for the purpose of providing the funding for roads and traffic safety for Ranch Pointe Road, Jackson Creek Parkway, and Higby Road in the Town of Monument.

District #2 was formed in conjunction with Triview Metropolitan District ("District #1"), Triview Metropolitan District No. 3 ("District #3") and Triview Metropolitan District No. 4 ("District #4") to design, finance and construct Ranch Pointe Road, Sanctuary Pointe Avenue, Higby Road, and Jackson Creek Parkway. District #1 is responsible for managing the construction, operation and maintenance of all improvements not transferred to the Town of Monument. District #2, District #3 and District #4 are responsible for providing the funding and tax base needed to support the financing plan for capital improvements and to fund ongoing operations.

District #2 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.

District #2 is not financially accountable for any other organization nor is District #2 a component unit of any other primary governmental entity.

District #2 has no employees and all operational and administrative functions are contracted.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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 District #2. 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.

See independent auditor's report

**TRIVIEW METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Government-wide and fund financial statements (continued)

The statement of net position reports all financial and capital resources of District #2. The difference between the assets and deferred outflows of resources, and liabilities and deferred inflows of resources of District #2 is reported as net position.

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

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

Measurement focus, basis of accounting and financial statement position

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, District #2 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 intergovernmental revenues. All other revenue items are considered to be measurable and available only when cash is received by District #2. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation is due.

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**TRIVIEW METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Measurement focus, basis of accounting and financial statement position (continued)

District #2 reports the following major governmental funds:

*General fund* - The general fund is used to account for all financial resources of District #2 except those required to be accounted for in another fund.

*Debt service fund* - The debt service fund accounts for the servicing of general long-term debt and revenues generated and received by District #2 that are required to be used in payment of long-term debt.

When both restricted and unrestricted resources are available for use, it is District #2's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets

In accordance with state budget law, District #2'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 and other financing uses level and lapses at year-end. District #2's board of directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

Pooled cash and investments

District #2 follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Investments are carried at fair value.

See independent auditor's report

**TRIVIEW METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Infrastructure assets

Costs of certain engineering, feasibility, environmental and other infrastructure costs are capitalized as infrastructure assets, and are not depreciated. Upon completion of the infrastructure assets and acceptance by the Town of Monument, the assets will be contributed to the town.

Property taxes

Property taxes are levied by District #2'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 and attaches as an enforceable lien 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, at the taxpayer's election, in February and June in equal installments. Delinquent taxpayers are notified in August and sales of the tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected to District #2 monthly.

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

Deferred inflows of resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as inflows of resources (revenues) until that time. Accordingly, the item incremental property tax revenues are deferred and recognized as inflows of resources in the period that the amounts become available.

Fund equity

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:

See independent auditor's report

**TRIVIEW METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fund equity (continued)

*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 is 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 District #2's policy to use the most restrictive classification first.

**3. CASH AND INVESTMENTS**

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

Statement of net position:

Cash and investments	\$ 13,243
Cash and investments - restricted	<u>134,861</u>
 Total cash and investments	 <u><u>\$ 148,104</u></u>

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

See independent auditor's report

**TRIVIEW METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
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**3. CASH AND INVESTMENTS (CONTINUED)**

Deposits with financial institutions

Deposits with financial institutions	\$ 13,243
Investments	<u>134,861</u>
Total cash and investments	<u><u>\$ 148,104</u></u>

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. The 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 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.

As of December 31, 2016, District #2's cash deposits had a bank balance of \$15,621 and a book balance of \$13,243.

Investments

District #2 has not adopted a formal investment policy; however, District #2 follows state statutes regarding investments.

District #2 generally limits its concentration of investments to those with an asterisk below which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, District #2 is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

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

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**TRIVIEW METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
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**3. CASH AND INVESTMENTS (CONTINUED)**

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 and certain United States government agency securities
  - Certain international agency securities
  - General obligation and revenue bonds of United States local government entities
  - Bankers' acceptances of certain banks
  - Commercial paper
  - Written repurchase agreements collateralized by certain authorized securities
  - Certificates of deposit in Colorado PDPA approved banks or savings banks
  - Certain money market funds
  - Guaranteed investment contracts
  - Local government investment pools

Fair value measurement and application

District #2 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.

As of December 31, 2016 District #2 had the following investments:

<b>Investment</b>	<b>Maturity</b>	<b>Fair Value</b>
First American Treasury Obligation Fund Class D	Less than 1 year	<u>\$ 134,861</u>

See independent auditor's report

**TRIVIEW METROPOLITAN DISTRICT NO. 2**  
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**4. INFRASTRUCTURE ASSETS**

The following is a summary schedule of infrastructure asset activity recorded by District #2 during the year ended December 31, 2016:

	Balance 01/01/16	Additions/ Reclass- ifications	Dispositions/ Reclass- ifications	Balance 12/31/16
Infrastructure assets	\$ 726,457	\$ -	\$ (348,953)	\$ 377,504

**5. LONG-TERM OBLIGATIONS**

2012 Series Bonds

In 2012, District #2 issued tax-free bonds with a face value of \$1,500,000. The bonds bear interest at an annual rate of 3.04% per annum, to be paid to the bondholders semi-annually on each June 1 and December 1, beginning June 1, 2013. The bonds mature on December 18, 2017 and are subject to redemption, in amounts greater than \$100,000, prior to maturity at the discretion of District #2, subject to prepayment fees.

The bond debt will be repaid from the proceeds of an ad valorem property tax on the taxable property within District #2. The board of directors also expects District #2 to issue new bonds in 2017, the proceeds of which will be used to make the final payments on the 2012 Series Bonds.

District #2 is required, pursuant to the bond agreements, to maintain bond and reserve cash accounts. The purpose of the reserve cash accounts is to provide adequate reserves to meet principal and interest requirements if the bond account does not have enough funding. The reserve account is required to be maintained as long as the bonds are outstanding.

Developer advances

Effective December 1, 2011, District #2 entered into a reimbursement agreement with the developer to repay advances made by the developer. Advances include amounts to pay the costs of District #2 formation, operations and maintenance expenses, direct improvements, or advance moneys to District #2 for such purposes. District #2 agreed to repay such advances plus accrued interest at a rate set forth at the time of the initial issuance. The interest rate established in the reimbursement agreement is 8.00% per annum.

Interest expense related to the developer line of credit totaled \$2,281 for the year ended December 31, 2016. As of December 31, 2016 accrued interest related to the developer reimbursement agreement totaled \$2,686.

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**TRIVIEW METROPOLITAN DISTRICT NO. 2**  
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**5. LONG-TERM OBLIGATIONS (CONTINUED)**

The following is a summary of long-term debt of District #2 during the year ended December 31, 2016:

	Balance 1/1/2016	Additions	Repayments/ Defeasance	Balance 12/31/2016
2012 Series Bonds	\$ 1,490,000	\$ -	\$ (15,000)	\$ 1,475,000
Developer advances	28,431	-	-	28,431
	<u>\$ 1,518,431</u>	<u>\$ -</u>	<u>\$ (15,000)</u>	<u>\$ 1,503,431</u>

Annual requirements to amortize 2012 Series Bonds are as follows:

Year Ending December 31,	Principal	Interest	Total	Due in one year
2017	\$ 1,475,000	\$ 44,840	\$ 1,519,840	\$ 1,475,000

**6. NET POSITION**

District #2 has net position consisting of two components - restricted and unrestricted.

Restricted position include net positions that are subject to restriction for use either by external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. District #2 had restricted net positions of as of December 31, 2016 as follows:

Restricted net position:

Emergencies (see Note 10)	\$ 451
Debt service (see Note 5)	129,111
	<u>\$ 129,562</u>

District #2's unrestricted net position as of December 31, 2016 totaled a deficit of \$1,142,754. This deficit amount was a result of District #2 being responsible for the repayment of general obligation bonds, the proceeds of which were transferred primarily to District #2.

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**TRIVIEW METROPOLITAN DISTRICT NO. 2**  
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**7. RELATED PARTIES**

The developer of the property which constitutes District #2 is MREC Classic Promontory, LLC. The members of the board of directors are officers, employees or associated with the developer and may have conflicts of interest in dealing with District #2 (see Note 5).

**8. ECONOMIC DEPENDENCY**

District #2 has not yet established a revenue base sufficient to pay operational and capital expenditures and meet debt service requirements. Until an independent revenue base is established, continuation of operations in District #2 and construction of public improvements will be dependent upon the District's ability to refinance its debt service obligations or funding by the developer.

**9. RISK MANAGEMENT**

District #2 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.

District #2 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.

District #2 pays annual premiums to the Pool for liability, property and public officials liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

**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 within the State of Colorado.

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**TRIVIEW METROPOLITAN DISTRICT NO. 2**  
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**10. TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)**

Spending and revenue limits are determined based on the prior 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. District #2's voters approved a ballot issue allowing District #2 to retain all revenues.

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.

District #2'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 likely require judicial interpretation.

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## **SUPPLEMENTARY INFORMATION**



**TRIVIEW METROPOLITAN DISTRICT NO. 2**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b><u>REVENUES</u></b>				
Property taxes	\$ 79,732	\$ 79,671	\$ 79,671	\$ -
Specific ownership taxes	4,730	9,175	9,175	-
Interest income	-	39	40	1
<u>Total revenues</u>	<u>84,462</u>	<u>88,885</u>	<u>88,886</u>	<u>1</u>
<b><u>EXPENDITURES</u></b>				
County Treasurer's fees	1,196	1,196	1,196	-
Interest expense	45,951	46,051	46,051	-
Bond principal	15,000	15,000	15,000	-
<u>Total expenditures</u>	<u>62,147</u>	<u>62,247</u>	<u>62,247</u>	<u>-</u>
Revenues in excess (deficit) of expenditures	<u>22,315</u>	<u>26,638</u>	<u>26,639</u>	<u>1</u>
Net change in fund balance	<u>\$ 22,315</u>	<u>\$ 26,638</u>	<u>\$ 26,639</u>	<u>\$ 1</u>
Fund balance, beginning of year			<u>109,019</u>	
Fund balance, end of year			<u>\$ 135,658</u>	

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