

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 2  
(fka Cherry Creek South Metropolitan District No. 2)

Financial Statements

Year Ended December 31, 2016

with

Independent Auditors' Report



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*By the Office of the State Auditor at 10:43 am, Sep 27, 2017*

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## **Independent Auditor's Report**

Board of Directors

**Anthology West Metropolitan District No. 2 formerly known as Cherry Creek South Metropolitan District No. 2**

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Anthology West Metropolitan District No. 2 formerly known as Cherry Creek South Metropolitan District No. 2 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 an opinion 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.


## **Opinion**

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 Anthology West Metropolitan District No. 2 formerly known as Cherry Creek South Metropolitan District No. 2 as of December 31, 2016, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

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

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



L. Paul Goedecke, P.C.  
August 30, 2017

Anthology West Metropolitan District No. 2  
(fka Cherry Creek South Metropolitan District No. 2)

BALANCE SHEET/STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>					
Cash and investments	\$ 41,918	\$ -	\$ 41,918	\$ -	\$ 41,918
Cash and investments - restricted	1,847	1,734	3,581	-	3,581
Receivable from County Treasurer	295	531	826	-	826
Property Tax Receivable	43,887	78,997	122,884	-	122,884
Prepaid Insurance	<u>2,488</u>	<u>-</u>	<u>2,488</u>	<u>-</u>	<u>2,488</u>
Total Assets	<u>\$ 90,435</u>	<u>\$ 81,262</u>	<u>\$ 171,697</u>	<u>-</u>	<u>171,697</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 5,871	\$ -	\$ 5,871	-	5,871
Accrued interest payable	-	-	-	53,396	53,396
Long-term liabilities:					
Due in more than one year	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,987,380</u>	<u>1,987,380</u>
Total Liabilities	<u>5,871</u>	<u>-</u>	<u>5,871</u>	<u>2,040,776</u>	<u>2,046,647</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred property taxes	<u>43,887</u>	<u>78,997</u>	<u>122,884</u>	<u>-</u>	<u>122,884</u>
Total Deferred Inflows of Resources	<u>43,887</u>	<u>78,997</u>	<u>122,884</u>	<u>-</u>	<u>122,884</u>
<b>FUND BALANCE</b>					
Nonspendable:					
Prepays	2,488	-	2,488	(2,488)	-
Restricted:					
Emergencies	1,847	-	1,847	(1,847)	-
Debt service	-	2,265	2,265	(2,265)	-
Unassigned:	<u>36,342</u>	<u>-</u>	<u>36,342</u>	<u>(36,342)</u>	<u>-</u>
Total Fund Balances	<u>40,677</u>	<u>2,265</u>	<u>42,942</u>	<u>(42,942)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 90,435</u>	<u>\$ 81,262</u>	<u>\$ 171,697</u>		
<b>NET POSITION</b>					
Restricted for:					
Emergencies				1,847	1,847
Debt service				2,265	2,265
Unrestricted:				<u>(2,001,946)</u>	<u>(2,001,946)</u>
Total Net Position (Deficit)				<u>\$ (1,997,834)</u>	<u>\$ (1,997,834)</u>

The notes to the financial statements are an integral part of these statements.

Anthology West Metropolitan District No. 2  
(fka Cherry Creek South Metropolitan District No. 2)

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>EXPENDITURES</b>						
Legal-General	\$ 36,579	\$ -	\$ 47,056	\$ 83,635	\$ -	\$ 83,635
Repairs & Maintenance	-	-	6,660	6,660	-	6,660
Audit/Accounting	9,034	-	-	9,034	-	9,034
Insurance	11,296	-	-	11,296	-	11,296
Miscellaneous/IGA	4,638	-	-	4,638	-	4,638
Treasurer's Fees	568	1,023	-	1,591	-	1,591
Trustee Fee	-	600	-	600	-	600
Bond Interest	-	70,556	-	70,556	4,952	75,508
Developer Oper Interest	-	-	-	-	4,495	4,495
Developer Cap Interest	-	-	-	-	2,075	2,075
Total Expenditures	<u>62,115</u>	<u>72,179</u>	<u>53,716</u>	<u>188,010</u>	<u>11,522</u>	<u>199,532</u>
<b>GENERAL REVENUES</b>						
Property Taxes	37,851	68,132	-	105,983	-	105,983
Specific Ownership Taxes	3,482	6,268	-	9,750	-	9,750
Interest Income	408	44	-	452	-	452
Total Revenues	<u>41,741</u>	<u>74,444</u>	<u>-</u>	<u>116,185</u>	<u>-</u>	<u>116,185</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(20,374)	2,265	(53,716)	(71,825)	(11,522)	(83,347)
<b>OTHER FINANCING SOURCES (USES)</b>						
Developer advance	46,220	-	53,716	99,936	(99,936)	-
Total Other Financing Sources (Uses)	<u>46,220</u>	<u>-</u>	<u>53,716</u>	<u>99,936</u>	<u>(99,936)</u>	<u>-</u>
<b>CHANGE IN FUND BALANCE</b>	25,846	2,265	-	28,111	(28,111)	
<b>CHANGE IN NET POSITION</b>					(83,347)	(83,347)
<b>FUND BALANCE/NET POSITION</b>						
BEGINNING OF YEAR	14,831	-	-	14,831	(1,929,318)	(1,914,487)
END OF YEAR	<u>\$ 40,677</u>	<u>\$ 2,265</u>	<u>\$ -</u>	<u>\$ 42,942</u>	<u>\$ (2,040,776)</u>	<u>\$ (1,997,834)</u>

The notes to the financial statements are an integral part of these statements.

Anthology West Metropolitan District No. 2  
(fka Cherry Creek South Metropolitan District No. 2)

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -  
GENERAL FUND

For the Year Ended December 31, 2016

	<u>Original and</u> <u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Property Taxes	\$ 37,849	\$ 37,851	\$ 2.00
Specific Ownership	3,028	3,482	454
Operating Advance	26,265	46,220	19,955
Interest Income	<u>-</u>	<u>408</u>	<u>408</u>
Total Revenues	<u>67,142</u>	<u>87,961</u>	<u>20,819</u>
			-
EXPENDITURES			
Legal-General	30,000	36,579	(6,579)
Audit/Accounting	10,000	9,034	966
Insurance	10,000	11,296	(1,296)
District Management	5,000	-	5,000
Miscellaneous/IGA	6,000	4,638	1,362
Treasurer's Fees	568	568	-
Contingency	3,727	-	3,727
Emergency	<u>1,847</u>	<u>-</u>	<u>1,847</u>
Total Expenditures	<u>67,142</u>	<u>62,115</u>	<u>5,027</u>
CHANGE IN FUND BALANCE	-	25,846	25,846
FUND BALANCE - BEGINNING OF YEAR	<u>\$ -</u>	<u>\$ 14,831</u>	<u>\$ 14,831</u>
FUND BALANCE - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ 40,677</u></u>	<u><u>\$ 40,677</u></u>

The notes to the financial statements are an integral part of these statements.

## ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2016

#### Note 1: Summary of Significant Accounting Policies

The accounting policies of the Anthology West Metropolitan District No. 2, located in Douglas County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

#### Definition of Reporting Entity

The District was initially organized in 1985, as a quasi-municipal corporation and political subdivision of the State of Colorado established under the State of Colorado Special District Act. In 2004, a Consolidated Service Plan was approved by the Town of Parker consolidating the District with Cherry Creek South Metropolitan Districts No. 3 through No. 11. After the consolidation the District, along with Districts Nos. 5-11, was established as a Residential Financing District, to provide tax revenue to District No. 3, the Service District, and to pay the costs of the capital improvements and maintenance costs. The name of the District was changed to Anthology West Metropolitan District No. 2 in 2016. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

## ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2016

#### Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the statement of governmental fund revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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*.

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 the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

## ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2016

The District reports the following major governmental funds:

*General Fund* - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

*Debt Service Fund* – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

*Capital Projects Fund* – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

#### Budgetary Accounting

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

#### Assets, Liabilities and Net Position:

##### Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2016, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

##### Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

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 minimum number of bank accounts. 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.

## ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2016

#### Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting under this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

#### Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally 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 in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

#### Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

## ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2016

#### Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

#### Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

The nonspendable fund balance in the General Fund in the amount of \$2,488 represents prepaid expenditures.

#### Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$1,847 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$2,265 is restricted for the payment of the debt service costs associated with the General Obligation Refunding Bonds Series 2014 (see Note 3).

#### Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a 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

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

#### Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all funds can report negative amounts.

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements  
December 31, 2016

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports two categories of net position, as follows:

*Restricted net position* – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

*Unrestricted net position* – consists of all other net position that does not meet the definition of the above component and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Note 2: Cash and Investments

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

Statement of Net Position:	
Cash and investments	\$ 41,918
Cash and investments – Restricted	<u>3,581</u>
Total	\$ <u>45,499</u>

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

Deposits with financial institutions	\$ 9,188
Investments CSAFE	<u>36,311</u>
Total	\$ <u>45,499</u>

## ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2016

#### Deposits:

##### Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District follows state statutes for deposits. None of the District’s deposits were exposed to custodial credit risk.

#### Investments:

##### Investment Valuation

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; Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized cost.

The District had no recurring fair value measurements as of December 31, 2016.

##### Credit Risk

The District investment policy requires that the District follow state statutes for investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

##### Custodial and Concentration of Credit Risk

None of the District’s investments are subject to custodial or concentration of credit risk.

##### Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

## ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2016

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

#### CSAFE

The local government investment pool Colorado Surplus Asset Fund Trust (“CSAFE”), is rated AAAM by Standard and Poor’s and the maturity is weighted average under 60 days. CSAFE 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, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds, and highest rated commercial paper. 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 custodians’ internal records identify the investments owned by CSAFE. At December 31, 2016, the District had \$36,311 invested in CSAFE.

#### Note 3: Long Term Debt

A description of the long-term obligations as of December 31, 2016, is as follows:

#### \$1,850,000 General Obligation Limited Tax Bonds – Series 2014

The District originally issued General Obligation Limited Tax Bond – Series 2014 (“Series 2014 Bonds”) in the aggregate principal amount of \$1,850,000. These Bonds were issued to compensate for a settlement agreement as further described in Note 6. Principal and interest is payable annually on December 15 of each year. The Series 2014 Bonds bear interest at 4.0% prior to December 15, 2024 and 6% on and after December 15, 2024. Principal totaling \$1,850,000 will mature serially in annual installments through December 15, 2043. The Series 2014 Bonds that matured on December 15, 2016 are subject to redemption prior to maturity on December 15, 2015, and on any date thereafter without redemption premium. The Series 2014 Bonds are secured by Pledged Revenues including ad valorem property taxes from the Limited Mill Levy, the portion of Specific Ownership Tax which is collected as a result of the imposition of the Limited Mill Levy, interest earnings on moneys deposited into the Debt Service account and any other legally available funds of the district deposited into the Debt Service account in the sole discretion of the District. . The Fixed Mill Levy is 22.50 mills to be certified each year up to and including calendar year 2023 and a rate of 25.00 mills to be certified each year on and after calendar year 2024. As of December 31, 2016, the fixed mill levy is 22.50 mills. For the collection year 2016, the District levied the required 22.50 mills which did not generate enough revenue to pay the scheduled principal and interest payments. The payment made by the District on December 15, 2016 was \$70,556 which was short \$42,652.

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements  
December 31, 2016

Funding and Reimbursement Agreement

On March 4, 2016, Cherry Creek South Metropolitan District No. 3, Cherry Creek South Metropolitan District No. 2 (by acknowledgement), (“the Districts”), and Anthology Recovery Acquisition, LLC, (“Developer”) entered into a Funding and Reimbursement Agreement whereby the Developer agreed to advance funds to the Districts to pay for operations costs, including prior costs, of the Districts as per the annual adopted budgets. Such funds will be available through December 31, 2020, and accrue simple interest at the rate of 8%.

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

	<u>Balance</u> <u>1/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2016</u>	<u>Current</u> <u>Portion</u>
General Obligation Limited Tax					
Bonds - Series 2014	\$ 1,850,000	\$ -	\$ -	\$ 1,850,000	\$ -
Dev Advance - Operating	17,444	66,220	-	83,664	-
Dev Advance - Capital	-	53,716	-	53,716	-
Total	<u>\$ 1,867,444</u>	<u>\$ 119,936</u>	<u>\$ -</u>	<u>\$ 1,987,380</u>	<u>\$ -</u>

Due to the uncertainty in the timing of principal and interest payments on the Series 2014 Bonds, no schedule of payments is presented.

Debt Authorization

As of December 31, 2016, the District had remaining voted debt authorization of approximately \$118,115,000. The District has not budgeted to issue any new debt in 2017.

Note 4: Tax, Spending and Debt Limitations

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

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

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

## ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2016

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.

In May 1994, a majority of the District's electors authorized the District to increase its fiscal year spending and annual District revenues to an amount not to exceed \$1,500,000. Such authorization constituted a voter approved revenue change within the meaning of TABOR.

#### Note 5: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("Pool") which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other 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 6: District Operations Funding Agreement

On January 1, 2009, the District entered into the District Operations Funding Agreement (the "Agreement") with Cherry Creek South Metropolitan District No. 3. This Agreement sets forth the rights and obligations of the service district to construct, own, operate and maintain District facilities to the extent not dedicated to the Town of Parker, Colorado; Parker Water & Sanitation District; or other appropriate governmental entity for ownership and maintenance, and to provide certain administrative and operating functions with the funds of the financing district. In 2016, this Agreement was terminated.

## ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2016

In 2016, the District and Cherry Creek Metropolitan District No. 3 (“District No. 3”), terminated the District Operations Funding Agreement dated January 1, 2009. The District and District No. 3 amended their Service Plan and are now authorized pursuant to the Amended and Restated Service Plan dated March 21, 2016 for the Districts and newly organized Anthology West Metropolitan District Nos. 4-6. Anthology West Metropolitan District No. 6, (“District No. 6”) is now designated as the “Operating District” and the District, District No. 3 and Anthology West Metropolitan District Nos. 4 and 5 are now designated as the “Financing Districts.” On July 12, 2016, the Operating District and Financing Districts entered into a Funding and Reimbursement Agreement and a Mill Levy Equalization and Pledge Agreement, which designates District No. 6 as the entity that will coordinate capital construction and financing activities on behalf of the Districts, including matters concerning the imposition of a mill levy and fees by one or more of the Districts in order to fund Public Infrastructure, subject to the limitations of the Amended and Restated Service Plan.

Note 7: Related Party

During 2016, Anthology Recovery Acquisition, LLC, a subsidiary of Paulson Property Management, LLC (“Paulson”), acquired significant ownership and/or investment interests in the property within the District. One member of the Board of Directors is an employee of RainTree Investment Corporation, which is the exclusive agent for Paulson. Four other directors are consultants, directly or indirectly, to Paulson. Management believes that all potential conflicts, if any, have been disclosed to the Board and filed with the State as required by Title 32, Colorado Revised Statutes.

Note 8: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The *Governmental Funds Balance Sheet/Statement of Net Position* includes an adjustments column. The adjustments have the following elements:

- 1) capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and
- 2) long-term liabilities such as bonds payable and accrued bond interest payable are not due and payable in the current period and, therefore, are not in the funds.

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements  
December 31, 2016

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

- 1) governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities or depreciated over their useful lives;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities;
- 3) governmental funds report developer advances and/or bond proceeds as revenue; and,
- 4) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

Anthology West Metropolitan District No. 2  
(fka Cherry Creek South Metropolitan District No. 2)

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -  
DEBT SERVICE FUND

For the Year Ended December 31, 2016

	<u>Original and</u> <u>Final Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 68,128	\$ 68,132	\$ 4
Specific ownership taxes	5,450	6,268	818
Interest income	<u>-</u>	<u>44</u>	<u>44</u>
Total Revenues	<u>73,578</u>	<u>74,444</u>	<u>866</u>
EXPENDITURES			
Bond Interest	70,556	70,556	-
Treasurer's Fees	1,022	1,023	(1)
Trustee Fee	<u>2,000</u>	<u>600</u>	<u>1,400</u>
Total Expenditures	<u>73,578</u>	<u>72,179</u>	<u>1,399</u>
CHANGE IN FUND BALANCE	-	2,265	2,265
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 2,265</u>	<u>\$ 2,265</u>

The notes to the financial statements are an integral part of these statements.

Anthology West Metropolitan District No. 2  
(fka Cherry Creek South Metropolitan District No. 2)

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -  
CAPITAL PROJECTS FUND

For the Year Ended December 31, 2016

	Original & Final		Variance
	Budget	Actual	Favorable (Unfavorable)
<b>REVENUES</b>			
Developer Advances	\$ 150,000	\$ 53,716	\$ (96,284)
Total Revenues	150,000	53,716	(96,284)
<b>EXPENDITURES</b>			
Legal-General	-	47,056	(47,056)
Repairs & Maintenance	-	6,660	(6,660)
Capital Outlay	150,000	-	150,000
Total Expenditures	150,000	53,716	96,284
NET CHANGE IN FUND BALANCE	-	-	-
<b>FUND BALANCE:</b>			
BEGINNING OF YEAR	-	-	-
END OF YEAR	\$ -	\$ -	\$ -

The notes to the financial statements are an integral part of these statements.

Anthology West Metropolitan District No. 2  
(fka Cherry Creek South Metropolitan District No. 2)

SUMMARY OF ASSESSED VALUATION, MILL LEVY  
AND PROPERTY TAXES COLLECTED  
For the Year Ended December 31, 2016

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>		<u>Total Property Tax</u>		<u>Percent Collected to Levied</u>
		<u>Fund</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2005	\$ 2,205,550	35.000	0.000	\$ 77,194	\$ 77,194	100.00%
2006	\$ 3,184,300	35.000	0.000	\$ 111,451	\$ 111,467	100.01%
2007	\$ 3,629,190	35.000	0.000	\$ 127,022	\$ 128,942	101.51%
2008	\$ 3,631,710	35.000	0.000	\$ 127,110	\$ 129,566	101.93%
2009	\$ 3,908,070	35.000	0.000	\$ 136,782	\$ 136,838	100.04%
2010	\$ 2,681,610	35.000	0.000	\$ 93,856	\$ 83,281	88.73%
2011	\$ 2,680,300	35.000	0.000	\$ 93,811	\$ 89,668	95.58%
2012	\$ 2,231,350	35.000	0.000	\$ 78,097	\$ 78,115	100.02%
2013	\$ 2,386,000	35.000	0.000	\$ 83,510	\$ 80,085	95.90%
2014	\$ 2,609,065	12.500	22.500	\$ 91,317	\$ 91,316	100.00%
2015	\$ 3,897,080	12.500	22.500	\$ 136,398	\$ 83,638	61.32% 1)
2016	\$ 3,027,900	12.500	22.500	\$ 105,977	\$ 105,983	100.01%
Estimated for year ending December 31, 2017	\$ 3,510,960	12.500	22.500	\$ 122,884		

**NOTE**

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.

- 1) The collected tax in 2015 reflects abatements resulting from a status change of a structure located within the District from taxable to non-taxable.