

**RAVENNA METROPOLITAN DISTRICT**  
Douglas County, Colorado

**FINANCIAL STATEMENTS**  
December 31, 2017

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## 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, 2017, 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, 2017, 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.

## **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.

*Fiscal Focus Partners, LLC*

Lakewood, Colorado  
September 29, 2018

## **BASIC FINANCIAL STATEMENTS**

**RAVENNA METROPOLITAN DISTRICT**  
**STATEMENT OF NET POSITION**  
**December 31, 2017**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments - unrestricted	\$ 443,165	\$ -	\$ 443,165
Cash and investments - restricted	51,558	-	51,558
Due from county treasurer	4,171	-	4,171
Accounts receivable	212,904	-	212,904
Prepaid expense	8,579	-	8,579
Property tax receivable	1,313,659	-	1,313,659
Capital assets, net	7,193,529	-	7,193,529
Total assets	<u>9,227,565</u>	<u>-</u>	<u>9,227,565</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	357,138	-	357,138
Payable to developer	86,988	-	86,988
Accrued interest on bonds payable	198,097	-	198,097
Noncurrent liabilities:			
Due in more than one year			
Bonds payable	41,580,697	-	41,580,697
Total liabilities	<u>42,222,920</u>	<u>-</u>	<u>42,222,920</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes	1,313,659	-	1,313,659
Deferred fee receipts	68,089	-	68,089
Total deferred inflows of resources	<u>1,381,748</u>	<u>-</u>	<u>1,381,748</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>			
	<u>43,604,668</u>	<u>-</u>	<u>43,604,668</u>
<b>NET POSITION</b>			
Net investment in capital assets	(34,585,265)	-	(34,585,265)
Restricted for:			
Emergency reserves	8,000	-	8,000
Debt service	29,488	-	29,488
Unrestricted	170,674	-	170,674
Total net position	<u>\$ (34,377,103)</u>	<u>\$ -</u>	<u>\$ (34,377,103)</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, 2017**

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 404,430	\$ -	\$ -	\$ -	\$ (404,430)	\$ -	\$ (404,430)
Dedication of assets to other governments	3,122,721	-	-	-	(3,122,721)	-	(3,122,721)
Interest and other costs of long-term debt	1,128,618	-	-	-	(1,128,618)	-	(1,128,618)
	<u>\$ 4,655,769</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,655,769)</u>	<u>\$ -</u>	<u>\$ (4,655,769)</u>
Business-type activities:							
Sewer	\$ 229,642	\$ 105,824	\$ -	\$ -	\$ -	\$ (123,818)	\$ (123,818)
Water	29,755,168	101,777	-	39,961	-	(29,613,430)	(29,613,430)
	<u>\$ 29,984,810</u>	<u>\$ 207,601</u>	<u>\$ -</u>	<u>\$ 39,961</u>	<u>\$ -</u>	<u>(29,737,248)</u>	<u>(29,737,248)</u>
General revenues:							
Property taxes					953,130	-	953,130
Specific ownership tax					62,273	-	62,273
Investment income					234,496	-	234,496
Facility fees					166,735	-	166,735
Water resource fees					-	177,389	177,389
Water/sewer tap fees					-	604,247	604,247
Operations fees					-	288,789	288,789
Other fees/income					-	355,168	355,168
Transfer in (out)					(28,193,388)	28,193,388	-
Total general revenues					<u>(26,776,754)</u>	<u>29,618,981</u>	<u>2,842,227</u>
Change in net position before special items					<u>(31,432,523)</u>	<u>(118,267)</u>	<u>(31,550,790)</u>
Special item - forgiveness of debt					8,282,265	502,277	8,784,542
Change in net position					<u>(23,150,258)</u>	<u>384,010</u>	<u>(22,766,248)</u>
Net Position - Beginning					<u>(11,226,845)</u>	<u>(384,010)</u>	<u>(11,610,855)</u>
Net Position - Ending					<u>\$ (34,377,103)</u>	<u>\$ -</u>	<u>\$ (34,377,103)</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, 2017**

	<b>General</b>	<b>Debt Service</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and investments	\$ 443,165	\$ -	\$ 443,165
Cash and investments -restricted	6,200	45,358	51,558
Due from county treasurer	596	3,575	4,171
Accounts receivable	212,904	-	212,904
Prepaid expense	8,579	-	8,579
Property taxes receivable	68,789	1,244,870	1,313,659
Total assets	\$ 740,233	\$ 1,293,803	\$ 2,034,036
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 352,502	\$ 4,636	\$ 357,138
Payable to developer	86,988	-	86,988
Total liabilities	439,490	4,636	444,126
<b>Deferred Inflows of Resources</b>			
Property taxes	68,789	1,244,870	1,313,659
Deferred fee receipts	68,089	-	68,089
Total deferred inflows of resources	136,878	1,244,870	1,381,748
<b>FUND BALANCES</b>			
Nonspendable	8,579	-	8,579
Restricted	8,000	44,297	52,297
Unassigned	147,287	-	147,287
Total fund balance	163,866	44,297	208,163
Total liabilities, deferred inflows of resources and fund balances	\$ 740,234	\$ 1,293,803	

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 7,193,529

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 (41,580,697)

Accrued interest on bonds payable (198,098)

Net position of governmental activities \$ (34,377,103)

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, 2017**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>REVENUE</b>			
Property taxes	\$ 99,529	\$ 853,601	\$ 953,130
Specific ownership tax	8,896	53,377	62,273
Facilities acquisition fees	131,735	-	131,735
Facility fees	-	35,000	35,000
Developer advance	-	-	-
Interest and other income	23,696	210,800	234,496
Total revenue	<u>263,856</u>	<u>1,152,778</u>	<u>1,416,634</u>
<b>EXPENDITURES</b>			
Audit	7,674	-	7,674
County Treasurer's fee	1,222	7,335	8,557
Insurance and bonds	10,694	-	10,694
Bond interest	-	250,000	250,000
Paying agent fees	-	800	800
Total expenditures	<u>19,590</u>	<u>258,135</u>	<u>277,725</u>
<b>EXCESS OF REVENUE OVER (UNDER)</b>			
<b>EXPENDITURES</b>	<u>244,266</u>	<u>894,643</u>	<u>1,138,909</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Payment to refunding agent	-	(14,437,377)	(14,437,377)
Bond Proceeds	-	41,580,697	41,580,697
Transfer (to) from other funds	(149,908)	(28,043,480)	(28,193,388)
Total other financing sources (uses)	<u>(149,908)</u>	<u>(900,160)</u>	<u>(1,050,068)</u>
<b>NET CHANGE IN FUND BALANCES</b>	94,358	(5,517)	88,841
<b>FUND BALANCE -</b>			
<b>BEGINNING OF YEAR</b>	<u>69,508</u>	<u>49,814</u>	<u>119,322</u>
<b>FUND BALANCE -</b>			
<b>END OF YEAR</b>	<u>\$ 163,866</u>	<u>\$ 44,297</u>	<u>\$ 208,163</u>

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

**RAVENNA METROPOLITAN DISTRICT  
EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2017**

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

Net changes in fund balances - Total governmental funds	<u>\$ 88,841</u>
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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.

Proceeds from 2017 Bonds	(41,580,697)
Bond principal paid	9,000,000
Forgiveness of debt	8,282,265
Change in accrued note interest payable	<u>(398,767)</u>
	<u>(24,697,199)</u>

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

Depreciation expense	(376,705)
Dedication of assets to other governments	(3,122,721)
Change in accrued interest payable - bonds	<u>4,957,526</u>
	<u>1,458,100</u>

Change in net position of governmental activities	<u><u>\$ (23,150,258)</u></u>
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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, 2017**

**ASSETS**

Total assets	\$ -
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**LIABILITIES**

Total liabilities	\$ -
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**NET POSITION**

Unrestricted	-
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Total net position	\$ -
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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, 2017**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>OPERATING REVENUE</b>			
Service charges	\$ 101,777	\$ 105,824	\$ 207,601
Total operating revenue	<u>101,777</u>	<u>105,824</u>	<u>207,601</u>
<b>OPERATING EXPENSES</b>			
District management and accounting	111,000	-	111,000
Legal	16,985	-	16,985
Operations	607,733	2,595	610,328
Utilities	21,379	-	21,379
Total operating expenses	<u>757,097</u>	<u>2,595</u>	<u>759,692</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(655,320)</u>	<u>103,229</u>	<u>(552,091)</u>
<b>NONOPERATING REVENUE (EXPENSE)</b>			
Water resource fees	177,389	-	177,389
Golf course /HOA reimbursement	288,789	-	288,789
Water tap fees	424,609	-	424,609
Sewer tap fees	-	179,638	179,638
Developer contribution	39,961	-	39,961
Note payable - accrued interest	(24,361)	-	(24,361)
Miscellaneous income	355,168	-	355,168
Legal and other fees - Roxborough inclusion	(908,956)	-	(908,956)
IGA Roxborough MD - permits/taps	-	(227,047)	(227,047)
IGA United - water resource fee	(21,273)	-	(21,273)
Issuance costs	(1,565,955)	-	(1,565,955)
Capital contribution to other government - interconnect	(3,580,000)	-	(3,580,000)
Payment to other government in satisfaction of agreement	(22,897,526)	-	(22,897,526)
Total nonoperating revenue (expense)	<u>(27,712,155)</u>	<u>(47,409)</u>	<u>(27,759,564)</u>
Income (Loss) before transfers	<u>(28,367,475)</u>	<u>55,820</u>	<u>(28,311,655)</u>
<b>NET TRANSFERS (TO) FROM OTHER FUNDS</b>	<u>28,280,626</u>	<u>(87,238)</u>	<u>28,193,388</u>
<b>CHANGE IN NET POSITION BEFORE SPECIAL ITEM</b>	(86,849)	(31,418)	(118,267)
<b>SPECIAL ITEM - FORGIVENESS OF DEBT</b>	<u>502,277</u>	<u>-</u>	<u>502,277</u>
<b>CHANGE IN NET POSITION</b>	415,428	(31,418)	384,010
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	<u>(415,428)</u>	<u>31,418</u>	<u>(384,010)</u>
<b>TOTAL NET POSITION - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2017**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Service and related fees	\$ 289,224
Payment for operating expenses	(903,969)
Net cash (required) by operating activities	(614,745)

**CASH FLOWS FROM NONCAPITAL FINANCING  
ACTIVITIES**

Other income (expenses)	(27,735,203)
Transfers from (to) Governmental Funds	28,193,388
Net cash provided by noncapital financing activities	458,185

**NET INCREASE IN CASH AND  
CASH EQUIVALENTS**

(156,560)

**CASH AND CASH EQUIVALENTS - BEGINNING  
OF YEAR**

156,560

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ -

(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, 2017  
(Continued)**

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

Income (Loss) from operations	\$ (552,091)
Adjustments to reconcile income (loss) from operations to net cash flows provided (used) by operating activities:	
Increase (decrease) in deferred fee receipts	(106,113)
Increase (decrease) in receivables	187,736
Increase (decrease) in accounts payable	<u>(144,277)</u>
Net cash (required) by operating activities	<u><u>\$ (614,745)</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, 2017**

**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, 2017**

**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, 2017**

**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. This fund was closed out during 2017 with remaining assets and liabilities transferred to the general fund.

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.

The District amended its budget for the year ended December 31, 2017. Expenditures exceeded budgeted amounts in the debt service and enterprise funds due to greater than anticipated costs for debt reduction and capital costs related to the inclusion agreement with Roxborough Water and Sanitation District (Note 7).

**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, 2017**

**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, 2017**

**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. \$6,200 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund of \$29,488 represents the amount available for debt service payments at December 31, 2017.

**NOTE 3 - CASH AND INVESTMENTS**

Cash and investments as of December 31, 2017 are classified in the accompanying financial statements as follows:

**RAVENNA METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

Statement of net position:

Cash and investments - Unrestricted	\$ 443,165
Cash and investments - Restricted	51,558
Total cash and investments	<u>\$ 494,723</u>

Cash and investments as of December 31, 2017 consist of the following:

Deposits with financial institutions	\$ 303,419
Investments	191,304
Total cash and investments	<u>\$ 494,723</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, 2017, the District's cash deposits had a bank balance and a carrying balance of \$303,419.

**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, 2017**

**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.

As of December 31, 2017, the District had the following investments:

<b>Investment</b>	<b>Maturity</b>	<b>Fair Value</b>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	\$ 171,341
Colorado Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>19,963</u> <u>\$ 191,304</u>

**RAVENNA METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

**CSAFE**

During 2017, 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. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**COLOTRUST**

During 2017 the District invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the Town records its investment in COLOTRUST using the net asset method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Cash and investments of \$45,358 is restricted for future debt service payments, and \$8,000 is restricted for emergencies.

**RAVENNA METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 4 - CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2017, follows:

	<b>Balance December 31, 2016</b>	<b>Additions</b>	<b>Retirements/ Reclassifications</b>	<b>Balance December 31, 2017</b>
<b>Governmental activities:</b>				
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	-	(4,307,201)	10,170,930
Less accumulated depreciation for:				
Storm drainage	(1,092,720)	(109,272)	-	(1,201,992)
Waterline construction	(547,650)	(54,765)	602,415	-
Sanitary sewer	(529,150)	(52,915)	582,065	-
Streets	(1,218,530)	(121,853)	-	(1,340,383)
Landscaping improvements	(350,660)	(35,066)	-	(385,726)
Vehicles and equipment	(46,466)	(2,834)	-	(49,300)
Total accumulated depreciation	(3,785,176)	(376,705)	-	(2,977,401)
Total capital assets, being depreciated, net	10,692,955	(376,705)	-	7,193,529
Total capital assets, net	\$ 10,692,955	\$ (376,705)	\$ -	\$ 7,193,529

Depreciation of \$376,705 was charged to general government expense. A net amount of \$3,122,721 in water and sewer assets was transferred to Roxborough Water and Sanitation District (Roxborough) accordance with the Inclusion Agreement with Roxborough (Note 7).

**RAVENNA METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 5 - LONG-TERM OBLIGATIONS**

The following is an analysis of changes in long-term obligations for the year ended December 31, 2017:

	<b>Balance at December 31, 2016</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance at December 31, 2017</b>	<b>Due Within One Year</b>
G.O. Limited Tax Bonds, Series 2007	\$ 9,000,000	\$ -	\$ 9,000,000	\$ -	\$ -
Unpaid interest on G.O bonds	3,049,631	767,022	3,816,653	-	-
2007 Supplemental B Coupons	2,104,901	(234,177)	1,870,724	-	-
Series 2017 A Capital Appreciation Bonds	-	31,995,697	-	31,995,697	-
Series 2017B Subordinate G.O. Bonds	-	8,000,000	-	8,000,000	-
2017 Supplemental B Coupons	-	1,585,000	-	1,585,000	-
General Obligation Subordinate					
Promissory Note Series 2009A	5,275,479	-	5,275,479	-	-
Accrued interest on note payable	3,087,025	422,038	3,509,063	-	-
	<u>\$ 22,517,036</u>	<u>\$ 42,535,580</u>	<u>\$ 23,471,919</u>	<u>\$ 41,580,697</u>	<u>\$ -</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 paid the principal and accrued interest on the 2007 bonds with proceeds of the Series 2017 bonds (see below).

**RAVENNA METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)**

**Series 2017A Limited Tax General Obligation Refunding and Improvement Convertible Capital Appreciation Bonds/Supplemental “B” Interest Registered Coupons**

On November 1, 2017, the District issued its Senior Limited Property Tax Supported Convertible Capital Appreciation Revenue Bonds, Series 2017, in the original principal amount of \$31,995,697 (Senior Bonds) for the purpose of refunding the Series 2007 bonds and coupons, paying capital costs of public improvements, and paying to United Water and Sanitation District (United) amounts necessary to refund bonds related to United’s Ravenna Water Enterprise. The accreted value of the Series 2017 Bonds will be \$33,685,000 at the current “A” interest conversion date. During 2017, the bonds accreted approximately \$198,097. The Senior Bonds mature on December 1, 2046, and after conversion will accrue interest at a rate of 5.0% per annum. The Senior Bonds are subject to mandatory sinking fund redemption beginning on December 1, 2023. Revenues pledged to the Senior Bonds are revenues derived from (1) the Senior Mill Levy of not more than 70 mills imposed on taxable property of the District, (2) specific ownership taxes remitted to the District as a result of the debt service mill levy and (3) any other legally available revenues the District, at its discretion, credits to pay the Senior Bonds.

**Subordinate Limited Tax General Obligation Refunding Bonds, Series 2017B**

On November 1, 2017, the District issued its Subordinate Limited Tax General Obligation Refunding Bonds (Subordinate Bonds) in the principal amount of \$8,000,000. Revenues pledged to the Subordinate bonds are derived from the imposition of a mill levy of 70 mills, the collection of subordinate specific ownership taxes, facility fees, and any other legally available revenues. Revenues remaining after all payments necessary to satisfy the requirements of the Senior Bonds are available to pay the Subordinate Bonds. The Subordinate Bonds mature on December 1, 2056, and accrue interest at an annual rate of 7.50%. The Subordinate Bonds are subject to redemption, beginning December 15, 2022, at par plus accrued interest and a redemption premium of 3%, which reduces by 1% annually thereafter. Mandatory redemption is required on December 15<sup>th</sup> each year to the extent monies are available.

Debt service payments for each of the next five years, and five-year increments thereafter, for the Series 2017A Bonds and Supplemental B Coupons is as follows:

**RAVENNA METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)**

	<u>Accreted Principal</u>	<u>Supplemental B Interest Coupons</u>	<u>Total</u>
2018	\$ -	\$ -	\$ -
2019	-	-	-
2020	-	-	-
2021	-	15,000	15,000
2022	-	170,000	170,000
2023-2027	1,495,000	1,400,000	2,895,000
2028-2032	5,020,000	-	5,020,000
2033-2037	7,080,000	-	7,080,000
2038-2042	9,800,000	-	9,800,000
2043-2046	10,290,000	-	10,290,000
	<u>\$ 33,685,000</u>	<u>\$ 1,585,000</u>	<u>\$ 35,270,000</u>

On November 14, 2017, the District and the Developer entered into the Termination of Advances and Reimbursement Agreement for Capital Advances (the Termination Agreement), whereby both parties terminated the 2009 Advance and Reimbursement Agreement for Capital advances (described in Note 7). As a result of the Termination Agreement, the Developer and the District terminated the Series 2009A Promissory Note, and all obligations associated with the 2009 Agreement and Promissory Note. This transaction resulted in a “forgiveness of debt” in the amount of \$8,784,542, which is reported as a special item in the statement of activities.

**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, 2017 follows:

	<u>Voter Authorization</u>	<u>Authorization Used</u>	<u>Remaining at December 31, 2017</u>
Water	\$ 10,190,687	\$ 3,839,484	\$ 6,351,203
Refunding	46,000,000	36,156,214	9,843,786
	<u>\$ 56,190,687</u>	<u>\$ 39,995,698</u>	<u>\$ 16,194,989</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

**RAVENNA METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 6 - NET POSITION (CONTINUED)**

31, 2017, the District had net investments in capital assets, in the amount of (\$34,585,265), calculated as follows:

Net investment in capital assets:

Capital assets, net	\$	7,193,529
Bonds and accrued interest payable		(41,778,794)
	\$	(34,585,265)

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 \$37,488 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 Water and Sanitation District (formerly known as Roxborough Park Metropolitan District) (“Roxborough”), 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 will provide wastewater service to the District, and not to individual users within Ravenna. Roxborough will bill the District and, in turn, the District will bill users within Ravenna for wastewater service. This agreement terminated upon the inclusion of the property with the District to Roxborough, and those properties are now provided wastewater services on an in-district basis by Roxborough.

**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.

**RAVENNA METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 7 – AGREEMENTS (CONTINUED)**

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’ 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. In 2017, the District paid, from proceeds of its 2017 bonds (Note 5), \$22,897,526 in full satisfaction of the Agreement.

**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. In 2017, the District exercised the purchase option and, with proceeds from the 2017 bonds, acquired all lease assets from United with the exception of the water treatment plant, which is not needed for service based on the inclusion to Roxborough.

**RAVENNA METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 7 – AGREEMENTS (CONTINUED)**

**Inclusion Agreement with Roxborough Water and Sanitation District**

On November 8, 2016, the eligible electors of the District approved the inclusion of the property in the District into the boundaries of Roxborough Water and Sanitation District (Roxborough), subject to the satisfaction of certain conditions. The District Court of Douglas County, Colorado has issued an Order for inclusion, which Order was recorded upon closing of the District's restructure of debt. Water and wastewater services for the District were transferred to Roxborough during 2017.

**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. This agreement was terminated on November 17, 2017 (see Note 5).

**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, 2017. 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.

**RAVENNA METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 8 – RISK MANAGEMENT (CONTINUED)**

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 (RCREI) was the holder of the Note issued by the District pursuant to the Advance and Reimbursement Agreement dated November 19, 2009 (see Note 7). RCREI, 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. Specific details of transactions with RCREI regarding organization, advances and debt are described elsewhere in these footnotes.

**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 10 – TRANSFERS**

Transfers were made to the enterprise fund, from the general fund to pay operating expenses, and from the debt service fund for final payment, from bond proceeds, of intergovernmental agreements related to water and sewer services.

**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, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUE</b>				
Property taxes	\$ 81,213	\$ 81,213	\$ 99,529	\$ 18,316
Specific ownership tax	6,497	8,400	8,896	496
Facilities acquisition fees / Class 2 payments	119,541	83,999	83,999	-
Facility fees	-	18,316	47,736	29,420
Interest and other income	4,000	11,900	23,696	11,796
Total revenue	<u>211,251</u>	<u>203,828</u>	<u>263,856</u>	<u>60,028</u>
<b>EXPENDITURES</b>				
Audit	7,753	7,674	7,674	-
District management and accounting	17,985	2,200	-	2,200
County treasurer's fees	1,218	1,218	1,222	(4)
Legal	36,000	16,000	-	16,000
Insurance and bonds	10,795	10,694	10,694	-
Lease payment	119,541	-	-	-
Miscellaneous	25,000	15	-	15
Total expenditures	<u>218,292</u>	<u>37,801</u>	<u>19,590</u>	<u>18,211</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>(7,041)</u>	<u>166,027</u>	<u>244,266</u>	<u>78,239</u>
<b>OTHER FINANCING SOURCE (USES)</b>				
Transfer from (to) other funds	-	(181,683)	(149,908)	31,775
Total other financing sources (uses)	<u>-</u>	<u>(181,683)</u>	<u>(149,908)</u>	<u>31,775</u>
<b>NET CHANGE IN FUND BALANCE</b>	(7,041)	(15,656)	94,358	110,014
<b>FUND BALANCE -BEGINNING OF YEAR</b>	29,045	69,508	69,508	-
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 22,004</u>	<u>\$ 53,852</u>	<u>\$ 163,866</u>	<u>\$ 110,014</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, 2017**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUE</b>				
Property tax	\$ 487,277	\$ 487,277	\$ 853,601	\$ 366,324
Specific ownership tax	38,982	50,160	53,377	3,217
Facility fee	-	25,000	35,000	10,000
Interest and other income	80,000	575,606	210,800	(364,806)
Total revenue	<u>606,259</u>	<u>1,138,043</u>	<u>1,152,778</u>	<u>14,735</u>
<b>EXPENDITURES</b>				
County treasurer's fees	7,310	7,310	7,335	(25)
Bond interest	598,149	250,000	250,000	-
Paying agent fees	800	800	800	-
Total expenditures	<u>606,259</u>	<u>258,110</u>	<u>258,135</u>	<u>(25)</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>				
	<u>-</u>	<u>879,933</u>	<u>894,643</u>	<u>14,710</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	-	39,105,516	41,580,697	2,475,181
Payment to refunding agent	-	(14,437,377)	(14,437,377)	-
Transfer from (to) other funds	-	(25,319,537)	(28,043,480)	(2,723,943)
Total other financing sources (uses)	<u>-</u>	<u>(651,398)</u>	<u>(900,160)</u>	<u>(248,762)</u>
<b>NET CHANGE IN FUND BALANCE</b>				
	-	228,535	(5,517)	(234,052)
<b>FUND BALANCE - BEGINNING OF YEAR</b>				
	-	-	49,814	49,814
<b>FUND BALANCE - END OF YEAR</b>				
	<u>\$ -</u>	<u>\$ 228,535</u>	<u>\$ 44,297</u>	<u>\$ (184,238)</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, 2017**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUE</b>				
Sewer - service fees	\$ 20,873	\$ 116,909	\$ 105,824	\$ (11,085)
Sewer tap fees - Roxborough	-	179,338	179,638	300
Water taps	165,260	-	424,609	424,609
Water resource fees	-	63,094	177,389	114,295
Water Usage	11,975	83,027	101,777	18,750
Operations fee	5,020	24,408	-	(24,408)
Developer contribution	-	39,961	39,961	-
Golf Course/HOA Reimbursement/Other	27,840	182,288	643,957	461,669
Total revenue	<u>230,968</u>	<u>689,025</u>	<u>1,673,155</u>	<u>984,130</u>
<b>EXPENDITURES</b>				
District management and accounting	57,335	105,200	111,000	(5,800)
Operations	85,540	610,114	631,601	(21,487)
IGA United - water resource fees and taps	-	-	21,379	(21,379)
Legal	31,700	17,755	16,985	770
Capital outlay	4,800,000	4,000,000	3,580,000	420,000
Sewer fees/permits/taps to Roxborough	10,440	193,362	227,047	(33,685)
Total expenditures	<u>4,985,015</u>	<u>4,926,431</u>	<u>4,588,012</u>	<u>338,419</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>(4,754,047)</u>	<u>(4,237,406)</u>	<u>(2,914,857)</u>	<u>1,322,549</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Tap prepayments	1,220,000	-	-	-
Issuance and inclusion costs	(1,614,220)	(2,437,911)	(2,474,911)	(37,000)
Payments to other governments	(18,829,950)	(18,829,950)	(22,897,526)	(4,067,576)
Transfer from (to) other funds	23,974,170	25,501,220	28,193,388	2,692,168
Total other financing sources (uses)	<u>4,750,000</u>	<u>4,233,359</u>	<u>2,820,951</u>	<u>(1,412,408)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(4,047)	(4,047)	(93,906)	(89,859)
<b>FUND BALANCE (DEFICIT) - BEGINNING OF YEAR</b>	<u>4,047</u>	<u>4,047</u>	<u>93,906</u>	<u>89,859</u>
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2017**

<b>EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)</b>	<b>\$ (93,906)</b>
Deduct:	
Accrued interest	<u>(24,361)</u>
<b>Net income before special item (GAAP basis)</b>	<b><u><u>\$ (118,267)</u></u></b>

**RAVENNA METROPOLITAN DISTRICT**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS (ORIGINAL) TO MATURITY**  
**December 31, 2017**  
**\$35,270,000**

**General Obligation Tax Limited Refunding Bonds and Interest Coupons**  
**2017A Convertible Capital Appreciation Bonds/Supplemental "B" Interest Coupons**  
**November 1, 2017**

	<u>Accreted Value</u>	<u>Supplemental B Interest Coupons</u>	<u>Total Debt Service</u>
2018	\$ -	\$ -	\$ -
2019	-	-	-
2020	-	-	-
2021	-	15,000	15,000
2022	-	170,000	170,000
2023	-	325,000	325,000
2024	-	490,000	490,000
2025	-	585,000	585,000
2026	715,000	-	715,000
2027	780,000	-	780,000
2028	870,000	-	870,000
2029	915,000	-	915,000
2030	1,010,000	-	1,010,000
2031	1,060,000	-	1,060,000
2032	1,165,000	-	1,165,000
2033	1,220,000	-	1,220,000
2034	1,335,000	-	1,335,000
2035	1,400,000	-	1,400,000
2036	1,525,000	-	1,525,000
2037	1,600,000	-	1,600,000
2038	1,730,000	-	1,730,000
2039	1,820,000	-	1,820,000
2040	1,965,000	-	1,965,000
2041	2,065,000	-	2,065,000
2042	2,220,000	-	2,220,000
2043	2,335,000	-	2,335,000
2044	2,505,000	-	2,505,000
2045	2,630,000	-	2,630,000
2046	2,820,000	-	2,820,000
	<u>\$ 33,685,000</u>	<u>\$ 1,585,000</u>	<u>\$ 35,270,000</u>

Note: Series 2017B Subordinate Limited Tax G.O. Refunding Bonds are not included in schedule