



PINNACLE
CONSULTING GROUP, INC.

March 20, 2014

Office of the State Auditor
Local Government Audit Division
1525 Sherman Street, 7th Floor
Denver, CO 80203

Dear Sir or Madam:

Enclosed please find the originals of the Applications for Exemption from Audit for Waterfall Metropolitan District No. 1 and No. 2, for the year ended December 31, 2013.

Please advise of your acceptance and please do not hesitate to call if you have any questions. I can be reached at (970) 669-3611.

Sincerely,

Alejandra Estevez, CPA
Accounting Manager

Cc: City of Loveland (per C.R.S. 29-1-606)

APPLICATION FOR EXEMPTION FROM AUDIT - LONG FORM - FOR GOVERNMENTS WITH REVENUE OR EXPENDITURES GREATER THAN \$100,000 BUT NOT MORE THAN \$500,000

Name of Government:	Waterfall Metropolitan District No. 1	For the Fiscal Year
Address:	c/o Pinnacle Consulting Group, Inc. 1627 East 18th Street Loveland, CO 80538	
Contact Person:	Brendan Campbell, CPA	Ended December 31, 2013
Telephone:	(970) 669-3611	
Email:	brendanc@pinnacleconsultinggroupinc.com	
Fax:	(970) 669-3612	

Return to: Office of the State Auditor
 Local Government Audit Division
 1525 Sherman St., 7th Floor
 Denver, CO 80203
 Fax: 303-866-4062
 Email: OSA.LG@state.co.us
 Call (303) 869-3000 if you need help completing this form.

PLEASE READ THE ABOVE INSTRUCTIONS BEFORE SUBMITTING THE COMPLETED APPLICATION

Section 29-1-604, C.R.S., outlines the provisions for an exemption from audit. Generally, any local government for which neither revenue nor expenditures exceed \$500,000 in any fiscal year may qualify for an exemption.

if either revenues or expenditures are \$100,000 or greater, but not more than \$500,000, you may use this form. If both revenues and expenditures are less than \$100,000 individually, use the short form application for exemption from audit.

Please review ALL instructions prior to the completion of this form.

- Instructions: (See "Instructions" tab for additional information)
- Prepare this form completely and accurately. Please note that there are 11 parts to this form and all questions must be answered for the application to be considered complete.
 - Please use whole dollars. Do not include any cents. Please round consistently to ensure that the financial information balances between schedules.
 - File this form with the Office of the State Auditor within 3 months after the end of the fiscal year.
 - The form **must** be completed by an independent accountant (separate from the entity) with knowledge of governmental accounting.

For years ended December 31, the form **must** be received by the Office of the State Auditor by March 31.
 - The application must be personally reviewed and approved by a majority of the governing body as evidenced by one of the following methods:
 - Resolution of the governing body - application may be emailed, faxed, or mailed.
 - Original signatures - application must be mailed. Email or fax will NOT be accepted.
 - The preparer **must sign** the application that is submitted in order for it to be accepted.
 - Additional information may be attached to the exemption at the preparer's discretion.

CERTIFICATION OF PREPARER

I certify that I am an independent accountant with knowledge of governmental accounting and that the information in the Application is complete and accurate to the best of my knowledge. Independent means someone who is separate from the entity.

Name:	Brendan Campbell, CPA
Title:	District Accountant
Firm Name (if applicable):	Pinnacle Consulting Group, Inc.
Address:	1627 East 18th Street
Telephone Number:	(970) 669-3611
Date Prepared:	2/18/2014

Preparer Signature (Required): The application will be rejected if not signed by the preparer.



Relationship to entity: **Accountant**

The Audit Law requires that a person independent of the entity complete the application if revenues or expenditure are at least \$100,000 but not more than \$500,000. Independent means someone who is separate from the entity. Please describe above what your relationship is with the entity.

PART 1 - Financial Statements - Balance Sheet

Ln #	Description	Governmental Funds		Description Assets	Proprietary/Fiduciary Funds		Totals
		General Fund*	Capital Fund*		Fund*	Fund*	
1-1	Assets						
1-2	Cash & Cash Equivalents	\$ 58,232	\$ 2,356	Cash & Cash Equivalents	\$ -	\$ -	
1-3	Investments	\$ 2,997	-	Investments	\$ -	\$ -	
1-4	Receivables	\$ -	-	Receivables	\$ -	\$ -	
1-5	Due from Other Entities or Funds	\$ -	-	Due from Other Entities or Funds	\$ -	\$ -	
1-6	Other Assets (specify)	\$ -	-	Other Current Assets	\$ -	\$ -	Total Current Assets
1-7	Prepaid Expense	\$ 194	-	Total Current Assets	\$ -	\$ -	\$ -
1-8		\$ -	-	Capital Assets, net (from Part 6-2)	\$ -	\$ -	
1-9		\$ -	-	Other Long Term Assets (specify)	\$ -	\$ -	
1-10		\$ -	-		\$ -	\$ -	
1-11		\$ -	-		\$ -	\$ -	
1-12		\$ -	-		\$ -	\$ -	\$ 63,779
1-13	Total Assets (add lines 1-2 through 1-12)	\$ 61,423	\$ 2,356	Total Assets (add lines 1-2 through 1-12)	\$ -	\$ -	
1-14	Total Deferred Outflows of Resources	\$ -	-	Total Deferred Outflows of Resources	\$ -	\$ -	
1-15	Total Assets and Deferred Outflows	\$ 61,423	\$ 2,356	Total Assets and Deferred Outflows	\$ -	\$ -	
	Liabilities and Fund Balance			Liabilities and Net Position			
	Liabilities			Liabilities			
1-16	Accounts Payable	\$ 8,286	-	Accounts Payable	\$ -	\$ -	
1-17	Accrued Payroll and Related Liabilities	\$ -	-	Accrued Payroll and Related Liabilities	\$ -	\$ -	
1-18	Accrued Interest Payable	\$ -	-	Accrued Interest Payable	\$ -	\$ -	
1-19	Due to Other Entities or Funds	\$ -	-	Due to Other Entities or Funds	\$ -	\$ -	
1-20	Other Liabilities (specify)	\$ -	-	Other Current Liabilities	\$ -	\$ -	Total Current Liab.
1-21		\$ -	-	Total Current Liabilities	\$ -	\$ -	\$ -
1-22		\$ -	-	Proprietary Debt Outstanding (from Part 4-1)	\$ -	\$ -	
1-23		\$ -	-	Other Liabilities (specify)	\$ -	\$ -	
1-24		\$ -	-		\$ -	\$ -	
1-25		\$ -	-		\$ -	\$ -	
1-26		\$ -	-		\$ -	\$ -	
1-27		\$ -	-		\$ -	\$ -	
1-28		\$ -	-		\$ -	\$ -	
1-29		\$ -	-		\$ -	\$ -	\$ 8,286
1-30	Total Liabilities (add lines 1-16 through 1-29)	\$ 8,286	\$ -	Total Liabilities (add lines 1-16 through 1-29)	\$ -	\$ -	
1-31	Total Deferred Inflows of Resources	\$ -	-	Total Deferred Inflows of Resources	\$ -	\$ -	
	Fund Balance			Net Position			
	Nonspendable :			Net Investment in Capital Assets	\$ -	\$ -	
1-32	Prepaid	\$ 194	-		\$ -	\$ -	
1-33	Inventory	\$ -	-		\$ -	\$ -	
	Restricted:			Emergency Reserves	\$ -	\$ -	
1-34	Reserve	\$ 2,509	\$ 2,356	Other Designations/Reserves	\$ -	\$ -	
	Committed:			Restricted	\$ -	\$ -	
1-35	(specify)	\$ -	-		\$ -	\$ -	
	Assigned:			Undesignated/Unreserved/Unrestricted	\$ -	\$ -	
1-36	(specify)	\$ -	-		\$ -	\$ -	
1-37	Unassigned:	\$ 50,434	-	Total Equity (add lines 1-32 through 1-37) This total should be the same as line 3-33.	\$ -	\$ -	\$ 55,493
1-38	Total Fund Balance (add lines 1-32 through 1-37) This total should be the same as line 3-33.	\$ 53,137	\$ 2,356	Total Liabilities, Deferred Inflows, and Equity (add lines 1-30, 1-31 and 1-38) This total should be the same as line 1-15	\$ -	\$ -	
1-39	Total Liabilities, Deferred Inflows, and Fund Balance (add lines 1-30, 1-31 and 1-38) This total should be the same as line 1-15	\$ 61,423	\$ 2,356		\$ -	\$ -	

*Indicate Name of Fund
Note: Attach additional sheets as necessary.

PART 1 - Financial Statements - Balance Sheet

Ln #	Description	Governmental Funds		Description Assets	Proprietary/Fiduciary Funds		Totals
		Debt Service Fund*	Fund*		Fund*	Fund*	
1-1	Assets						
1-2	Cash & Cash Equivalents	\$ -	\$ -	Cash & Cash Equivalents	\$ -	\$ -	
1-3	Investments	\$ 120,337	\$ -	Investments	\$ -	\$ -	
1-4	Receivables	\$ -	\$ -	Receivables	\$ -	\$ -	
1-5	Due from Other Entities or Funds	\$ 937	\$ -	Due from Other Entities or Funds	\$ -	\$ -	
1-6	Other Assets (specify)	\$ -	\$ -	Other Current Assets	\$ -	\$ -	Total Current Assets
1-7	Property Tax Receivable	\$ 167,301	\$ -	Total Current Assets	\$ -	\$ -	\$ -
1-8		\$ -	\$ -	Capital Assets, net (from Part 6-2)	\$ -	\$ -	
1-9		\$ -	\$ -	Other Long Term Assets (specify)	\$ -	\$ -	
1-10		\$ -	\$ -		\$ -	\$ -	
1-11		\$ -	\$ -		\$ -	\$ -	
1-12		\$ -	\$ -		\$ -	\$ -	
1-13	Total Assets (add lines 1-2 through 1-12)	\$ 288,575	\$ -	Total Assets (add lines 1-2 through 1-12)	\$ -	\$ -	\$ 288,575
1-14	Total Deferred Outflows of Resources	\$ -	\$ -	Total Deferred Outflows of Resources	\$ -	\$ -	
1-15	Total Assets and Deferred Outflows	\$ 288,575	\$ -	Total Assets and Deferred Outflows	\$ -	\$ -	
	Liabilities and Fund Balance			Liabilities and Net Position			
	Liabilities			Liabilities			
1-16	Accounts Payable	\$ -	\$ -	Accounts Payable	\$ -	\$ -	
1-17	Accrued Payroll and Related Liabilities	\$ -	\$ -	Accrued Payroll and Related Liabilities	\$ -	\$ -	
1-18	Accrued Interest Payable	\$ -	\$ -	Accrued Interest Payable	\$ -	\$ -	
1-19	Due to Other Entities or Funds	\$ -	\$ -	Due to Other Entities or Funds	\$ -	\$ -	
1-20	Other Liabilities (specify)	\$ -	\$ -	Other Current Liabilities	\$ -	\$ -	Total Current Liabs.
1-21	Developer Advance Payable	\$ 60,000	\$ -	Total Current Liabilities	\$ -	\$ -	\$ -
1-22	Deferred Property Tax	\$ 167,301	\$ -	Proprietary Debt Outstanding (from Part 4-1)	\$ -	\$ -	
1-23		\$ -	\$ -	Other Liabilities (specify)	\$ -	\$ -	
1-24		\$ -	\$ -		\$ -	\$ -	
1-25		\$ -	\$ -		\$ -	\$ -	
1-26		\$ -	\$ -		\$ -	\$ -	
1-27		\$ -	\$ -		\$ -	\$ -	
1-28		\$ -	\$ -		\$ -	\$ -	
1-29		\$ -	\$ -		\$ -	\$ -	
1-30	Total Liabilities (add lines 1-16 through 1-29)	\$ 227,301	\$ -	Total Liabilities (add lines 1-16 through 1-29)	\$ -	\$ -	\$ 227,301
1-31	Total Deferred Inflows of Resources	\$ -	\$ -	Total Deferred Inflows of Resources	\$ -	\$ -	
	Fund Balance			Net Position			
	Nonspendable:			Net Investment in Capital Assets			
1-32	Prepaid	\$ -	\$ -		\$ -	\$ -	
1-33	Inventory	\$ -	\$ -		\$ -	\$ -	
	Restricted:			Emergency Reserves	\$ 61,274	\$ -	
1-34	Reserve	\$ 61,274	\$ -	Other Designations/Reserves	\$ -	\$ -	
1-35	(specify)	\$ -	\$ -		\$ -	\$ -	
	Assigned:			Restricted	\$ -	\$ -	
1-36	(specify)	\$ -	\$ -		\$ -	\$ -	
	Unassigned:			Undesignated/Unreserved/Unrestricted	\$ -	\$ -	
1-37	Total Fund Balance (add lines 1-32 through 1-37) This total should be the same as line 3-33.	\$ 61,274	\$ -	Total Equity (add lines 1-32 through 1-37) This total should be the same as line 3-33.	\$ -	\$ -	\$ 61,274
1-38	Total Liabilities, Deferred Inflows, and Fund Balance (add lines 1-30, 1-31 and 1-38) This total should be the same as line 1-15	\$ 288,575	\$ -	Total Liabilities, Deferred Inflows, and Equity (add lines 1-30, 1-31 and 1-38) This total should be the same as line 1-15	\$ -	\$ -	\$ 288,575

*Indicate Name of Fund
Note: Attach additional sheets as necessary.

PART 2 - Financial Statements - Operating Statement - Revenues

	Governmental Funds		Proprietary/Fiduciary Funds	Total of All Funds
	General Fund*	Capital Fund*		
2-1				
2-2				
2-3				
2-4				
2-5				
2-6				
2-7				
2-8				
2-9				
2-10				
2-11				
2-12				
2-13				
2-14				
2-15				
2-16				
2-17				
2-18				
2-19				
2-20				
2-21				
2-22				
2-23				
2-24				
2-25				
2-26				
2-27				
2-28				
2-29				
2-30				
2-31				
2-32				

Note: If Total Revenues and Other Financing Sources - Total of All Funds (Line 2-32) are greater than \$500,000 - STOP, you may not use this form. An audit may be required. See Section 29-1-604, C.R.S., or

PART 2 - Financial Statements - Operating Statement - Revenues

	Governmental Funds		Proprietary/Fiduciary Funds	Total of All Funds
	Debt Service Fund*	Fund*		
2-1 Revenues and Other Financing Sources				
2-2 Taxes				
2-3 Property	\$ 159,331	\$ -	\$ -	\$ -
2-4 Specific Ownership	\$ 11,805	\$ -	\$ -	\$ -
2-5 Sales and Use Tax	\$ -	\$ -	\$ -	\$ -
2-6 Other (specify)	\$ -	\$ -	\$ -	\$ -
2-7	\$ -	\$ -	\$ -	\$ -
2-8	\$ -	\$ -	\$ -	\$ -
2-9	\$ -	\$ -	\$ -	\$ -
2-10 Licenses and Permits	\$ -	\$ -	\$ -	\$ -
2-11 Intergovernmental				
2-12 Highway Users Tax Funds (HUTF)	\$ -	\$ -	\$ -	\$ -
2-13 Conservation Trust Funds (Lottery)	\$ -	\$ -	\$ -	\$ -
2-14 Community Development Block Grant	\$ -	\$ -	\$ -	\$ -
2-15 Fire & Police Pension	\$ -	\$ -	\$ -	\$ -
2-16 Grants	\$ -	\$ -	\$ -	\$ -
2-17 Donations	\$ -	\$ -	\$ -	\$ -
2-18 Charges for Sales and Services	\$ -	\$ -	\$ -	\$ -
2-19 Rental Income	\$ -	\$ -	\$ -	\$ -
2-20 Fines and Forfeits	\$ -	\$ -	\$ -	\$ -
2-21 Interest/Investment Income	\$ 82	\$ -	\$ -	\$ -
2-22 Tap Fees	\$ -	\$ -	\$ -	\$ -
2-23 Developer Advances	\$ -	\$ -	\$ -	\$ -
2-24 Other (specify)	\$ -	\$ -	\$ -	\$ -
2-25	\$ -	\$ -	\$ -	\$ -
2-26 Total Revenues (Add lines 2-3 through 2-25)	\$ 171,219	\$ -	\$ -	\$ -
2-27 Other Financing Sources				
2-28 Debt Proceeds	\$ -	\$ -	\$ -	\$ -
2-29 Proceeds from Sale of Capital Assets	\$ -	\$ -	\$ -	\$ -
2-30 Other (specify)	\$ -	\$ -	\$ -	\$ -
2-31 Total Other Financing Sources (Add lines 2-28 through 2-30)	\$ -	\$ -	\$ -	\$ -
2-32 Total Revenues and Other Financing Sources (Add lines 2-26 and 2-31)	\$ 171,219	\$ -	\$ -	\$ 171,219

Note: If Total Revenues and Other Financing Sources (Line 2-32) are greater than \$500,000 - STOP, you may not use this form. An audit may be required. See Section 29-1-604, C.R.S., or

PART 3 - Financial Statements - Operating Statement - Expenditures

	Governmental Funds		Capital Fund*	Proprietary/Fiduciary Funds		Total of All Funds
	General Fund*			Fund*	Fund*	
3-1 Expenditures						
3-2 General Government	\$ 85,229					
3-3 Judicial						
3-4 Public Safety						
3-5 Law Enforcement						
3-6 Fire						
3-7 Other (specify)						
3-8 Public Works						
3-9 Highways & Streets						
3-10 Solid Waste						
3-11 Other (specify)						
3-12 Contributions to Fire & Police Pension Assoc.						
3-13 Health						
3-14 Culture and Recreation						
3-15 Capital Outlay						
3-16 Debt Service						
3-17 Principal (matches part 4)						
3-18 Interest						
3-19 Bond Issuance Costs						
3-20 Developer Repayments (matches part 4)						
3-21 Other (specify): Custodian Fees						
3-22 Treasurer's Fees						
3-23 Total Expenditures (Add lines 3-2 through 3-22)	\$ 85,229					\$ 85,229
3-24 Net Interfund Transfers In (Out)						
3-25 Other (specify):						
3-26						
3-27						
3-28						
3-29						
Total Reconciling Items (Lines 3-24 plus lines 3-25 through 3-29)	\$ -					\$ -
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures (Line 2-32, less line 3-23, plus lines 3-24 through 3-30)	\$ 22,036					\$ -
Fund Equity, January 1 from December 31 prior year report	\$ 31,101	\$ 2,356				\$ -
Fund Equity, December 31 (Line 3-31 plus line 3-32) This total should be the same as line 1-39.	\$ 53,137	\$ 2,356				\$ -

Note: If Total Expenditures - Total of All Funds (Line 3-23) are greater than \$500,000 - STOP, you may not use this form. An audit may be required. See Section 29-1-604, C.R.S., or contact us at (303) 866-3338 for assistance.

PART 3 - Financial Statements - Operating Statement - Expenditures

	Governmental Funds		Proprietary/Fiduciary Funds		Total of All Funds
	Debt Service Fund*	Fund*	Fund*	Fund*	
3-1 Expenditures					
3-2 General Government	\$ -	\$ -	\$ -	\$ -	
3-3 Judicial	\$ -	\$ -	\$ -	\$ -	
3-4 Public Safety	\$ -	\$ -	\$ -	\$ -	
3-5 Law Enforcement	\$ -	\$ -	\$ -	\$ -	
3-6 Fire	\$ -	\$ -	\$ -	\$ -	
3-7 Other (specify)	\$ -	\$ -	\$ -	\$ -	
3-8 Public Works	\$ -	\$ -	\$ -	\$ -	
3-9 Highways & Streets	\$ -	\$ -	\$ -	\$ -	
3-10 Solid Waste	\$ -	\$ -	\$ -	\$ -	
3-11 Other (specify)	\$ -	\$ -	\$ -	\$ -	
3-12 Contributions to Fire & Police Pension Assoc.	\$ -	\$ -	\$ -	\$ -	
3-13 Health	\$ -	\$ -	\$ -	\$ -	
3-14 Culture and Recreation	\$ -	\$ -	\$ -	\$ -	
3-15 Capital Outlay	\$ -	\$ -	\$ -	\$ -	
3-16 Debt Service	\$ -	\$ -	\$ -	\$ -	
3-17 Principal (matches part 4)	\$ 53,000	\$ -	\$ -	\$ -	
3-18 Interest	\$ 121,285	\$ -	\$ -	\$ -	
3-19 Bond Issuance Costs	\$ -	\$ -	\$ -	\$ -	
3-20 Developer Repayments (matches part 4)	\$ -	\$ -	\$ -	\$ -	
3-21 Other (specify): Custodian Fees	\$ 1,500	\$ -	\$ -	\$ -	
3-22 Treasurer's Fees	\$ 3,187	\$ -	\$ -	\$ -	
3-23 Total Expenditures (Add lines 3-2 through 3-22)	\$ 178,972	\$ -	\$ -	\$ -	178,972
3-24 Net Interfund Transfers In (Out)	\$ -	\$ -	\$ -	\$ -	
3-25 Other (specify):	\$ -	\$ -	\$ -	\$ -	
3-26 Depreciation	\$ -	\$ -	\$ -	\$ -	
3-27 Other Financing Sources (from line 2-31)	\$ -	\$ -	\$ -	\$ -	
3-28 Capital Outlay (from line 3-15)	\$ -	\$ -	\$ -	\$ -	
3-29 Debt Principal (from line 3-17)	\$ -	\$ -	\$ -	\$ -	
3-30 Total Transfers and Other Expenditures (Lines 3-24 plus lines 3-25 through 3-29)	\$ -	\$ -	\$ -	\$ -	
3-31 Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures (Line 2-32, less line 3-23, plus lines 3-24 through 3-30)	\$ (7,753.17)	\$ -	\$ -	\$ -	
3-32 Fund Equity, January 1 from December 31 prior year report	\$ 69,027	\$ -	\$ -	\$ -	
3-33 Fund Equity, December 31 (Line 3-31 plus line 3-32) This total should be the same as line 1-39.	\$ 61,274	\$ -	\$ -	\$ -	61,274

Note: If Total Expenditures - Total of All Funds (Line 3-23) are greater than \$500,000 - STOP, you may not use this form. An audit may be required. See Section 29-1-604, C.R.S., or contact us at (303) 866-3338 for assistance.

PART 4 - DEBT OUTSTANDING, ISSUED, AND RETIRED

Please answer the following questions by marking the appropriate boxes.		Yes	No	Please use this space to provide any explanations or comments:
4-1	Does the entity have outstanding debt? Is the debt repayment schedule attached? If no, please explain:	X		
4-2	Is the entity current in its debt service payments? If no, please explain:	X		
4-3	Please complete the following debt schedule, if applicable: (please only include principal amounts)			
	Outstanding at end of prior year	Issued during fiscal year	Retired during fiscal year	Outstanding at fiscal year-end
	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -
	\$ 1,679,000	\$ -	\$ 53,000	\$ 1,626,000
	\$ -	\$ -	\$ -	\$ -
	\$ 2,486,471	\$ -	\$ -	\$ 2,486,471
	\$ -	\$ -	\$ -	\$ -
	\$ 4,165,471	\$ -	\$ 53,000	\$ 4,112,471
	Total:			
	\$ 4,165,471	\$ -	\$ 53,000	\$ 4,112,471
4-4	Please answer the following questions by marking the appropriate boxes.	Yes	No	
If yes:	Does the entity have any authorized, but unissued, debt?	X		
	How much? \$ -			
	Date the debt was authorized: 4/1/2008			
4-5	Does the entity intend to issue debt within the next calendar year? If yes: How much?		X	
	\$ -			
4-6	Please answer the following questions by marking the appropriate boxes.	Yes	No	
If yes:	Does the entity have debt that has been refinanced that is still responsible for?		X	
	What is the amount outstanding? \$ -			
4-7	Please answer the following questions by marking the appropriate boxes.	Yes	No	
If yes:	Does the entity have any lease agreements? What is being leased? What is the original date of the lease? Number of years of lease? Is the lease subject to annual appropriation? What are the annual lease payments?		X	N/A

PART 5 - CASH AND INVESTMENTS

Please provide the entity's cash deposit and investment balances.		Amount	Total	Please use this space to provide any explanations or comments:
5-1	Checking accounts	\$ 60,588		
5-2	Savings accounts	\$ -		
5-3	Certificates of deposit	\$ -		
	Total Cash Deposits		\$ 60,588	
	Investments (if investment is a mutual fund, please list underlying investments):			
5-4	Colostrust	\$ 62,304		
5-5	US Bank	\$ 61,030		
5-6		\$ -		
5-7		\$ -		
	Total Investments		\$ 123,334	
	Total Cash and Investments		\$ 183,922	
5-8	Please answer the following question by marking in the appropriate box Are the entity's deposits in an eligible (Public Deposit Protection Act) public depository (Section 11-10.5-101, et seq. C.R.S.)? If no, please explain:	Yes X	No	

PART 6 - CAPITAL ASSETS

Please answer the following questions by marking in the appropriate boxes.		Yes	No	Please use this space to provide any explanations or comments:	
6-1	Does the entity have capital assets?	X			
	If yes: Has the entity performed an annual inventory of capital assets in accordance with Section 29-1-506, C.R.S.,? If no, please explain:	X			
6-2	Complete the following table for GOVERNMENTAL FUNDS:				
		Balance - beginning of the year	Additions	Deletions	Year-End Balance
	Land	\$ -	\$ -	\$ -	\$ -
	Buildings	\$ -	\$ -	\$ -	\$ -
	Machinery and equipment	\$ -	\$ -	\$ -	\$ -
	Furniture and fixtures	\$ -	\$ -	\$ -	\$ -
	Infrastructure	\$ -	\$ -	\$ -	\$ -
	Construction In Progress (CIP)	\$ -	\$ -	\$ -	\$ -
	Landscape	\$ 398,527	\$ -	\$ -	\$ 398,527
	Accumulated Depreciation	\$ (52,105)	\$ (15,941)	\$ -	\$ (68,046)
	Total	\$ 346,422	\$ (15,941)	\$ -	\$ 330,481
6-3	Complete the following table for PROPRIETARY FUNDS:				
		Balance - beginning of the year	Additions	Deletions	Year-End Balance
	Land	\$ -	\$ -	\$ -	\$ -
	Buildings	\$ -	\$ -	\$ -	\$ -
	Machinery and equipment	\$ -	\$ -	\$ -	\$ -
	Furniture and fixtures	\$ -	\$ -	\$ -	\$ -
	Infrastructure	\$ -	\$ -	\$ -	\$ -
	Construction in Progress (CIP)	\$ -	\$ -	\$ -	\$ -
	Other (explain):	\$ -	\$ -	\$ -	\$ -
	Accumulated Depreciation	\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

PART 7 - PENSION INFORMATION

Please answer the following questions by marking in the appropriate boxes.		Yes	No	Please use this space to provide any explanations or comments:
7-1	Does the entity have an "old hire" firemen's pension plan?		X	
7-2	Does the entity have a volunteer firemen's pension plan?		X	
	If yes: Who administers the plan?			
	Indicate the contributions from:			
	Tax (property, SO, sales, etc.):			
	State contribution amount:			
	Other (gifts, donations, etc.):			
	Total:			
	What is the monthly benefit paid for 20 years of service per retiree as of Jan 1?			

PART 8 - BUDGET INFORMATION

Please answer the following questions by marking in the appropriate boxes.		Please use this space to provide any explanations or comments:	
8-1	Did the entity file a 2013 budget with the Department of Local Affairs? If no, please explain:	Yes X	No
8-2	Did the entity pass an appropriations resolution? If no, please explain:	X	
Please indicate the amount appropriated for each fund for 2013:			
	Fund Name	Budgeted 2013 Expenditures	
	General Fund	\$	107,255
	Capital Fund	\$	-
	Debt Service Fund	\$	178,299

PART 9 - TAX PAYER'S BILL OF RIGHTS (TABOR)

Please answer the following question by marking in the appropriate box		Please use this space to provide any explanations or comments:	
9-1	Is the entity in compliance with all the provisions of TABOR [State Constitution, Article X, Section 20(5)]?	Yes X	No
<p>Note: An election to exempt the government from the spending limitations of TABOR does not exempt the government from the 3 percent emergency reserve requirement. All governments should determine if they meet this requirement of TABOR.</p>			

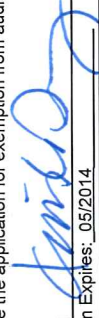


PART 10 - GENERAL INFORMATION

Please answer the following questions by marking in the appropriate boxes.		Please use this space to provide any explanations or comments:	
10-1	Is this application for a newly formed governmental entity?	Yes	No X
Date of formation:			
10-2	Has the entity changed its name in the past or current year?		X
Please list the NEW name & PRIOR name:			
10-3	Is the entity a metropolitan district?	X	
Please indicate what services the entity provides:			
10-4	Water, Irrigation, Sanitation, Drainage, Streets, Traffic & Safety Controls, Transportation, Parks & Recreation		
10-5	Does the entity have an agreement with another government to provide services?		X
List the name of the other governmental entity and the services provided:			
10-6	Has the district filed a Title 32, Article 1 Special District Notice of Inactive Status during the year? [Applicable to Title 32 special districts only, pursuant to Sections 32-1-103 (9.3) and 32-1-104 (3), C.R.S.]		X
Date Filed:			

Please use this space to provide any additional explanations or comments not previously included:

PART 11 - GOVERNING BODY APPROVAL

Below is the certification and approval of the governing board. By signing the board member is certifying they are a duly elected or appointed officer of the local government. Governing board members may be verified. Also by signing, the board member certifies that this Application for Exemption from Audit has been prepared consistent with Section 29-1-604, C.R.S., which states that a governmental agency with revenue and expenditures of \$500,000 or less must have an application prepared by a person skilled in governmental accounting; completed to the best of their knowledge and is accurate and true. Use additional pages if needed.

Print the names of all current governing board members below.		A MAJORITY of the governing board members must complete and sign in the column below.	
Board Member	Print Board Members Name	I, _____, attest I am a duly elected or appointed board member and I have reviewed and approve the application for exemption from audit.	Date: _____
Board Member 1	Kim Perry	Signed:  My term Expires: 05/2014	2.28.14
Board Member 2	Jay Hardy	Signed:  My term Expires: 05/2016	2.28.14
Board Member 3	Mike Bergerson	Signed: _____ My term Expires: 05/2016	Date: _____
Board Member 4	Cole Evans	Signed: _____ My term Expires: 05/2016	Date: _____
Board Member 5	Tammi Lau	Signed:  My term Expires: 05/2016	3-18-14
Board Member 6	Print Board Members Name	Signed: _____ My term Expires: _____	Date: _____
Board Member 7	Print Board Members Name	Signed: _____ My term Expires: _____	Date: _____

APPLICATION FOR EXEMPTION FROM AUDIT - SHORT FORM - FOR GOVERNMENTS WITH REVENUES AND EXPENDITURES OF \$100,000 OR LESS

Name of Government:	Waterfall Metropolitan District No. 2	For the Fiscal Year Ended December 31, 2013 or fiscal year ended:
Address:	c/o Pinnacle Consulting Group, Inc. 1627 East 18th Street Loveland, CO 80538	
Contact Person:	Brendan Campbell, CPA	
Telephone:	(970)669-3611	
Email:	brendanc@pinnacleconsultinggroupinc.com	
Fax:	(970)669-3612	

Return to: Office of the State Auditor
Local Government Audit Division
1525 Sherman St., 7th Floor
Denver, CO 80203
Fax: **303-866-4062**
Email: OSA.LG@state.co.us
Call (303) 869-3000 if you need help completing this form.

**PLEASE READ THE
ABOVE INSTRUCTIONS
BEFORE SUBMITTING**

Section 29-1-604, C.R.S., outlines the provisions for an exemption from audit. Generally, any local government for which neither revenues nor expenditures exceed \$500,000 in any fiscal year may qualify for an exemption. **If either revenues or expenditures are \$100,000 or greater, but not more than \$500,000, you may NOT use this form. Please use the LONG FORM of this application. If both revenues and expenditures are less than \$100,000 individually, use this short form application for exemption from audit.**

Please review ALL instructions prior to the completion of this form.

Instructions:

1. Prepare this form completely and accurately. Please note that there are 11 parts to this form, and all questions must be answered for the application to be considered complete.
2. File this form with the Office of the State Auditor within **3 months** after the end of the fiscal year.
For years ended December 31, the form **must** be received by the Office of the State Auditor by **March 31**.
3. The form **must** be completed by a person skilled in governmental accounting.
4. The application must be personally reviewed and approved by a majority of the governing body as evidenced by one of the following methods:
 - a. Resolution of the governing body - application may be emailed, faxed, or mailed.
 - b. Original signatures - application must be mailed. Email or fax will NOT be accepted.
5. The **preparer must sign** the application that is submitted in order for it to be accepted.
6. Additional information may be attached to the exemption at the preparer's discretion.

CERTIFICATION OF PREPARER

I certify that I am skilled in governmental accounting and that the information in the application is complete and accurate, to the best of my

Name:	Brendan Campbell, CPA
Title:	District Accountant
Firm Name (if applicable):	Pinnacle Consulting Group, Inc.
Address:	1627 East 18th Street
Telephone Number:	(970)669-3611
Date Prepared:	2/27/2014

Preparer Signature (Required): The application will be rejected if not signed by the preparer.

Please indicate whether the following financial information is recorded using Governmental or Proprietary fund types	Governmental	Proprietary
	X	

PART 2 - REVENUE

REVENUE: All revenues for all funds must be reflected in this section, including proceeds from the sale of the government's land, building, and equipment, and proceeds from debt or lease transactions. Financial information will not include fund equity information.

Line#	Description	(Omit cents)
2-1	Taxes: Property	\$ -
2-2	Specific ownership	\$ -
2-3	Sales and use	\$ -
2-4	Other (specify):	\$ -
2-5	Licenses and permits	\$ -
2-6	Intergovernmental: Grants	\$ -
2-7	Conservation Trust Funds (Lottery)	\$ -
2-8	Highway Users Tax Funds (HUTF)	\$ -
2-9	Other (specify):	\$ -
2-10	Charges for services	\$ -
2-11	Fines and forfeits	\$ -
2-12	Special assessments	\$ -
2-13	Investment income	\$ -
2-14	Charges for utility services	\$ -
2-15	Debt proceeds (should agree with line 4-3, column 2)	\$ -
2-16	Lease proceeds	\$ -
2-17	Developer Advances received (should agree with line 4-3)	\$ -
2-18	Proceeds from sale of capital assets	\$ -
2-19	Fire and police pension	\$ -
2-20	Other (specify): Operating Advances	\$ 9,058
2-21		\$ -
2-22		\$ -
2-23		\$ -
2-24	(add lines 2-1 through 2-23) TOTAL REVENUE all sources	\$ 9,058

PART 3 - EXPENDITURES

EXPENDITURES: All expenditures for all funds must be reflected in this section, including the purchase of capital assets and principal and interest payments on long-term debt. Financial information will not include fund equity information.

Line#	Description	(Omit cents)
3-1	Administrative	\$ 262
3-2	Salaries	\$ -
3-3	Payroll taxes	\$ -
3-4	Contract services	\$ 2,010
3-5	Employee benefits	\$ -
3-6	Insurance	\$ 2,000
3-7	Accounting and legal fees	\$ 5,974
3-8	Repair and maintenance	\$ -
3-9	Supplies	\$ -
3-10	Utilities and telephone	\$ -
3-11	Fire/Police	\$ -
3-12	Streets and highways	\$ -
3-13	Public health	\$ -
3-14	Culture and recreation	\$ -
3-15	Utility operations	\$ -
3-16	Capital outlay (should agree with line 6-1, column 2)	\$ -
3-17	Debt service principal (should agree with line 4-3, column 2)	\$ -
3-18	Debt service interest	\$ -
3-19	Repayment of Developer Advances (should agree with line 4-3)	\$ -
3-20	Contribution to pension plan (should agree to line 7-2)	\$ -
3-21	Contribution to Fire & Police Pension Assoc. (should agree to line 7-2)	\$ -
3-22	Other (specify): Contingency	\$ -
3-23		\$ -
3-24		\$ -
3-25	(add lines 3-1 through 3-24) TOTAL EXPENDITURES all categories	\$ 10,246

Note: If Total Revenue (Line 2-24) or Total Expenditures (Line 3-25) are greater than \$100,000 - STOP. You may not use this form. Please use the "Application for Exemption from Audit - Long Form".

PART 4 - DEBT OUTSTANDING, ISSUED, AND RETIRED						
Please answer the following questions by marking the appropriate boxes.				Yes	No	
4-1	Does the entity have outstanding debt?			X		
	Is the debt repayment schedule attached? If no, please explain: Outstanding debt will be repaid when funds are available.				X	
4-2	Is the entity current in its debt service payments? If no, please explain:			X		
4-3	Please complete the following debt schedule, if applicable: (please only include principal amounts)		Outstanding at end of prior year	Issued during fiscal year	Retired during fiscal year	Outstanding at fiscal year-end
	General obligation bonds		\$ -	\$ -	\$ -	\$ -
	Revenue bonds		\$ -	\$ -	\$ -	\$ -
	Notes/Loans		\$ -	\$ -	\$ -	\$ -
	Leases		\$ -	\$ -	\$ -	\$ -
	Developer Advances		\$ 27,932	\$ 9,058	\$ -	\$ 36,990
	Other (specify):		\$ -	\$ -	\$ -	\$ -
	Total:		\$ 27,932	\$ 9,058	\$ -	\$ 36,990
Please answer the following questions by marking the appropriate boxes.				Yes	No	
4-4	Does the entity have any authorized, but unissued, debt?			X		
If yes:	How much?	\$ 6,000,000.00				
	Date the debt was authorized:	4/1/08				
4-5	Does the entity intend to issue debt within the next calendar year?				X	
If yes:	How much?	\$ -				
Please answer the following questions by marking the appropriate boxes.				Yes	No	
4-6	Does the entity have debt that has been refinanced that it is still responsible for?				X	
If yes:	What is the amount outstanding?	\$ -				
Please answer the following questions by marking the appropriate boxes.				Yes	No	
4-7	Does the entity have any lease agreements?				X	
If yes:	What is being leased?					
	What is the original date of the lease?					
	Number of years of lease?					
	Is the lease subject to annual appropriation?					
	What are the annual lease payments?	\$ -				
4-8	Please use this space to provide any explanations or comments:					
PART 5 - CASH AND INVESTMENTS						
Please provide the entity's cash deposit and investment balances.				Amount	Total	
5-1	Checking accounts			\$ 1,374		
5-2	Savings accounts			\$ -		
5-3	Certificates of deposit			\$ -		
	Total Cash Deposits				\$ 1,374	
	Investments (if investment is a mutual fund, please list underlying investments):					
5-4				\$ -		
5-5				\$ -		
5-6				\$ -		
5-7				\$ -		
	Total Investments				\$ -	
	Total Cash and Investments				\$ 1,374	
Please answer the following question by marking in the appropriate box				Yes	No	
5-8	Are the entity's deposits in an eligible (Public Deposit Protection Act) public depository (Section 11-10.5-101, et seq. C.R.S.)? If no, please explain:			X		
5-9	Please use this space to provide any explanations or comments:					

PART 6 - CAPITAL ASSETS

Please answer the following questions by marking in the appropriate boxes.			Yes	No	
6-1	Does the entity have capital assets?			X	
If yes:	Has the entity performed an annual inventory of capital assets in accordance with Section 29-1-506, C.R.S.,? If no, please explain:				
Complete the following table:					
		Balance - beginning of the year	Additions	Deletions	Year-End Balance
	Land	\$ -	\$ -	\$ -	\$ -
	Buildings	\$ -	\$ -	\$ -	\$ -
	Machinery and equipment	\$ -	\$ -	\$ -	\$ -
	Furniture and fixtures	\$ -	\$ -	\$ -	\$ -
	Construction In Progress (CIP)	\$ -	\$ -	\$ -	\$ -
	Other (explain):	\$ -	\$ -	\$ -	\$ -
	Accumulated Depreciation	\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -
Please use this space to provide any explanations or comments:					
6-2					

PART 7 - PENSION INFORMATION

Please answer the following questions by marking in the appropriate boxes.			Yes	No
7-1	Does the entity have an "old hire" firemen's pension plan?			X
7-2	Does the entity have a volunteer firemen's pension plan?			X
If yes:	Who administers the plan?			
	Indicate the contributions from:			
	Tax (property, SO, sales, etc.):	\$ -		
	State contribution amount:	\$ -		
	Other (gifts, donations, etc.):	\$ -		
	Total:	\$ -		
	What is the monthly benefit paid for 20 years of service per retiree as of Jan 1?		\$ -	
Please use this space to provide any explanations or comments:				
7-3				

PART 8 - BUDGET INFORMATION

Please answer the following questions by marking in the appropriate boxes.			Yes	No
8-1	Did the entity file a 2013 budget with the Department of Local Affairs? If no, please explain:		X	
8-2	Did the entity pass an appropriations resolution? In no, please explain:		X	
If yes:	Please indicate the amount appropriated for each fund for 2013:			
	Fund Name	Budgeted 2013 Expenditures		
	General Fund	\$ 14,310		
Please use this space to provide any explanations or comments:				
8-3				

PART 9 - TAX PAYER'S BILL OF RIGHTS (TABOR)

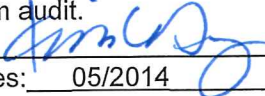
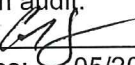
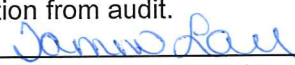
Please answer the following question by marking in the appropriate box		Yes	No
9-1	Is the entity in compliance with all the provisions of TABOR [State Constitution, Article X, Section 20(5)]?	X	
	Note: An election to exempt the government from the spending limitations of TABOR does not exempt the government from the 3 percent emergency reserve requirement. All governments should determine if they meet this requirement of TABOR.		
9-2	Please use this space to provide any explanations or comments:		

PART 10 - GENERAL INFORMATION

Please answer the following questions by marking in the appropriate boxes.		Yes	No
10-1	Is this application for a newly formed governmental entity?		X
If yes:	Date of formation:		
10-2	Has the entity changed its name in the past or current year?		X
If Yes:	Please list the NEW name & PRIOR name:		
10-3	Is the entity a metropolitan district?	X	
10-4	Please indicate what services the entity provides: Water, irrigation, sanitation, drainage, streets, traffic & safety controls, transportation, parks and recreation		
10-5	Does the entity have an agreement with another government to provide services?		X
If yes:	List the name of the other governmental entity and the services provided:		
10-6	Has the district filed a <i>Title 32, Article 1 Special District Notice of Inactive Status</i> during the year? [Applicable to Title 32 special districts only, pursuant to Sections 32-1-103 (9.3) and 32-1-104 (3), C.R.S.]		X
If yes:	Date Filed:		
10-7	Please use this space to provide any explanations or comments:		

PART 11 - GOVERNING BODY APPROVAL

Below is the certification and approval of the governing board. By signing the board member is certifying they are a duly elected or appointed officer of the local government. Governing board members may be verified. Also by signing, the board member certifies that this Application for Exemption from Audit has been prepared consistent with Section 29-1-604, C.R.S., which states that a governmental agency with revenue and expenditures of \$100,000 or less must have an application prepared by a person skilled in governmental accounting; completed to the best of their knowledge and is accurate and true. Use additional pages if needed.

Print the names of all current		A MAJORITY of the governing board members must complete and sign in the column
Board Member 1	Print Board Members Name	I <u>Kim Perry</u> , attest I am a duly elected or appointed board member and I have reviewed and approve the application for exemption from audit. Signed <u></u> Date: <u>3.6.14</u> My term Expires: <u>05/2014</u>
	Kim Perry	
Board Member 2	Print Board Members Name	I <u>Jay Hardy</u> , attest I am a duly elected or appointed board member and I have reviewed and approve the application for exemption from audit. Signed _____ Date: _____ My term Expires: <u>05/2016</u>
	Jay Hardy	
Board Member 3	Print Board Members Name	I <u>Cole Evans</u> , attest I am a duly elected or appointed board member and I have reviewed and approve the application for exemption from audit. Signed <u></u> Date: _____ My term Expires: <u>05/2014</u>
	Cole Evans	
Board Member 4	Print Board Members Name	I <u>Tammy Lau</u> , attest I am a duly elected or appointed board member and I have reviewed and approve the application for exemption from audit. Signed <u></u> Date: _____ My term Expires: <u>05/2016</u>
	Tammi Lau	
Board Member 5	Print Board Members Name	I _____, attest I am a duly elected or appointed board member and I have reviewed and approve the application for exemption from audit. Signed _____ Date: _____ My term Expires: _____
Board Member 6	Print Board Members Name	I _____, attest I am a duly elected or appointed board member and I have reviewed and approve the application for exemption from audit. Signed _____ Date: _____ My term Expires: _____
Board Member 7	Print Board Members Name	I _____, attest I am a duly elected or appointed board member and I have reviewed and approve the application for exemption from audit. Signed _____ Date: _____ My term Expires: _____