

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

|                            |   |   |
|----------------------------|---|---|
| <b>Name of Government:</b> | Waterfall Metropolitan District No. 2   | For the Fiscal Year<br>ended December 31, 2010<br>or fiscal year ended: |
| <b>Address:</b>            | c/o Pinnacle Consulting Group, Inc.<br>5110 Granite Street, Suite C<br>Loveland, CO 80538 |   |
| <b>Contact Person:</b>     | Peggy Dowswell, CPA   |   |
| <b>Telephone:</b>          | (970) 669-3611  |   |
| <b>E-Mail:</b>             | peggyd@pinnacleconsultinggroupinc.com   |   |
| <b>Fax:</b>                | (970) 669-3612  |   |

Return to: Office of the State Auditor  
 Local Government Audit Division  
 225 E. 16th Ave., Suite 555  
 Denver, CO 80203  
**FAX: (303) 866-4062**  
 Email: OSA.LG@state.co.us  
 Call (303) 866-3338 if you need help completing this form.

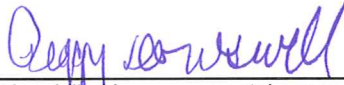
Section 29-1-604, C.R.S. outlines the provisions for an exemption from audit. Generally, any local government where neither revenues nor expenditures exceed \$500,000 in any fiscal year may qualify for an exemption.  
**If both revenues and expenditures are less than \$100,000 individually, you may use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

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

Instructions: (See "Instructions" tab for additional information)

1. Prepare this form completely and accurately. Please note that there are eleven 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 board - application may be e-mailed, faxed, or mailed.
  - b. Original signatures - application must be mailed. E-mail 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.

**PART 1 - CERTIFICATION OF PREPARER**

|            |  |   |
|------------|--|---|
| <b>1-1</b> | Name:  | Peggy Dowswell, CPA   |
| <b>1-2</b> | Title:   | District Accountant   |
| <b>1-3</b> | Firm (if applicable):  | Pinnacle Consulting Group, Inc.   |
| <b>1-4</b> | Address:   | 5110 Granite Street, Suite C, Loveland, CO 80538                                    |
| <b>1-5</b> | Telephone Number:  | (970) 669-3611  |
| <b>1-6</b> | Date Prepared:   | 1/26/2011   |
| <b>1-7</b> | <b>Preparer Signature (Required):</b>  |  |
|            | The person that completes this form must be skilled in governmental accounting. (Skilled means possessing sufficient knowledge of governmental accounting to complete the exemption form.) | <b>Check One</b>  |
|            |  | Yes                  No   |
| <b>1-8</b> | Are you skilled in governmental accounting? If no, this exemption will be rejected.  | 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                        | \$ -         |
| 2-16  | Lease proceeds                       | \$ -         |
| 2-17  | Proceeds from sale of capital assets | \$ -         |
| 2-18  | Fire and police pension              | \$ -         |
| 2-19  | Donations                            | \$ -         |
| 2-20  | Other (specify):                     | \$ -         |
| 2-21  |                                      | \$ -         |
| 2-22  |                                      | \$ -         |
| 2-23  | <b>TOTAL REVENUE</b> all sources     | \$ -         |

**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                           | \$ -         |
| 3-2   | Salaries                                 | \$ -         |
| 3-3   | Payroll taxes                            | \$ -         |
| 3-4   | Contract services                        | \$ -         |
| 3-5   | Employee benefits                        | \$ -         |
| 3-6   | Insurance                                | \$ -         |
| 3-7   | Accounting and legal fees                | \$ -         |
| 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                           | \$ -         |
| 3-17  | Debt service principal                   | \$ -         |
| 3-18  | Debt service interest                    | \$ -         |
| 3-19  | Contribution to pension plan             | \$ -         |
| 3-20  | Contribution to FPPA                     | \$ -         |
| 3-21  | Other (specify):                         | \$ -         |
| 3-22  |  | \$ -         |
| 3-23  |  | \$ -         |
| 3-24  |  | \$ -         |
| 3-25  | <b>TOTAL EXPENDITURES</b> all categories | \$ -         |

**Note:** If *Total Revenue* (Line 2-23) 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                        |
|--|--|----------------------------------|---------------------------|
| <b>4-1</b>   | Does the entity have outstanding debt?   |                                  | X                         |
| If yes:  | Is the debt repayment schedule attached? If no, please explain:                      |                                  |                           |
|  | Please complete the following debt schedule, if applicable:                          | Outstanding at end of prior year | Issued during fiscal year |
|  | General obligation bonds   | \$ -                             | \$ -                      |
|  | Revenue bonds  | \$ -                             | \$ -                      |
|  | Notes/loans  | \$ -                             | \$ -                      |
|  | Leases   | \$ -                             | \$ -                      |
|  | Developer Advances   | \$ -                             | \$ -                      |
|  | Other (specify):   | \$ -                             | \$ -                      |
|  |  |                                  |                           |
| Please answer the following questions by marking the appropriate boxes |  | Yes                              | No                        |
| <b>4-2</b>   | Does the entity have any authorized, but unissued debt?                              | X                                |                           |
| If yes:  | How much?  | \$ 6,000,000                     |                           |
|  | Date the debt was authorized:  | 4/1/2008                         |                           |
| <b>4-3</b>   | Does the entity intend to issue debt within the next calendar year (2011)?           |                                  | X                         |
| If yes:  | How much?  | \$ -                             |                           |
|  |  |                                  |                           |
| Please answer the following questions by marking the appropriate boxes |  | Yes                              | No                        |
| <b>4-4</b>   | 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                        |
| <b>4-5</b>   | 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?  | \$ -                             |                           |

**PART 5 - CASH AND INVESTMENTS**

| Please provide the entity's cash deposit and investment balances       |  | Amount | Total |
|--|--|--------|-------|
| <b>5-1</b>   | Checking Accounts  | \$ -   |       |
| <b>5-2</b>   | Savings Accounts   | \$ -   |       |
| <b>5-3</b>   | Certificates of Deposit  | \$ -   |       |
|  | <b>Total Cash Deposits</b>   |        | \$ -  |
|  | Investments (if investment is a mutual fund, please list underlying investments):  |        |       |
| <b>5-4</b>   |  | \$ -   |       |
| <b>5-5</b>   |  | \$ -   |       |
| <b>5-6</b>   |  | \$ -   |       |
| <b>5-7</b>   |  | \$ -   |       |
|  | <b>Total Investments</b>   |        | \$ -  |
|  | <b>Total Cash and Investments</b>  |        | \$ -  |
|  |  |        |       |
| Please answer the following question by marking in the appropriate box |  | Yes    | No    |
| <b>5-8</b>   | Are the entity's deposits in an eligible (PDPA) public depository (Sec 11-10.5-101 et seq, C.R.S.)? If no, please explain: All cash on hand and reserves are held by Waterfall Metropolitan District No. 1 |        | N/A   |





| PART 6 - CAPITAL ASSETS   |   |                                 |           |           |                           |
|---|---|---------------------------------|-----------|-----------|---------------------------|
| Please answer the following questions by marking in the appropriate boxes |   |                                 | Yes       | No        |                           |
| 6-1   | Does the entity have land, buildings, and/or equipment?   |                                 |           |           | X                         |
| If yes:   | Has the entity performed an annual inventory of property and equipment (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 | Balance - End of the Year |
|   | Land  | \$ -                            | \$ -      | \$ -      | \$ -                      |
|   | Buildings   | \$ -                            | \$ -      | \$ -      | \$ -                      |
|   | Machinery and equipment   | \$ -                            | \$ -      | \$ -      | \$ -                      |
|   | Furniture and fixtures  | \$ -                            | \$ -      | \$ -      | \$ -                      |
|   | Infrastructure  | \$ -                            | \$ -      | \$ -      | \$ -                      |
|   | Other (explain):  | \$ -                            | \$ -      | \$ -      | \$ -                      |

| 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)  | \$ - |     |    |   |
|   | What is the monthly benefit paid for 20 years of service per retiree as of Jan 1st? | \$ - |     |    |   |

| PART 8 - BUDGET INFORMATION   |  |                            |     |    |  |
|---|--|----------------------------|-----|----|--|
| Please answer the following questions by marking in the appropriate boxes |  |                            | Yes | No |  |
| 8-1   | Did the entity file a 2010 budget with the Department of Local Affairs? If no, please explain: |                            |     | X  |  |
| If yes:   | Please indicate the amount appropriated for each fund for 2010:                                |                            |     |    |  |
|   | Fund Name  | Budgeted 2010 Expenditures |     |    |  |
|   | General Fund   | \$ -                       |     |    |  |
|   |  | \$ -                       |     |    |  |
|   |  | \$ -                       |     |    |  |

| PART 9 - 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)]? If no, please explain:  |  | X   |    |
|  | Note: An election to exempt the government from the spending limitations of TABOR does not exempt the government from the 3% emergency reserve requirement. All governments should determine if they meet this requirement of TABOR. |  |     |    |

| PART 10 - GENERAL INFORMATION   |   |     |          |
|---|---|-----|----------|
| Please answer the following questions by marking in the appropriate boxes |   | Yes | No       |
| 10-1  | Is the entity a newly formed governmental entity?   |     | X        |
| If yes:   | Date of formation:  |     |          |
| 10-2  | Is the entity a metropolitan district?  | X   |          |
| 10-3  | Please indicate what services the entity provides: Water, Irrigation, Sanitation, Drainage, Streets, Traffic & Safety Controls, Transportation, Parks and Recreation  |     |          |
| 10-4  | Does the entity have an agreement with another government to provide services?  | X   |          |
| If yes:   | List the name of the other government entity and the services provided: Waterfall Metropolitan District No. 1   |     |          |
| 10-5  | 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 Section 32-1-103 (9.3); 32-1-104 (3), C.R.S.) | Yes | No - N/A |
|   |   |     | X        |
| If yes:   | Date Filed:   |     |          |

| PART 11 - GOVERNING BODY APPROVAL  |   |                   |   |
|--|---|-------------------|---|
| <p>We, the undersigned, certify that this Application for Exemption from Audit has been:<br/>           Prepared consistent with Section 29-1-604, C.R.S., which states that an Application with revenues and expenditures of \$100,000 or less <b>must be prepared by a person skilled in governmental accounting</b>;<br/>           Completed to the best of our knowledge and is <b>accurate and true</b>;<br/>           Personally reviewed and approved by a <b>majority</b> of the governing body.</p> |   |                   |   |
| <p><b>Note: Please list all current members of the governing body. Original signatures must be provided for a majority of the governing body if the application is mailed, or a resolution may be provided in lieu of original signatures. (Please sign using blue ink.)</b></p>   |   |                   |   |
|  | Name (print names of all current members of the governing body) | Date Term Expires | Original Signature (unless resolution is attached)                                    |
| 1  | Troy McWhinney  | 14-May            |  |
| 2  | Steve Schroyer  | 12-May            |   |
| 3  | Tammi Lau   | 12-May            |   |
| 4  | Cole Evans  | 14-May            |   |
| 5  |   |                   |   |
| 6  |   |                   |   |
| 7  |   |                   |   |