

**CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 1
Weld County, Colorado**

**Financial Statements
and
Independent Auditors' Report
December 31, 2016**



CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 1

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Centennial Crossing Metropolitan District No. 1
Milliken, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Centennial Crossing Metropolitan District No. 1 (the "District"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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 opinion.

OPINION

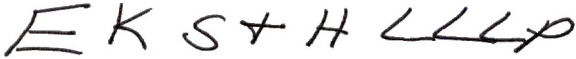
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Centennial Crossing Metropolitan District No. 1 as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 21 through 23 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 Standard 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


EKS&H LLLP

July 27, 2017
Denver, Colorado

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 1

**Statement of Net Position
December 31, 2016**

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 159,413
Property taxes receivable and other	31,156
Prepaid expenses	2,748
Capital assets, net of accumulated depreciation	466,721
Capital assets, not being depreciated	<u>390,082</u>
Total assets	<u>1,050,120</u>
Liabilities	
Accounts payable	44,256
Deferred inflows of resources	
Property taxes	<u>31,002</u>
Total liabilities and deferred inflows of resources	<u>75,258</u>
Net position	
Net investment in capital assets	856,803
Restricted for:	
Emergency reserve	50,000
Debt service	120
Capital projects	-
Unrestricted	<u>67,939</u>
Total net position	<u>\$ 974,862</u>

See notes to financial statements.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 1

**Statement of Activities
For the Year Ended December 31, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government					
Government activities					
General government	\$ 802,884	\$ -	\$ -	\$ -	\$ (802,884)
Interest and related costs on long-term debt	4,585	-	-	-	(4,585)
Capital projects	<u>24,564</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,564)</u>
	<u>\$ 832,033</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(832,033)</u>
General revenues:					
Property taxes					32,991
Specific ownership taxes					2,100
Transfers from other governments					3,201,540
Other					<u>3,063</u>
Total general revenues					<u>3,239,694</u>
Change in net position					2,407,661
Net deficit - January 1, as previously reported					<u>(1,432,799)</u>
Net position - December 31					<u>\$ 974,862</u>

See notes to financial statements.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 1

**Balance Sheet - Governmental Funds
December 31, 2016**

	<u>General</u>	<u>Debt Service</u>	<u>Total Government Funds</u>
Assets			
Assets			
Cash and cash equivalents	\$ 159,413	\$ -	\$ 159,413
Property taxes receivable and other	6,923	24,233	31,156
Prepaid expenses	<u>2,748</u>	<u>-</u>	<u>2,748</u>
Total assets	<u>\$ 169,084</u>	<u>\$ 24,233</u>	<u>\$ 193,317</u>

Liabilities and Fund Balances

Liabilities			
Accounts payable	<u>\$ 44,256</u>	<u>\$ -</u>	<u>\$ 44,256</u>
Deferred inflows of resources			
Property taxes	<u>6,889</u>	<u>24,113</u>	<u>31,002</u>
Fund balances			
Restricted			
Emergency reserve	50,000	-	50,000
Debt service	-	120	120
Capital projects	-	-	-
Unrestricted	<u>67,939</u>	<u>-</u>	<u>67,939</u>
Total fund balances	<u>117,939</u>	<u>120</u>	<u>118,059</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 169,084</u>	<u>\$ 24,233</u>	

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

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds

Capital assets	<u>856,803</u>
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Net position of governmental activities	<u>\$ 974,862</u>
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See notes to financial statements.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 1

**Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
For the Year Ended December 31, 2016**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Government Funds</u>
Revenues				
Property taxes	\$ 7,331	\$ 25,660	\$ -	\$ 32,991
Specific ownership taxes	467	1,633	-	2,100
Other income	<u>-</u>	<u>3,063</u>	<u>-</u>	<u>3,063</u>
Total revenues	<u>7,798</u>	<u>30,356</u>	<u>-</u>	<u>38,154</u>
Expenditures				
Current				
Legal	26,915	-	-	26,915
Accounting	10,800	-	-	10,800
Audit	27,811	-	-	27,811
Insurance	4,368	-	-	4,368
Utilities	8,944	-	-	8,944
Landscape maintenance	722,042	-	-	722,042
Miscellaneous	1,894	-	-	1,894
Treasurer's fees	110	385	-	495
Developer advance	267,070	-	-	267,070
Debt service				
Bond principal - 2011	-	2,220,000	-	2,220,000
Bond interest - 2011	-	11,347	-	11,347
Capital projects				
Construction - general	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,069,954</u>	<u>2,231,732</u>	<u>-</u>	<u>3,301,686</u>
Excess of revenues under expenditures	<u>(1,062,156)</u>	<u>(2,201,376)</u>	<u>-</u>	<u>(3,263,532)</u>
Other financing sources				
Interfund transfers	168,577	(353,766)	185,189	-
Transfers to District No. 2	-	(214,524)	(67,189)	(281,713)
Transfers from District No. 2	644,686	2,244,812	-	2,889,498
Transfers from District No. 8	<u>159,411</u>	<u>434,344</u>	<u>-</u>	<u>593,755</u>
Total other financing sources	<u>972,674</u>	<u>2,110,866</u>	<u>118,000</u>	<u>3,201,540</u>
Net (decrease) increase in fund balances	(89,482)	(90,510)	118,000	(61,992)
Fund balances - beginning of year	<u>207,421</u>	<u>90,630</u>	<u>(118,000)</u>	<u>180,051</u>
Fund balances - end of year	<u>\$ 117,939</u>	<u>\$ 120</u>	<u>\$ -</u>	<u>\$ 118,059</u>

See notes to financial statements.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 1

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2016**

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

Net change in fund balances - total governmental funds \$ (61,992)

The issuance of long-term debt (e.g., bonds) provides current financial resources for governmental funds, while the repayment of the 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 the effect of issuance costs, premiums, discounts, and similar items when debt is first issued as expenditures, whereas these amounts are deferred and amortized in the statement of activities.

2011 bond principal repayment	2,220,000
2011 interest payment	7,147
Developer advance repayment	267,070

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Depreciation expense	<u>(24,564)</u>
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Changes in net position of governmental activities	<u>\$ 2,407,661</u>
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See notes to financial statements.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2016

Note 1 - Definition of Reporting Entity and Summary of Significant Accounting Policies

Centennial Crossing Metropolitan District No. 1 (the "District") was organized and established as a quasi-municipal corporation and political subdivision of the state of Colorado pursuant to the State of Colorado Special District Act. The District's service area is located in Weld County, Colorado. The District was established to provide for the design, acquisition, construction, installation, and financing of infrastructure, including streets, parks and recreation facilities, a water system, a sanitation system, a transportation system, mosquito control, a safety protection system, a television relay and translation system, and security services. All facilities constructed by the District will be conveyed to other governmental entities for perpetual maintenance.

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, the appointment of a voting majority of the organization's governing body, the 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 one of eight associated districts. The District serves as the operating district and receives property tax revenue from the seven taxing districts, Centennial Crossing Metropolitan Districts No. 2 through No. 8. Centennial Crossing Metropolitan Districts No. 4, 5, 6, and 7 ("Districts No. 4 through No. 7") were dissolved in 2015 with all future services of Districts No. 4 through No. 7 to be provided by Centennial Crossing Metropolitan District No. 8, pursuant to the Intergovernmental Agreement for Assignment and Assumption of Obligations.

The District is governed by an elected Board of Directors (the "Board"). The District has no employees, and all operations and administrative functions are contracted.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

The District's financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). GASB is responsible for establishing U.S. GAAP for state and local governments through its pronouncements. The more significant accounting policies established in U.S. GAAP and used by the District are discussed below.

On July 14, 2015, the Board deemed it in the best interest of Districts No. 4 through No. 7 to be dissolved and that a petition for dissolution be filed with the District Court of Weld County, Colorado (the "Court"). On January 7, 2016, the Court ordered the dissolution of Districts No. 4 through No. 7 with all future services of Districts No. 4 through No. 7 to be provided by Centennial Crossing Metropolitan District No. 8 pursuant to the Intergovernmental Agreement for Assignment and Assumption of of Obligation entered into on October 13, 2015.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2016

Note 1 - Definition of Reporting Entity and Summary of Significant Accounting Policies **(continued)**

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 property taxes.

The statement of net position reports all financial and capital resources of the District. The operations are accounted for with a separate set of self-balancing accounts that comprise the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, and revenues and expenditures, as appropriate.

The statement of activities demonstrates the degree to which the direct 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. Redemption of bonds is recorded as a reduction in liabilities.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2016

Note 1 - Definition of Reporting Entity and Summary of Significant Accounting Policies **(continued)**

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Lot Holding Investments, LLC (the "Developer"), a related party, advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

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 another fund. Revenues are derived primarily from property taxes, other taxes, and interest income.

The Debt Service Fund accounts for the resources that are restricted, committed, or assigned for principal and interest on long-term general obligation debt of the governmental funds as well as financial resources being accumulated for future debt service.

The Capital Projects Fund is used to account for financial resources that are restricted, committed, or assigned to the acquisition and construction of capital equipment and facilities.

Budgets

In accordance with the Local Government Budget Law of Colorado, the District's Board holds public hearings in the fall of 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 can modify the budget by line item within the total appropriation without notification. The appropriation can be modified only upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2016

Note 1 - Definition of Reporting Entity and Summary of Significant Accounting Policies **(continued)**

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

Property Taxes

Property taxes are levied by the District's Board. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the county commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or, if in equal installments at the 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 deferred property tax revenue is recorded as revenue in the year it is available or collected. Property taxes have been historically levied by Centennial Crossing Metropolitan Districts No. 2 through No. 8 and transferred to the District to pay operating and debt service costs. As previously discussed, Districts No. 4 through No. 7 were dissolved in 2015 with all future services of Districts No. 4 through No. 7 to be provided by Centennial Crossing Metropolitan District No. 8, pursuant to the Intergovernmental Agreement for Assignment and Assumption of Obligations.

Deferred Outflows of Resources and Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net position by a government that is applicable to a future reporting period, and a deferred outflow of resources is a consumption of net position by a government that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the statement of net position but are not recognized in the financial statements as revenues and expenses until the period(s) to which they relate. Deferred inflows of resources in the governmental fund financial statements of the District as of December 31, 2016 are comprised of property taxes due from Weld County that will not be collected within 60 days of the end of the current fiscal year. Deferred inflows of resources in the government-wide financial statements represent property taxes for which an enforceable legal claim to assets exists but for which the levy pertains to the subsequent year.

Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Long-term debt is reported gross.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2016

Note 1 - Definition of Reporting Entity and Summary of Significant Accounting Policies **(continued)**

Capital Assets

Capital assets are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable, using the straight-line method. Depreciation on property that will remain assets of the District is reported on the statement of activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction-in-progress and are not depreciated.

Upon the completion of the improvements by the District, the assets may be conveyed to the town of Milliken (the "Town") or other governmental entities for ownership and maintenance. The District's costs of the improvements are removed from the District's capital assets upon acceptance by the governmental entity.

As a result of an Agreement Regarding Payments Made and Reimbursements and Offsets Therefore dated December 15, 2011 (the "Offset Agreement"), certain reimbursements were allocated to the Developer, all of which were related to water supply improvements previously conveyed to the Town on behalf of or for the benefit of the District.

Based on the Offset Agreement and a subsequent acknowledgement signed in 2012, the District and other parties agreed that the previously conveyed water supply had a value of \$797,530. In 2016, the remaining \$267,070 was paid to the Developer. No interest was accrued on this amount.

Fund Balance - Governmental Funds

The fund balances for the District's governmental funds are displayed in up to six components:

Net investment in capital assets – Net investment in capital assets consists of capital assets net of accumulated depreciation reduced by the amount of outstanding debt issued to finance the purchase or construction of those assets.

Non-spendable – Amounts that are not in a spendable form or are required to be maintained intact.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2016

Note 1 - Definition of Reporting Entity and Summary of Significant Accounting Policies **(continued)**

Fund Balance - Governmental Funds (continued)

Restricted – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

- Emergency reserves of \$50,000 have been provided for as required by Article X, Section 20 of the Colorado Constitution (Note 6).
- The restricted fund balance in the Debt Service Fund in the amount of \$120 is to be used exclusively for the payment of future general obligation bond principal, interest, and related costs.
- The Capital Projects Fund was closed out during 2016.

Committed – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board. There is no committed fund balance for the year ended December 31, 2016.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund. There is no assigned fund balance for the year ended December 31, 2016.

Unrestricted – The residual classification for the General Fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Interfund Transfers

Funds are occasionally transferred between funds when the need arises. There were interfund transfers of \$353,766 in 2016.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 1

**Notes to Financial Statements
December 31, 2016**

Note 2 - Cash and Cash Equivalents

The District considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2016, cash equivalents consisted of deposits with financial institutions.

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (the "PDPA") requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators.

Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The state commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Note 3 - Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2016 is as follows:

<u>Governmental Type Activities</u>	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at December 31, 2016</u>
Capital assets not being depreciated				
Landscaping improvements	\$ 390,082	\$ -	\$ -	\$ 390,082
Total capital assets not being depreciated	<u>390,082</u>	<u>-</u>	<u>-</u>	<u>390,082</u>
Capital assets being depreciated				
Settler's Village improvements	<u>614,105</u>	<u>-</u>	<u>-</u>	<u>614,105</u>
Total capital assets being depreciated	<u>614,105</u>	<u>-</u>	<u>-</u>	<u>614,105</u>
Accumulated depreciation				
Settler's Village improvements	<u>(122,820)</u>	<u>(24,564)</u>	<u>-</u>	<u>(147,384)</u>
Total accumulated depreciation	<u>(122,820)</u>	<u>(24,564)</u>	<u>-</u>	<u>(147,384)</u>
Net capital assets being depreciated	<u>491,285</u>	<u>(24,564)</u>	<u>-</u>	<u>466,721</u>
Government type assets, net	<u>\$ 881,367</u>	<u>\$ (24,564)</u>	<u>\$ -</u>	<u>\$ 856,803</u>

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 1

**Notes to Financial Statements
December 31, 2016**

Note 3 - Capital Assets (continued)

Upon completion and acceptance, the District may convey the assets to the Town or other governmental entities for ownership and maintenance.

Note 4 - Long-Term Promissory Notes

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2016:

	Balance at December 31, 2015	Additions	Retirements	Balance at December 31, 2016	Due Within One Year
Series 2011 bonds	\$ 2,220,000	\$ -	\$ 2,220,000	\$ -	\$ -

\$2,400,000 Tax-Supported Revenue Bonds - Series 2011

On December 20, 2011, the District issued \$2,400,000 of Tax-Supported Revenue Note, Series 2011 (the "Note") consisting of a term due on December 20, 2016. The Note bears interest at the average rate of 3.52% with interest being payable quarterly and principal being payable annually on December 1, commencing on December 1, 2012. During 2016, the Note was retired by a bond issued to Centennial Crossing Metropolitan District No. 2.

The District entered into a Funding and Reimbursement Agreement (the "Agreement") on January 16, 2007 with the Developer, as amended on July 22, 2008; November 18, 2008; November 17, 2009; November 17, 2010; November 15, 2011; and April 22, 2013. The Agreement outlines the terms of repayment for advances made to the District by the Developer for operation, maintenance, and capital costs. The Developer has paid for costs associated with the organization and operation of the District in prior years, which the District acknowledges. The Developer agreed to loan the District sums of money as necessary up to \$100,000 during calendar year 2007 and \$200,000 during each of the calendar years 2008 through 2012. Advances made under this Agreement bear simple interest at a rate of 8% per year. The advances made hereunder may be converted to reimbursement notes, at which time the principal, plus accrued interest at the time of conversion, is considered the principal balance of the note and will bear interest at the rate of 7%. No advances have been made under these agreements during the year ended December 31, 2016, but a due to developer of \$267,070 related to the Offset Agreement was paid in full during 2016 for advances made in prior years.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2016

Note 4 - Long-Term Promissory Notes (continued)

\$2,400,000 Tax-Supported Revenue Bonds - Series 2011 (continued)

On November 7, 2006, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$975,000,000 at an interest rate not to exceed 18% per annum. The debt was authorized in the amount of \$75,000,000 for each of the following purposes: to finance streets; parks and recreation facilities; water facilities; a sanitation system; a transportation system; mosquito control; a safety protection system; a television relay and translation system; security services; administration, operation, and maintenance expenses; intergovernmental debt; contractual debt; and the payment, refunding, refinancing, or defeasance of debt. During 2008, the District issued bonds using \$1,200,000 of its street authorization and \$300,000 of its water authorization. During 2011, the District issued bonds using components of the street, parks and recreation, water, sanitation, and refunding authorizations. As of December 31, 2016, the District had \$972,525,000 in authorized but unissued debt. The Service Plan of the District limits the District to a debt ceiling of \$75,000,000.

Note 5 - Related Party

Certain members of the Board are employees, owners, or otherwise associated with the Developer and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts have been disclosed to the Board.

Note 6 - Tax, Spending, and Debt Limitations

Article X, Section 20 of the Colorado Constitution, referred to 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. Spending and revenue limits are determined based on the prior fiscal year spending adjusted for allowable increases based upon inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenue.

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.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2016

Note 6 - Tax, Spending, and Debt Limitations (continued)

On November 7, 2006, the District's electors authorized the District to increase taxes \$5,000,000 annually, without limitation to rate, to pay the District's administration, operations, maintenance, and other expenses and to increase taxes \$75,000,000 annually, without limitation to rate, to pay amounts arising from intergovernmental agreements in fiscal year 2006 and subsequent years. Additionally, the District's electors authorized the District to retain and spend the full amount of all taxes; tap fees; facility fees; service charges; inspection charges; administrative charges; grants; or any other fee, rate, toll, penalty, or charge authorized by law to be imposed or collected by the District and any other revenues or income lawfully received by the District during 2006 and each year thereafter, without limitation by TABOR.

Note 7 - Risk Management

Except as provided in the Colorado Governmental Immunity Act as it may be amended, 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 (the "Pool") as of December 31, 2016. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers' compensation coverage to its members.

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

Note 8 - Agreements

District Operating Agreement

On January 16, 2007, a District Operating Agreement was entered into by and among the District (the "Operating District") and Centennial Crossing Metropolitan Districts No. 2, 3, 4, 5, 6, 7, and 8 (collectively, the "Taxing Districts" or the "Districts"). The Operating District and the Taxing Districts were organized to provide essential public improvements and services for the project commonly known as Centennial Crossing located in the Town. The purpose of the agreement is to set forth the rights and obligations of the Taxing Districts to fully fund and of the Operating District to provide services (as defined in the agreement) on behalf of the Districts. In the agreement, the Operating District is to perform specific services for the Taxing Districts and serve as custodian and repository for the Taxing Districts' records. The Taxing Districts shall pay service costs (as defined in the agreement) of the Operating District by the imposition of taxes against the taxable property located within their boundaries.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2016

Note 8 - Agreements (continued)

Intergovernmental Agreements

On June 5, 2012, an agreement ("IGA") was entered into by the District along with the Taxing Districts and the Thompson Rivers Parks and Recreation District ("TRPRD"). The boundaries of Taxing Districts are wholly within the existing boundaries of TRPRD and are deemed an "overlapping district." The IGA sets forth the limitations, terms, and conditions for Taxing Districts to finance, construct, operate, and maintain certain public parks and recreation facilities within the boundaries of TRPRD.

On August 13, 2013, an Intergovernmental Cost Share Agreement was entered into by the District and TRPRD. In the terms of the agreement, the District has agreed to contribute \$60,000, regardless of the actual construction costs, toward project costs related to the construction of tennis courts within the District's boundary. In the event TRPRD has not awarded a contract for construction of the tennis facilities on or before April 30, 2014, the agreement may terminate at the sole discretion of the District or automatically upon completion of the construction.

In 2015, this agreement was amended such that the term of the agreement shall be extended to a time until fully performed, terminated by the mutual agreement of the parties, or 25 years from the date of the 2015 amendment's execution, at which time all obligations shall be deemed satisfied whether or not paid in full.

Infrastructure Agreement

The District approved the Infrastructure Acquisition Agreement ("IAA") on January 16, 2007 between the District and the Developer. The IAA states that the Developer has caused and/or may in the future cause the construction of certain public improvements for the benefit of the Districts and the property within the Districts. The Developer is willing to provide such public improvements on the condition that the District agrees to acquire the improvements from the Developer and pay the reasonable costs related to the construction of those improvements. During 2008, the District reimbursed the Developer for a portion of the costs of a non-potable irrigation system as defined in the IAA.

On November 15, 2011, the District entered into the First Amendment to the Infrastructure Acquisition Agreement (the "Amendment") with the Developer. The Amendment acknowledges that the Developer has provided the water supply portion of the system that is necessary for the operation of the non-potable irrigation system. The water supply consists of 1.03 shares of the Consolidated Hillsborough District, which has previously been conveyed to the Town. This Amendment and the Offset Agreement confirmed the value of the water supply at \$797,530. Through December 31, 2016, the Developer has been reimbursed for all costs noted under this Amendment as noted in Note 4.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2016

Note 8 - Agreements (continued)

Infrastructure Agreement (continued)

The District entered into the Second Amendment to the Infrastructure Acquisition Agreement (the "2013 Amendment") dated April 22, 2013 with the Developer. The 2013 Amendment amends the IAA to include park improvements set forth in the IAA. The park improvements were previously dedicated to the Town for perpetual ownership, operation, and maintenance. In the 2013 Amendment, the District agreed to assume operations and maintenance responsibility of the park improvements. Further, the Developer and the District agreed that the Developer is entitled to reimbursement for the costs of the park improvements. The purchase price for the park improvements agreed to by the District and the Developer is \$1,250,000.

REQUIRED SUPPLEMENTARY INFORMATION

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 1

**General Fund - Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended December 31, 2016**

	Budget Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Property taxes	\$ 7,331	\$ 7,331	\$ -
Specific ownership taxes	467	467	-
Other income	-	-	-
Total revenues	<u>7,798</u>	<u>7,798</u>	<u>-</u>
Expenditures			
Current			
Legal	26,915	26,915	-
Accounting	10,800	10,800	-
Audit	27,811	27,811	-
Insurance	4,368	4,368	-
Landscape maintenance	722,042	722,042	-
Utilities	8,944	8,944	-
Miscellaneous	11,894	1,894	10,000
Treasurer's fees	110	110	-
Developer Advance	<u>267,070</u>	<u>267,070</u>	<u>-</u>
Total expenditures	<u>1,079,954</u>	<u>1,069,954</u>	<u>10,000</u>
Excess of revenues under expenditures	<u>(1,072,156)</u>	<u>(1,062,156)</u>	<u>(10,000)</u>
Net change in fund balance	<u>(1,072,156)</u>	<u>(1,062,156)</u>	<u>(10,000)</u>
Other financing sources			
Interfund transfers	158,577	168,577	(10,000)
Transfers from District No. 2	644,686	644,686	-
Transfers from District No. 8	<u>159,411</u>	<u>159,411</u>	<u>-</u>
Total other financing sources	<u>962,674</u>	<u>972,674</u>	<u>(10,000)</u>
Fund balance - beginning of year	<u>207,421</u>	<u>207,421</u>	<u>-</u>
Fund balance - end of year	<u>\$ 97,939</u>	<u>\$ 117,939</u>	<u>\$ (20,000)</u>

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 1

**Debt Service Fund - Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended December 31, 2016**

	Budget Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Property taxes	\$ 25,660	\$ 25,660	\$ -
Specific ownership taxes	1,633	1,633	-
Other income	<u>3,063</u>	<u>3,063</u>	-
Total revenues	<u>30,356</u>	<u>30,356</u>	<u>-</u>
Expenditures			
Current			
Treasurer's fees	385	385	-
Miscellaneous	10,000	-	10,000
Debt service			
Bond principal - 2011	2,220,000	2,220,000	-
Bond interest - 2011	<u>11,347</u>	<u>11,347</u>	-
Total expenditures	<u>2,241,732</u>	<u>2,231,732</u>	<u>10,000</u>
Excess of revenues under expenditures	<u>(2,211,376)</u>	<u>(2,201,376)</u>	<u>(10,000)</u>
Other financing sources			
Interfund transfers	(343,766)	(353,766)	10,000
Transfers to District No. 2	(214,524)	(214,524)	-
Transfers from District No. 2	2,244,812	2,244,812	-
Transfers from District No. 8	<u>434,344</u>	<u>434,344</u>	-
Total other financing sources	<u>2,120,866</u>	<u>2,110,866</u>	<u>10,000</u>
Net change in fund balance	(90,510)	(90,510)	-
Fund balance - beginning of year	<u>90,630</u>	<u>90,630</u>	-
Fund balance - end of year	<u>\$ 120</u>	<u>\$ 120</u>	<u>\$ -</u>

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 1

**Capital Projects Fund - Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended December 31, 2016**

	Budget Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Final</u>	<u>Actual Amounts</u>	<u>(Negative)</u>
Revenues			
Other income	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures			
Engineering	-	-	-
Construction - general	-	-	-
Construction - parks and recreation	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues under expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources			
Interfund transfers	185,189	185,189	-
Transfers to District No. 2	<u>(67,189)</u>	<u>(67,189)</u>	<u>-</u>
Total other financing sources	<u>118,000</u>	<u>118,000</u>	<u>-</u>
Net change in fund balance	118,000	118,000	-
Fund balance - beginning of year	<u>(118,000)</u>	<u>(118,000)</u>	<u>-</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SUPPLEMENTAL INFORMATION

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 1

**Schedule of Assessed Valuation, Mill Levy, and
Property Taxes Collected (Unaudited)
For the Year Ended December 31, 2016**

For the Year Ended December 31,	Prior-Year Assessed Valuation for Current- Year Tax Levy	Total Mills Levied		Total Property Taxes		Percent Collected to Levied
		General Operations	Debt Service	Levied	Collected	
2012	\$1,693,790	10.000	35.000	\$ 76,221	\$ 76,221	100.00 %
2013	\$1,476,560	10.000	35.000	\$ 66,445	\$ 68,380	102.91 %
2014	\$1,143,184	10.000	35.000	\$ 51,442	\$ 51,443	100.00 %
2015	\$ 743,780	10.000	35.000	\$ 33,470	\$ 33,470	100.00 %
2016	\$ 733,130	10.000	35.000	\$ 32,991	\$ 32,991	100.00 %
2017 (estimated)	\$ 688,940	10.000	35.000	\$ 31,002	\$ 31,002	100.00 %

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