

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2
Weld County, Colorado

Financial Statements
and
Independent Auditors' Report
December 31, 2016

EKS&H

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

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8181 East Tufts Avenue, Suite 600
Denver, Colorado 80237-2521
P: 303-740-9400
F: 303-740-9009
www.EKSH.com

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Centennial Crossing Metropolitan District No. 2
Milliken, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Centennial Crossing Metropolitan District No. 2 (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. 2 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 17 through 19 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.

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September 20, 2017
Denver, Colorado

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

**Statement of Net Position (Deficit)
December 31, 2016**

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents - restricted	\$ 219,278
Property taxes receivable and other	<u>69,582</u>
Total assets	<u>288,860</u>
Liabilities	
Tax-supported revenue bonds	
Unpaid interest	6,854
Due within one year	60,000
Due after one year	<u>2,885,000</u>
Total liabilities	2,951,854
Deferred inflows of resources	
Property taxes	<u>69,460</u>
Total liabilities and deferred inflows of resources	<u>3,021,314</u>
Emergency reserve	1,500
Debt service	(2,824,430)
Capital projects	91,964
Unrestricted	<u>(1,488)</u>
Total net deficit	<u>\$ (2,732,454)</u>

See notes to financial statements.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

**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	\$ (1,781)	\$ -	\$ -	\$ -	\$ 1,781
Interest and related costs on long-term debt	<u>153,544</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(153,544)</u>
	<u>\$ 151,763</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(151,763)</u>
General revenues					
Property taxes					30,295
Specific ownership taxes					1,843
Interest income					2,736
Transfers to other governments					<u>(2,607,785)</u>
Total general revenues					<u>(2,572,911)</u>
Change in net position					(2,724,674)
Net deficit - January 1					<u>(7,780)</u>
Net deficit - December 31					<u>\$ (2,732,454)</u>

See notes to financial statements.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

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

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Government Funds</u>
Assets				
Assets				
Cash and cash equivalents - restricted	\$ -	\$ 127,314	\$ 91,964	\$ 219,278
Property taxes receivable and other	<u>15,448</u>	<u>54,134</u>	<u>-</u>	<u>69,582</u>
Total assets	<u>\$ 15,448</u>	<u>\$ 181,448</u>	<u>\$ 91,964</u>	<u>\$ 288,860</u>
Liabilities and Fund Balances				
Deferred inflows of resources				
Property taxes	<u>\$ 15,436</u>	<u>\$ 54,024</u>	<u>\$ -</u>	<u>\$ 69,460</u>
Fund balances	<u>15,436</u>	<u>54,024</u>	<u>-</u>	<u>69,460</u>
Fund balances				
Restricted				
Emergency reserve	1,500	-	-	1,500
Debt service	-	127,424	-	127,424
Capital projects	-	-	91,964	91,964
Unrestricted	<u>(1,488)</u>	<u>-</u>	<u>-</u>	<u>(1,488)</u>
Total fund balances	<u>12</u>	<u>127,424</u>	<u>91,964</u>	<u>219,400</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 15,448</u>	<u>\$ 181,448</u>	<u>\$ 91,964</u>	

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

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	
Bonds payable	(2,945,000)
Accrued bond interest payable	<u>(6,854)</u>
Net position of governmental activities	<u>\$ (2,732,454)</u>

See notes to financial statements.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

**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	\$ 6,732	\$ 23,563	\$ -	\$ 30,295
Specific ownership taxes	410	1,433	-	1,843
Interest income	<u>-</u>	<u>2,736</u>	<u>-</u>	<u>2,736</u>
Total revenues	<u>7,142</u>	<u>27,732</u>	<u>-</u>	<u>34,874</u>
Expenditures				
Current				
Treasurer's fees	101	354	-	455
Miscellaneous	(1,882)	(5,898)	-	(7,780)
Debt service				
Bond principal	-	55,000	-	55,000
Bond interest	-	68,800	-	68,800
Financing fees	<u>-</u>	<u>83,434</u>	<u>-</u>	<u>83,434</u>
Total expenditures	<u>(1,781)</u>	<u>201,690</u>	<u>-</u>	<u>199,909</u>
Excess of revenues over (under) expenditures	<u>8,923</u>	<u>(173,958)</u>	<u>-</u>	<u>(165,035)</u>
Other financing sources				
Proceeds from the bonds	-	3,000,000	-	3,000,000
Interfund transfers	637,168	(661,943)	24,775	-
Transfers from District No. 1	-	214,524	67,189	281,713
Transfers to District No. 1	<u>(644,687)</u>	<u>(2,244,811)</u>	<u>-</u>	<u>(2,889,498)</u>
Total other financing sources	<u>(7,519)</u>	<u>307,770</u>	<u>91,964</u>	<u>392,215</u>
Net increase in fund balances	1,404	133,812	91,964	227,180
Fund balances - beginning of year	<u>(1,392)</u>	<u>(6,388)</u>	<u>-</u>	<u>(7,780)</u>
Fund balances - end of year	<u>\$ 12</u>	<u>\$ 127,424</u>	<u>\$ 91,964</u>	<u>\$ 219,400</u>

See notes to financial statements.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

**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 \$ 227,180

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.

Bond proceeds	(3,000,000)
Bond payments	55,000
Interest payments	68,800
Debt issuance costs	<u>(83,434)</u>

Changes in net position (deficit) of governmental activities \$ (2,732,454)

See notes to financial statements.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements

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

Centennial Crossing Metropolitan District No. 2 (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 financing to Centennial Crossing Metropolitan District No. 1 ("District No. 1") 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, with District No. 1 serving as the operating district. District No. 1 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 were dissolved in 2015 with all future services of Centennial Crossing Metropolitan 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.

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.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements

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

Subsequent Events

The District has evaluated all subsequent events through the auditors' report date, which is the date the financial statements were available to be issued. There were no material subsequent events that required recognition or disclosure in the financial statements.

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.

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. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements

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

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

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 and other taxes.

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. The District did not have any capital projects funds as of December 31, 2016.

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.

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 are levied by the District and transferred to District No. 1 to pay operating and debt service costs.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements

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 (continued)

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, the long-term promissory notes are reported as liabilities in the statement of net position. Long-term promissory notes are reported gross.

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.

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 \$1,500 have been provided for as required by Article X, Section 20 of the Colorado Constitution (Note 5).
- The restricted fund balance in the Debt Service Fund is to be used exclusively for the payment of future general obligation bond principal, interest, and related costs.

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.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements

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

Fund Balance - Governmental Funds (continued)

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 \$661,943 in 2016.

Note 2 - Cash and Cash Equivalents - Restricted

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.

Through the agreement with the bank, all cash is restricted for future general obligation bond principal, interest and related costs.

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.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements

Note 3 - 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:

	<u>Balance at December 31, 2015</u>	<u>Borrowings</u>	<u>Payments</u>	<u>Balance at December 31, 2016</u>	<u>Due Within One Year</u>
Series A 2016 - promissory note payable	\$ <u>-</u>	\$ <u>3,000,000</u>	\$ <u>(55,000)</u>	\$ <u>2,945,000</u>	\$ <u>60,000</u>

\$3,000,000 Revenue and Limited Tax Obligation Promissory Note Payable - Series 2016

On February 23, 2016, the District issued \$3,000,000 Revenue and Limited Tax Obligation Promissory Note Payable - Series 2016 ("Note 2016") consisting of a term due on March 1, 2023. Note 2016 bears interest at the average rate of 2.89%, with interest being payable quarterly and principal being payable annually on December 1, commencing on December 1, 2016. Prior to the maturity date and at such time the District has available funds, this note may be prepaid in whole no earlier than February 23, 2021.

The following is a summary of the annual long-term debt principal and interest requirements:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 60,000	\$ 84,961	\$ 144,961
2018	62,000	83,222	145,222
2019	65,000	81,423	146,423
2020 - 2023	<u>2,758,000</u>	<u>251,119</u>	<u>3,009,119</u>
	\$ <u>2,945,000</u>	\$ <u>500,725</u>	\$ <u>3,445,725</u>

Note 4 - Related Party

Certain members of the Board are employees, owners, or otherwise associated with Lot Holding Investments, LLC (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.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements

Note 5 - 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.

Note 6 - 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.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements

Note 7 - Agreements

District Operating Agreement

On January 16, 2007, a District Operating Agreement (the "Operating Agreement") was entered into by and among District No. 1 and Centennial Crossing Metropolitan Districts No. 2, 3, 4, 5, 6, 7, and 8 (collectively, the "Taxing Districts"). District No. 1 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 Operating Agreement is to set forth the rights and obligations of the Taxing Districts to fully fund District No. 1 and to provide services (as defined in the agreement) on behalf of the districts. In the Operating Agreement, District No. 1 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 District No. 1 by the imposition of taxes against the taxable property located within their boundaries.

Infrastructure Agreement

District No. 1 approved the Infrastructure Acquisition Agreement ("IAA") on January 16, 2007 between District No. 1 and the Developer. The IAA states that the Developer has caused and/or may in the future cause to be constructed 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 District No. 1 agrees to acquire the improvements from the Developer and pay the reasonable costs related to the construction of those improvements.

District No. 1 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, District No. 1 agreed to assume operations and maintenance responsibility of the park improvements. Further, the Developer and District No. 1 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 District No. 1 and the Developer is \$1,250,000. The term of the 2013 Amendment is through February 2046, with annual rent of \$1. The total rent of \$33 was paid in advance at the execution of the 2013 Amendment.

Note 8 - Commitments and Contingencies

The District has requested an extension to file its financial statements, which was not granted. The impact to the financial statements cannot be determined at this time.

REQUIRED SUPPLEMENTARY INFORMATION

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

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

	Budget Amounts		
	<u>Original</u>	<u>Actual Amounts</u>	<u>Variance</u>
Revenues			
Property taxes	\$ 6,732	\$ 6,732	\$ -
Specific ownership taxes	<u>410</u>	<u>410</u>	<u>-</u>
Total revenues	<u>7,142</u>	<u>7,142</u>	<u>-</u>
Expenditures			
Current			
Treasurer's fees	101	101	-
Miscellaneous	<u>10,000</u>	<u>(1,882)</u>	<u>11,882</u>
Total expenditures	<u>10,101</u>	<u>(1,781)</u>	<u>11,882</u>
Excess of revenues over expenditures	<u>(2,959)</u>	<u>8,923</u>	<u>(11,882)</u>
Other financing costs			
Interfund transfers	637,168	637,168	-
Transfers to District No. 1	<u>(644,687)</u>	<u>(644,687)</u>	<u>-</u>
Total other financing	<u>(7,519)</u>	<u>(7,519)</u>	<u>-</u>
Net decrease in fund balance	(10,478)	1,404	(11,882)
Fund balance - beginning of year	<u>(1,392)</u>	<u>(1,392)</u>	<u>-</u>
Fund balance - end of year	<u>\$ (11,870)</u>	<u>\$ 12</u>	<u>\$ (11,882)</u>

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

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

	Budget Amounts		
	<u>Original</u>	<u>Actual Amounts</u>	<u>Variance</u>
Revenues			
Property taxes	\$ 23,563	\$ 23,563	\$ -
Area advertising funds	1,433	1,433	-
Interest income	<u>2,736</u>	<u>2,736</u>	-
Total revenues	<u>27,732</u>	<u>27,732</u>	-
Expenditures			
Current			
Treasurer's fees	354	354	-
Miscellaneous	10,000	(5,898)	15,898
Debt service			
Bond principal	55,000	55,000	-
Bond interest	68,800	68,800	-
Financing fees	<u>83,434</u>	<u>83,434</u>	-
Total expenditures	<u>217,588</u>	<u>201,690</u>	<u>15,898</u>
Excess of revenues under expenditures	<u>(189,856)</u>	<u>(173,958)</u>	<u>(15,898)</u>
Other financing sources			
Proceeds from the bonds	3,000,000	3,000,000	-
Interfund transfers	(661,943)	(661,943)	-
Transfers from District No. 1	214,524	214,524	-
Transfers to District No. 1	<u>(2,244,812)</u>	<u>(2,244,811)</u>	<u>(1)</u>
Total other financing sources	<u>307,769</u>	<u>307,770</u>	<u>(1)</u>
Net increase in fund balance	117,913	133,812	(15,899)
Fund balance - beginning of year	<u>(6,388)</u>	<u>(6,388)</u>	-
Fund balance - end of year	<u>\$ 111,525</u>	<u>\$ 127,424</u>	<u>\$ (15,899)</u>

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

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

	Budget Amounts <u>Original</u>	<u>Actual Amounts</u>	<u>Variance</u>
Other financing sources			
Interfund transfer	\$ 24,775	\$ 24,775	\$ -
Transfers from District No. 1	<u>67,189</u>	<u>67,189</u>	<u>-</u>
Total other financing sources	<u>91,964</u>	<u>91,964</u>	<u>-</u>
Net change in fund balances	91,964	91,964	-
Fund balances - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - end of year	<u>\$ 91,964</u>	<u>\$ 91,964</u>	<u>\$ -</u>

SUPPLEMENTARY INFORMATION

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

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

For the Year Ended December 31, 2016	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	
2016	\$ 673,220	10.000	35.000	\$ 30,295	\$ 30,295	100.00 %
Estimated for the year ending December 31, 2017	\$ 1,543,550	10.000	35.000	\$ 69,460	\$ 69,460	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.