CIMARRON METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2016

with

Independent Auditor's Report

**Cimarron Metropolitan District**
**Financial Statements**
**December 31, 2016**

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BARNES GRIGGS
& ASSOCIATES, PC
Certified Public Accountants and Business Consultants

# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Cimarron Metropolitan District
Jefferson County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Cimarron Metropolitan District (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.

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Cimarron Metropolitan District, as of December 31, 2016, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information on pages 3 through 6 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.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Barner Griggs & Associates, PC

Lakewood, Colorado
July 25, 2017

# Cimarron Metropolitan District

Management's Discussion and Analysis
December 31, 2016

As management of the Cimarron Metropolitan District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2016.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. The District is a special-purpose government, quasi-municipal, corporation political subdivision of the State of Colorado engaged in a single governmental program and as such the fund financial statements and the government-wide statements have been combined using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statement.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

The governmental activity of the District is primarily construction, operation and maintenance of parks and parks related drainage systems within the District. The District does not operate any business-type activities.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District currently has three funds; the General Fund, the Capital Projects Fund, and the Debt Service Fund which are governmental funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both expenditures and changes in fund balances/net position provide a column to facilitate this comparison between governmental funds and governmental activities.

**Overview of Financial Statements (continued)**

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 10 through 27 of this report.

**Supplementary Information.** Supplementary information is contained on pages 28 and 29 and provides additional insight into how the District's actual operations compared to the budgeted operations.

**Government-wide Financial Analysis.** Currently, the District's primary source of resources are advances from the developer of the project which flow through Vauxmont Metropolitan District. In addition, capital improvement fees are received at the time building permit approvals are issued the majority of which are designated for the retirement of bonded debt.

The following tables show the District's condensed Statement of Net Position and Condensed Statement of Activities for 2016 with comparative numbers for 2015.

**Cimarron Metropolitan District - Net Position**

| | 2016 | 2015 |
|---|---|---|
| **Assets** | | |
| Current and other assets | $ 4,561,689 | $ 4,895,350 |
| Due from developer | 58,984 | 82,550 |
| Capital assets | 109,481,008 | 91,411,881 |
| **Total assets** | $114,101,681 | $ 96,389,781 |
| **Liabilities** | | |
| Current and other liabilities | $ 1,765,420 | $ 1,838,381 |
| Operations funding due to developer and lease payable | 2,622,170 | 2,249,803 |
| Bonds payable | 22,808,475 | 22,850,000 |
| **Total liabilities** | 27,196,065 | 26,938,184 |
| **Net Position** | | |
| Net investment in capital assets | 84,136,974 | 66,312,078 |
| Restricted for emergencies | 36,384 | 32,585 |
| Restricted for debt service | 3,465,994 | 3,464,216 |
| Unrestricted | (733,736) | (357,282) |
| **Total net position** | $ 86,905,616 | $ 69,451,597 |

## Overview of Financial Statements (continued)

### Cimarron Metropolitan District - Change in Net Position

| | 2016 | 2015 |
|---|---|---|
| **Revenues:** | | |
| General revenues | $ 2,115,858 | $ 1,809,872 |
| Charges for services | 134,460 | 110,652 |
| Operating grants and contributions | 1,892,590 | 75,459,616 |
| Capital grants and contributions | 18,166,364 | 8,423,265 |
| Advances from developer | - | 33,600 |
| **Total Revenues** | 22,309,272 | 85,837,004 |
| **Expenses:** | | |
| General government | 1,201,330 | 996,012 |
| Interest expense-operations funding note and lease payable | 181,312 | 2,577,774 |
| Interest expense-2012 bonds | 1,370,226 | 1,379,250 |
| Depreciation expense | 163,176 | 106,193 |
| Intergovernmental | 1,939,209 | 1,144,825 |
| **Total Expenses** | 4,855,253 | 6,204,054 |
| **Change in Net Position** | 17,454,019 | 79,632,950 |
| **Net Position - Beginning** | 69,451,597 | (10,181,353) |
| **Net Position - Ending** | $ 86,905,616 | $ 69,451,597 |

The District’s overall financial position, as measured by net position, increased by $17,454,019 during 2016. This increase resulted primarily from transfers from the developer thru Vauxmont Metropolitan District (Vauxmont) which were used for capital construction. Development costs were $18,232,305 and $13,473,316 for 2016 and 2015, respectively. The developer advanced a total of $395,820 during the year consisting of operating advances directly to the District.

During 2015, Vauxmont issued bonds, the proceeds of which were used, in part, to defease the District’s Series A-1 and Series 2012 Notes. As a part of the agreement between the District and Vauxmont pertaining to the bond issuance, Vauxmont now receives capital advances for the development of the District’s assets from the developer and carries the related debt to the developer. Vauxmont then transfers the capital advances to the District. Vauxmont transferred $18,166,364 and $8,423,265 to the District for 2016 and 2015, respectively. Pledged revenues in excess of the debt service requirement for the District’s Series 2012 bonds are pledged to the retirement of the developer debt carried by Vauxmont. The District transferred $1,939,209 in excess pledged revenue to Vauxmont during 2016.

## Financial Analysis of the District’s Funds

As noted previously, the District uses governmental fund accounting to ensure and demonstrate the compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the District’s governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

## Financial Analysis of the District's Funds (continued)

The District's combined fund balances decreased $152,307 in 2016 from 2015. Capital improvements fees increased $340,575 in the current year. Property tax transfers from Vauxmont Metropolitan District increased $937,088. Developer advances decreased $5,749,495 from prior year as capital funding is now received by Vauxmont and transferred to the District. Capital funding transferred to the District from Vauxmont was $18,166,364 and $8,423,265 for 2016 and 2015, respectively. Governmental expenses for 2016 increased over 2015 as additional maintenance, amenities and administration was required due to an increase in the number of residents and infrastructure in the development.

**Capital Assets.** The District's construction in progress including engineering, water rights and capital outlay expense was $18,232,305 in 2016 compared to $13,473,316 in 2015. The District placed $3,963,885 of assets in service in 2016, including a second recreation center.

## Economic Factors and Next Year's Financial Activity

The District, through its financing district Vauxmont Metropolitan District, will continue to benefit from increases in property tax revenues as a result of new home development in the service area it serves. In the District's service area, there were 1,117 lots sold as of December 31, 2016 with a projected total build out of 1,977 lots by 2021. There were 643 cumulative home closings as of December 31, 2016. The Colorado housing market in general appears to be healthy with positive sales and property value trends. The District's general fund expenditures will continue to grow in support of community operations as a result of new home development in its service area. Capital expenses are projected to decrease over the next five years as the development project winds down through projected completion in 2021.

## Request for Information

This financial report is designed to provide a general overview of the District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Denise Hogenes, CCMC, 400 E. Simpson Street, Suite 200, Lafayette, Colorado 50026 (dhogenes@ccmcnet.com).

**Cimarron Metropolitan District**
**Governmental Funds Balance Sheet / Statement of Net Position**
**December 31, 2016**

| **Asset** | General | Capital Projects | Debt Service | Total | Adjustments | Statement of Net Position |
|---|---|---|---|---|---|---|
| Current assets | | | | | | |
| Cash and investments | $ 18,957 | $ 250,860 | $ 58,194 | $ 328,011 | $ - | $ 328,011 |
| Restricted cash and investments | - | - | 3,453,183 | 3,453,183 | - | 3,453,183 |
| Due from Vauxmont Metro District | 99,298 | 290,340 | 234,369 | 624,007 | - | 624,007 |
| Due from Candelas SID | 2,114 | - | - | 2,114 | - | 2,114 |
| Due from JCMD #1 | 46 | - | - | 46 | - | 46 |
| Due from developer | 246,210 | 58,983 | - | 305,193 | (246,209) | 58,984 |
| Due from other funds | - | 154,328 | - | 154,328 | - | 154,328 |
| Capital assets | | | | | | |
| Land | - | - | - | - | 344,500 | 344,500 |
| Buildings (net of accumulated depreciation of $343,499) | - | - | - | - | 6,730,715 | 6,730,715 |
| Equipment (net of accumulated depreciation of $99,076) | - | - | - | - | 203,230 | 203,230 |
| Construction in progress | - | - | - | - | 102,202,563 | 102,202,563 |
| **Total assets** | $ 366,625 | $ 754,511 | $ 3,745,746 | $ 4,866,882 | $ 109,234,799 | $ 114,101,681 |
| **Liabilities** | | | | | | |
| Current liabilities | | | | | | |
| Due to other funds | $ 154,328 | $ - | $ - | $ 154,328 | $ - | $ 154,328 |
| Accounts payable | 109,172 | 1,163,185 | - | 1,272,357 | - | 1,272,357 |
| Retainage payable-Non-reimbursable | - | 58,983 | - | 58,983 | - | 58,983 |
| Due to Candelas Special Improvement District | - | - | 51,000 | 51,000 | - | 51,000 |
| Due to Vauxmont Metropolitan District | - | - | 228,752 | 228,752 | - | 228,752 |
| Other long-term liabilities | | | | | | |
| Lease payable | - | - | - | - | 43,305 | 43,305 |
| Operation funding note | - | - | - | - | 2,578,865 | 2,578,865 |
| Bond interest payable | - | - | - | - | 113,475 | 113,475 |
| Bonds Payable | - | - | - | - | 22,695,000 | 22,695,000 |
| **Total liabilities** | 263,500 | 1,222,168 | 279,752 | 1,765,420 | 25,430,645 | 27,196,065 |
| **Fund balance** | | | | | | |
| Restricted for | | | | | | |
| Emergencies | 36,384 | - | - | 36,384 | (36,384) | - |
| Debt service | - | - | 3,465,994 | 3,465,994 | (3,465,994) | - |
| Unassigned | 66,741 | (467,657) | - | (400,916) | 400,916 | - |
| **Total fund balances** | 103,125 | (467,657) | 3,465,994 | 3,101,462 | (3,101,462) | |
| **Total liabilities and fund balance** | $ 366,625 | $ 754,511 | $ 3,745,746 | $ 4,866,882 | | |
| **Net Position** | | | | | | |
| Net investment in capital assets | | | | | 84,136,974 | 84,136,974 |
| Restricted for | | | | | | |
| Emergencies | | | | | 36,384 | 36,384 |
| Debt service | | | | | 3,465,994 | 3,465,994 |
| Unrestricted | | | | | (733,736) | (733,736) |
| **Total net position** | | | | | $ 86,905,616 | $ 86,905,616 |

The accompanying notes are an integral part of these financial statements.

**Cimarron Metropolitan District**
**Statement of Governmental Fund Revenues, Expenditures and**
**Changes in Fund Balances / Statement of Activities**
**For the year ended December 31, 2016**

| | General | Capital Projects | Debt Service | Total | Adjustments | Statement of Activities |
|---|---|---|---|---|---|---|
| **Expenditures / expenses** | | | | | | |
| General government: | | | | | | |
| District management | $ 35,670 | $ - | $ - | $ 35,670 | $ - | $ 35,670 |
| Insurance/dues | 29,378 | - | - | 29,378 | - | 29,378 |
| Legal | 155,824 | 14,381 | - | 170,205 | (14,381) | 155,824 |
| Audit & accounting | 22,589 | 48,000 | - | 70,589 | (48,000) | 22,589 |
| Utilities | 128,688 | - | - | 128,688 | - | 128,688 |
| Miscellaneous | 17,871 | - | 33 | 17,904 | - | 17,904 |
| Community operations: | | | | | | |
| Recreation center pool maintenance | 104,691 | - | - | 104,691 | - | 104,691 |
| Recreation center contract services | 156,495 | - | - | 156,495 | - | 156,495 |
| Recreation center events | 20,965 | - | - | 20,965 | - | 20,965 |
| Landscaping and ground maintenance | 335,395 | - | - | 335,395 | - | 335,395 |
| Landscaping-alley lots | 21,201 | - | - | 21,201 | - | 21,201 |
| Snow removal | 75,286 | - | - | 75,286 | - | 75,286 |
| Snow removal-alley lots | 48,216 | - | - | 48,216 | - | 48,216 |
| Trash collection | 49,028 | - | - | 49,028 | - | 49,028 |
| Lease principal and interest payments | 11,496 | - | - | 11,496 | (9,636) | 1,860 |
| Debt service: | | | | | | |
| Developer advance interest-operating | - | - | - | - | 179,452 | 179,452 |
| Bond Interest | - | - | 1,371,000 | 1,371,000 | (774) | 1,370,226 |
| Bond principal | - | - | 155,000 | 155,000 | (155,000) | - |
| Capital outlay reimbursable | | | | | | |
| Engineering | - | 392,028 | - | 392,028 | (392,028) | - |
| Capital Projects | - | 17,777,896 | - | 17,777,896 | (17,777,896) | - |
| Depreciation and amortization | - | - | - | - | 163,176 | 163,176 |
| **Total expenditures / expenses** | 1,212,793 | 18,232,305 | 1,526,033 | 20,971,131 | (18,055,087) | 2,916,044 |
| **General revenues** | | | | | | |
| Interest income | 77 | - | 1,811 | 1,888 | - | 1,888 |
| Capitalization fee | - | - | 485,000 | 485,000 | - | 485,000 |
| Park development fee | - | - | 284,844 | 284,844 | - | 284,844 |
| Water fee | - | - | 1,343,488 | 1,343,488 | - | 1,343,488 |
| Miscellaneous income | 638 | - | - | 638 | - | 638 |
| **Total general revenues** | 715 | - | 2,115,143 | 2,115,858 | - | 2,115,858 |
| **Program revenues** | | | | | | |
| Program revenues | | | | | | |
| Charges for services | 134,460 | - | - | 134,460 | - | 134,460 |
| Operating grants and contributions | | | | | | |
| Contributions from Vauxmont Metro District-property taxes | 540,713 | - | 1,351,877 | 1,892,590 | - | 1,892,590 |
| Capital grants and contributions | | | | | | |
| Contributions from Vauxmont Metro District-construction advances | | 18,166,364 | | 18,166,364 | - | 18,166,364 |
| **Total program revenues** | 675,173 | 18,166,364 | 1,351,877 | 20,193,414 | - | 20,193,414 |
| **Other financing sources (uses)** | | | | | | |
| Advance from developer-operations | 395,820 | - | - | 395,820 | (395,820) | - |
| Lease proceeds | - | 52,941 | - | 52,941 | (52,941) | - |
| Payments from developer-Non-reimbursable | - | 251,754 | - | 251,754 | - | 251,754 |
| Capital Outlay-Non-reimbursable | - | (251,754) | - | (251,754) | - | (251,754) |
| Transfer to Vauxmont Metro District-excess pledged revenues | - | - | (1,939,209) | (1,939,209) | - | (1,939,209) |
| **Total other financing sources** | 395,820 | 52,941 | (1,939,209) | (1,490,448) | (448,761) | (1,939,209) |
| **Excess (deficiency) of revenues and other sources over expenditures and other uses Change in net position** | (141,085) | (13,000) | 1,778 | (152,307) | 17,606,326 | 17,454,019 |
| **Fund balance / net position - beginning of year** | 244,210 | (454,657) | 3,464,216 | 3,253,769 | 66,197,828 | 69,451,597 |
| **Fund balance / net postion - December 31, 2016** | $ 103,125 | $ (467,657) | $ 3,465,994 | $ 3,101,462 | $ 83,804,154 | $ 86,905,616 |

The accompanying notes are an integral part of these financial statements.

**Cimarron Metropolitan District**
**Statement of Revenues, Expenditures and**
**Changes in Fund Balances - Budget and Actual**
**General Fund**
**For the Year Ended December 31, 2016**

| | Budget | | | Variance |
|---|---|---|---|---|
| | Original | Final | Actual | Favorable (Unfavorable) |
| **Revenues** | | | | |
| Interest income | $ 100 | $ 77 | $ 77 | $ - |
| Recreational center revenues | 15,000 | 8,712 | 8,712 | - |
| Lot maintenance fees | 67,320 | 75,266 | 75,106 | (160) |
| Landscape review fee | 43,750 | 1,450 | 1,614 | 164 |
| Intergovernmental-trash fees | 55,477 | 49,028 | 49,028 | - |
| Intergovernmental-Vauxmont Metro property taxes | 536,150 | 540,713 | 540,713 | - |
| Miscellaneous income | - | 638 | 638 | - |
| Total revenues | 717,797 | 675,884 | 675,888 | 4 |
| **Expenditures** | | | | |
| General government | | | | |
| District management | 58,900 | 40,000 | 35,670 | 4,330 |
| Election | 1,000 | - | - | - |
| Insurance/dues | 40,000 | 30,000 | 29,378 | 622 |
| Legal | 50,000 | 160,000 | 155,824 | 4,176 |
| Audit & accounting | 19,000 | 23,500 | 22,589 | 911 |
| Miscellaneous | 39,000 | 39,153 | 17,871 | 21,282 |
| Community operations | | | | |
| Recreation center pool maintenance | 15,000 | 110,000 | 104,691 | 5,309 |
| Recreation center contract services | 80,500 | 157,000 | 156,495 | 505 |
| Recreation center events | 26,300 | 29,000 | 20,965 | 8,035 |
| Landscaping and maintenance | 400,000 | 400,000 | 335,395 | 64,605 |
| Landscaping-alley lots | 32,000 | 27,000 | 21,201 | 5,799 |
| Utilities | 130,000 | 130,000 | 128,688 | 1,312 |
| Snow removal | 10,000 | 80,000 | 75,286 | 4,714 |
| Snow removal-alley lots | 29,000 | 50,000 | 48,216 | 1,785 |
| Intergovernmental-trash collection | 55,477 | 49,028 | 49,028 | - |
| Debt service | 100,000 | 11,496 | 11,496 | - |
| Total expenditures | 1,086,177 | 1,336,177 | 1,212,793 | 123,385 |
| **Excess (deficiency) of revenues over expenditures** | (368,380) | (660,293) | (536,905) | 123,389 |
| **Other financing sources (uses)** | | | | |
| Developer advances | - | 456,167 | 395,820 | (60,347) |
| Total other financing sources (uses) | - | 456,167 | 395,820 | (60,347) |
| **Net change in fund balance** | (368,380) | (204,126) | (141,085) | 63,042 |
| **Fund balance - beginning of year** | 510,166 | 244,211 | 244,210 | 1 |
| **Fund balance - end of year** | $ 141,786 | $ 40,085 | $ 103,125 | $ 63,040 |

The accompanying notes are an integral part of these financial statements.

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Cimarron Metropolitan District, located in Jefferson County, Colorado, conform to the accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized on June 29, 2004, as a quasi-municipal corporation established under the State of Colorado Special District Act. The District along with Jefferson Center Metropolitan District #1 ("JCMD #1"), Jefferson Center Metropolitan District #2 ("JCMD #2"), Vauxmont Metropolitan District ("Vauxmont"), Canyon Pines Metropolitan District, and Mountain Shadows Metropolitan District (collectively, the "Districts"), each of which was organized in 2004 (except JCMD #1, organized in 1989), serve a service area which is located primarily in the City of Arvada, with some portions outside the City in unincorporated Jefferson County. The District was established to finance and construct water, sanitary and storm sewer, streets, limited fire protection services and facilities, park and recreation, safety protection, mosquito control, television relay and transmission, and transportation facilities and services. The District's primary revenues are developer advances and capital improvements fees. The District is governed by an elected Board of Directors.

The District follows the Governmental Accounting Standards Board ("GASB") accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District has no component units as defined by the Governmental Accounting Standards Board ("GASB"), Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units.*

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 government.

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the assets and liabilities of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. 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 the 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 material sources of revenue subject to accrual are developer advances. 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:

> General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of financial resources to be used for the payment of general long-term debt principal, interest, and other related costs.

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2016, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

The District follows the practice of pooling cash of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility.

Interfund Balances

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". These amounts are eliminated in the Statement of Net Position.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), 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 three 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.

Fund Equity

Beginning with fiscal year ending December 31, 2011, the District implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent.

Nonspendable Fund Balance

The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts our inventory) or legally or contractually required to maintained intact.

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, the Board of Directors. This constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance

The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of $36,384 of the General Fund balance has been restricted in compliance with this requirement.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

Deficit Fund Balance

The Capital Projects Fund has a deficit fund balance of $(467,657) which will be covered by future developer advances.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Budgetary Information

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Law. The budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles ("GAAP").

As required by Colorado statutes, the District followed the following time table in approving and enacting a budget for the ensuing years:

i. On or before October 15, 2015, the District accountant submitted to the District's Board of Directors a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.

ii. A public hearing on the proposed budget and capital program was held.

iii. For the 2016 budget, the final budget and appropriating resolution was adopted prior to December 31, 2015.

After adoption of the budget resolution, the District may make the following changes: 1) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; 2) supplemental appropriations to the extent of revenues in excess of the amounts estimated in the budget; 3) emergency appropriations; and 4) reduction of appropriations for which originally estimated revenues are insufficient. The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year end. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

On December 14, 2016, the District amended its appropriation in the General Fund from $1,086,177 to $1,336,177 due to costs in excess of those originally anticipated for general governmental and community operations.

On December 14, 2016, the District amended its appropriation in the Capital Projects Fund from $15,609,000 to $21,809,000 due to costs in excess of those originally anticipated for capital expenses.

Note 2: Cash and Investments

As of December 31, 2016, cash is classified in the accompanying financial statements as follows:

| | |
|---|---|
| Statement of net position: | |
| Cash and investments | $ 328,011 |
| Restricted cash and investments | 3,453,183 |
| Total cash and investments | $ 3,781,194 |

Cash as of December 31, 2016 consist of the following:

| | |
|---|---|
| Deposits with financial institutions | $ 3,781,036 |

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. 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.

At December 31, 2016, the District's cash deposits had a carrying value of $3,781,194 and a bank balance of $3,863,442. Deposits are in checking and money market accounts of which $501,667 is covered by Federal depository insurance and the balance of $3,361,775 is collateralized by the PDPA.

Investments

The District has adopted an investment policy by which it follows state statutes regarding investments. Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments, and entities such as the District, may invest which include:

1. Obligations of the United States and certain U.S. government agency securities
2. Certain reverse repurchase agreements
3. Certain securities lending agreements
4. Certain corporate bonds
5. General obligation and revenue bonds of U.S. local government entities
6. Banker's acceptances of certain banks
7. Commercial paper
8. Written repurchase agreements collateralized by certain authorized securities
9. Certain money market mutual funds
10. Guaranteed investment contracts
11. Local government investment pools

None of the District's investments are subject to custodial or concentration of credit risk.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized costs.

Fidelity Institutional Money Market Fund ("Fidelity") is rated AAAm by Standard & Poor's. The fund operates similarly to a money market fund with each share maintaining a value of $1.00. Fidelity offers shares in The Treasury Portfolio Class IV. Fidelity invests at least 80% of its assets in U.S. Treasury securities and repurchase agreements for those securities. Designated custodian banks provide safekeeping and depository services to the fund. Substantially all securities are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodian's internal records identify the investments owned by Fidelity. At December 31, 2016, the District had $158 of its funds invested in Fidelity.

Note 3: Capital Assets

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

| | Balance Jan 1, 2016 | Changes Additions | Changes Deletions | Balance Dec 31, 2016 |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Capital assets not being depreciated | | | | |
| Construction in progress | $ 82,725,703 | $ 18,232,305 | $ 3,963,887 | $ 96,994,121 |
| Equipment | - | - | - | - |
| Water Rights | 5,208,442 | - | - | 5,208,442 |
| Land | 344,500 | - | - | 344,500 |
| Total capital assets not being depreciated | 88,278,645 | 18,232,305 | 3,963,887 | 102,547,063 |
| Capital assets being depreciated | | | | |
| Buildings | 3,299,642 | 3,774,572 | - | 7,074,214 |
| Equipment | 107,922 | 189,313 | - | 297,235 |
| Total capital assets being depreciated | 3,407,564 | 3,963,885 | - | 7,371,449 |
| Less accumulated depreciation for | | | | |
| Buildings | (218,567) | (124,932) | - | (343,499) |
| Equipment | (55,761) | (38,244) | - | (94,005) |
| Total accumulated depreciation | (274,328) | (163,176) | - | (437,504) |
| **Total government capital assets, net** | $ 91,411,881 | $ 22,033,014 | $ 3,963,887 | $ 109,481,008 |

Depreciation expense of $163,176 was charged to the District's General Government function/program at December 31, 2016.

Note 4: Long Term Debt

Special Limited Tax (Convertible to Unlimited Tax) Revenue Bonds, Series 2012

On October 25, 2012, the District issued its Limited Tax (Convertible to Unlimited Tax) Revenue Bonds Series 2012 ("Series 2012 Bonds") in the initial principal amount of $23,000,000 for the purpose of financing public improvements and facilities of the development, funding capitalized interest for the payment of a portion of the interest on the Series 2012 Bonds, funding the Reserve Fund, and paying the costs of issuance. Under the Cimarron FFCOA (described in Note 5), the District is generally responsible for all construction, operation, maintenance and project management services of the development while Vauxmont (the Taxing District) is to fund the costs of such services. Under the terms of the VXMD Pledge Agreement dated October 25, 2012 (described in Note 5), certain revenues generated by Vauxmont, including a debt service mill levy, a portion of which is derived from the Master IGA (described in Note 5), specific ownership taxes, and facilities fees collected by Vauxmont are pledged to the District to pay for the debt service on the Series 2012 Bonds. The District has also entered into a Debt Service Guaranty Agreement with GF Properties Group, LLC ("Guarantor") as described below, which requires the Guarantor to advance moneys to the District in accordance with the terms of the Guaranty Agreement in the event pledged revenues are insufficient for debt service payments and/or there is an Acceleration Event (as described in the bond documents).

These bonds bear interest at 6%, payable semiannually on June 1 and December 1, commencing December 1, 2012, and fully mature on December 1, 2022. Interest not paid when due will be compounded semi-annually on the payment due date until paid. Principal not paid when due will remain outstanding until paid and bear interest at 10%. The Guarantor of the bonds is the GF Properties Group, LLC.

The Series 2012 Bonds are a special limited revenue obligation. Pursuant to the VXMD Pledge Agreement Vauxmont, as the Taxing District, has covenanted to fund the annual bond costs of the Series 2012 Bonds with certain District Taxes, Specific Ownership Taxes, and Facilities Fees (all as defined in the VXMD Pledge Agreement). Specifically, with respect to the District Taxes, Vauxmont is obligated to impose and remit to the District revenues generated by a debt service mill levy sufficient to pay principal and interest on the Series 2012 Bonds and any parity bonds, but not in excess of 50 mills; provided, however, that such mill levy may be adjusted in the event of legislative changes affecting the method of calculating assessed value; and provided that once the Debt-to-Assessed Ratio (as defined in the VXMD Pledge Agreement) is 50% or less. Such mill levy may be imposed in an amount necessary to make such payment without limitation as to rate. The Series 2012 Bonds are also secured by the Guaranty Agreement and a reserve fund in the amount of $2,300,270. A Surplus Fund account, to be funded by pledged revenues, has been established to be used solely for the payment of the Series 2012 Bonds. At December 31, 2016, the Surplus Fund had a $1,151,213 balance.

The following is an analysis of changes in long-term bond debt for the period ending December 31, 2016:

| | Balance January 1, 2016 | Additions | Deletions | Balance December 31, 2016 | Current Portion |
|---|---|---|---|---|---|
| Special Limited Tax Revenue Bonds Series 2012 | $ 22,850,000 | $ - | $ (155,000) | $ 22,695,000 | $ 165,000 |

The following is a summary of annual and long-term debt principal and interest requirements for the property tax supported revenue bonds:

**Future Principal and Interest Payments**

| | Principal | Interest | Total |
|---|---|---|---|
| 2017 | $ 165,000 | $ 1,361,700 | $ 1,526,700 |
| 2018 | 175,000 | 1,351,800 | 1,526,800 |
| 2019 | 185,000 | 1,341,300 | 1,526,300 |
| 2020 | 260,000 | 1,330,200 | 1,590,200 |
| 2021 | 350,000 | 1,314,600 | 1,664,600 |
| 2022 | 21,560,000 | 1,293,600 | 22,853,600 |
| | $ 22,695,000 | $ 7,993,200 | $ 30,688,200 |

Authorized Debt

As of December 31, 2016, the District had remaining voted debt authorization of $7,530,000,000. In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area. Notwithstanding the voted authorization stated above, pursuant to the Master IGA described below, Cimarron and Vauxmont are collectively limited to issuance of debt in the maximum principal amount of $138,525,000.

The following is an analysis of changes in subordinate long-term debt for the period ending December 31, 2016:

| | Balance | Changes | | Balance | Current |
|---|---|---|---|---|---|
| | Jan 1, 2016 | Additions | Deletions | Dec 31, 2016 | Portion |
| Developer Advances - Operating | $ 2,017,572 | $ 149,610 | - | $ 2,167,182 | $ - |
| Accrued Interest Developer Advances - Operating | 232,231 | 179,452 | - | 411,683 | - |
| Capital lease obligation | - | 52,941 | (9,636) | 43,305 | 16,944 |
| | $ 2,249,803 | $ 382,003 | $ (9,636) | $ 2,622,170 | $ 16,944 |

An amortization schedule is not available for developer advance repayments, since these long-term obligations are only paid when funds are available.

Debt Service Guaranty Agreement

On October 25, 2012, the District entered into a Debt Service Guaranty Agreement ("Guaranty Agreement") with GF Properties Group, LLC ("Guarantor"), pursuant to which the Guarantor has agreed to fund certain deficiencies in revenue available for payment of debt service on the bonds, up to a maximum Guaranty Portion. As of the date of the Guaranty Agreement, the Guaranty Portion was $21,847,780 subject to annual adjustment at January 1st of each year. Pursuant to the Guaranty Agreement, not less than 60 days prior to any scheduled payment of the principal and/or interest on the Series 2012 Bonds, the bond Trustee will determine the amount of monies held by the Trustee and available for such payment. In the event that the Trustee determines that there is insufficient funds to make such payment when due, the Trustee shall provide a Notice of

Insufficiency to the Guarantor and the District within 45 days prior to the payment due date. The Guarantor is obligated to make payment to the Trustee of the lesser of the amount indicated in the Notice of Insufficiency or the Guaranty Portion. In consideration of this Guaranty Agreement, the Guarantor was paid $460,000 from bond proceeds on the date of the bond closing.

The Guaranty Portion is subject to adjustment to be effective each January 1. The Guaranty Portion shall be equal to the current outstanding principal amount of the Bonds and any parity Bonds, less 50% of the amount on deposit in the Bond reserve account, less 50% of the adjusted assessed value as of the date when the calculation is made. If the Guaranty Portion is less than the then-current Guaranty Portion, then such Guaranty Portion shall be automatically reduced effective the immediately succeeding January 1, to equal the Guaranty Portion. If the calculation is higher, then the then current Guaranty Portion shall not change and shall remain the same for the next calendar year. Upon the Bond Trustee receiving written confirmation to the effect that the outstanding principal amount of the Bonds and Parity Bonds is less than 50% of the assessed value or none of the Bonds are outstanding, then the Guaranty Portion is reduced to zero.

Amended and Restated Operation Funding Agreement

On October 11, 2012, the District entered into an Amended and Restated Operation Funding Agreement (as amended by a First Amendment dated November 18, 2015, the “Restated OFA”) with Arvada Residential Partners, LLC (“Developer”). The Restated OFA replaced and superseded the Operation Funding Agreement dated November 27, 2007. Per the Restated OFA, the Developer will advance funds to the District for the payment of operations and maintenance expenses for fiscal years 2008 through 2018 up to a maximum amount of $3,200,000 or until the District’s assessed value reaches $71,000,000, whichever is sooner. If the District requires additional advances above the $3,200,000, the District shall request additional advances in writing. During 2015, the District requested and received approval for additional funding in the amount of $149,610 making the total amount drawn under this agreement of $2,167,182. The District will repay the amounts the Developer has advanced pursuant to this agreement from revenues it receives from Vauxmont per the Cimarron FFCOA, subject to annual budget and appropriation. Simple interest shall accrue on each Developer Advance from the date of deposit into the District’s account, until paid, at the rate of 9% per annum. Payments to reimburse the Developer shall be applied first to accrued and unpaid interest and then to principal amounts due. Any obligation of the Developer to advance funds will expire on December 31, 2018. Any obligation of the District to reimburse the Developer shall expire on December 31, 2048. If the District has not reimbursed the Developer for any Developer Advances made pursuant to this agreement on or before December 31, 2048, any amount of principal and accrued interest outstanding on such date shall be discharged and satisfied in full. As of December 31, 2016, the District owed the Developer a total of $2,578,865 under this agreement, $2,167,182 of principal and $411,683 of interest.

Amended and Restated Facilities Funding and Acquisition Agreement

On October 11, 2012, the District and the Developer entered into an Amended and Restated Facilities Funding and Acquisition Agreement (“Restated FFAA”), which replaced and superseded the Facilities Funding and Acquisition Agreement dated November 1, 2010. The

Restated FFAA was amended by a First Amendment dated June 11, 2015, to add Vauxmont Metropolitan District as a party and to make certain other modifications described therein. The Restated FFAA recognizes that (1) all Advances made under the Restated FFAA prior to June 11, 2015 are refunded and included within the principal amounts of the Series 2015C Vauxmont Bonds and Series 2015D Vauxmont Bonds, and (2) any Advances made after June 11, 2015 are to be applied to and accrue under the Series 2015 Vauxmont Metropolitan District Subordinate Nonrevolving Line of Credit Taxable Note issued by Vauxmont Metropolitan District on June 11, 2015 in the maximum principal amount of $54,075,000 (the "Vauxmont Series 2015 Taxable Note"). Per the Restated FFAA, the Developer is obligated to advance funds to the District for the payment of construction related expenses and/or for the District's acquisition of improvements upon completion by the Developer in fiscal years 2009 through 2039 in an amount up to $97,000,000 for all of the advances. In addition, in the event that either the District or Vauxmont Metropolitan District has insufficient funds to pay for debt service on any bonds, notes, contract funding or acquisition agreements, or other obligations, the Developer, at its sole discretion, may advance funds for this purpose. On November 1 of each year, commencing on November 1, 2012, the District shall prepare and provide to Developer a proposed budget for the forthcoming budget year which shall include all reasonably anticipated Developer Advances. The District may also acquire improvements under the agreement, after preliminary acceptance from the appropriate accepting jurisdiction and prior to final acceptance upon receipt, review and approval by the District's accountant and engineer.

Interest shall accrue on construction related expenses from the date of deposit of the Advance into the District's account, until paid, at the rate of 8% per annum. For verified costs, interest shall accrue from the date the verified costs were incurred by the Developer. To the extent interest is not paid when due, such interest shall compound annually, on each December 15. Payments to reimburse the Developer shall be applied first to accrued and unpaid interest and then to principal amounts due.

If the District has not reimbursed the Developer for any construction related expenses and/or verified costs by December 31, 2049, any amount of principal and accrued interest outstanding on such date shall be discharged and satisfied in full. Pursuant to the terms of the Restated FFAA, the Vauxmont Series 2015 Taxable Note evidences the obligation to reimburse the Developer for construction related expenses and/or costs of acquiring improvements completed by the Developer and, as of December 31, 2016 carried a total balance of $59,288,986 of which $54,075,000 was principal and $5,211,986 was interest.

Equipment Financing Agreement

The District entered into a capital lease agreement as lessee for financing fitness equipment as described below. The lease agreement qualifies as a capital lease for accounting purposes, and therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2016 were as follows:

| | Total Principal and Interest |
|---|---|
| 2017 | $ 19,707 |
| 2018 | 19,707 |
| 2019 | 8,211 |
| Total minimum payments | 47,625 |
| Amount representing interest | (4,320) |
| Present value of minimum lease payments | $ 43,305 |

Note 5: Other Agreements

Facilities Funding, Construction and Operation Agreement-Vauxmont Metropolitan District

On October 25, 2012, the District entered into a Facilities Funding, Construction and Operations Agreement with Vauxmont Metropolitan District. This agreement terminates and replaces the Memorandum of Understanding with Vauxmont dated February 24, 2009 (effective January 1, 2009), (as amended by a First Amendment dated June 11, 2015, the "Original Cimarron FFCOA"). The Original Cimarron FFCOA was replaced and superseded by an Amended and

Restated Facilities Funding, Construction and Operations Agreement dated June 11, 2015 (the "Cimarron FFCOA"). Per the Cimarron FFCOA, the District will own, operate, maintain and construct (including funding thereof) certain public improvements and Vauxmont will contribute to the costs of construction, operation, and maintenance of such public improvements. Vauxmont is obligated to pay the costs of providing such services from revenues generated from Vauxmont's operation and maintenance mill levy. The Cimarron FFCOA also acknowledges the District's current and potential future issuances of debt for the purpose of funding capital costs associated with public improvements and provides that Vauxmont's obligation with respect to payment of such costs will be set forth in one or more pledge agreements, including the VXMD Pledge Agreement and others in the future.

Amended and Restated Capital Pledge Agreement - Vauxmont

On October 25, 2012, the District entered into an Amended and Restated Capital Pledge Agreement with Vauxmont ("VXMD Pledge Agreement"). The VXMD Pledge Agreement replaced and superseded the Capital Pledge Agreement between the District and Vauxmont dated November 1, 2010. Per the VXMD Pledge Agreement, Vauxmont has pledged certain revenues including a Capital Levy, Specific Ownership Taxes and Facilities Fees for the repayment of the Series 2012 Bonds and the Series 2012 Note (See Note 4). Vauxmont is obligated to impose and remit to the District revenues generated by a debt service mill levy sufficient to pay principal and interest on the Series 2012 Bonds, any Parity Bonds, and any Subordinate Bonds, but not in excess of 50 mills; provided, however, that such mill levy may be adjusted in the event of legislative changes affecting the method of calculating assessed value; and provided that once the Debt-to-Assessed Ratio (as defined in the VXMD Pledge Agreement) is 50% or less. Such mill levy may be imposed in an amount necessary to make such payment without limitation as to rate. The VXMD Pledge Agreement will terminate when all of the debt obligations permitted to be issued by the District have been defeased.

The VXMD Pledge Agreement was amended on June 11, 2015 to accommodate the refunding of the Series 2012 Note by revising certain definitions and provisions relating to the funding of the bond costs and the imposition of capital levies, among others.

Intergovernmental Restructuring Agreement

On June 11, 2015, the District, JCMD No. 1, JCMD No. 2 and Vauxmont Metropolitan District entered into that certain Intergovernmental Restructuring Agreement ("Restructure IGA") to acknowledge the issuance of the Series 2015 Vauxmont Bonds and to make certain clarifications relative to the future financing, construction and provision of service and improvements within the service area of the Jefferson Center Districts "Service Area"). The Restructure IGA acknowledges Vauxmont Metropolitan District issued the Vauxmont Series 2015 Bonds in part to refinance and restructure certain outstanding debts of JCMD No. 1, JCMD No. 2, the District and Vauxmont Metropolitan District, as is more particularly described in the Restructure IGA in order to secure certain economic efficiencies and cost savings relative to past, present and future financing and construction of public improvements to benefit the constituents of the Service Area. The Restructure IGA recognizes the allocation of revenue, cash and certain expenses as to the parties to the Restructure IGA.

The Restructure IGA also addresses certain capital and operational matters and provides that each district that is a party to the Restructure IGA will be obligated to manage and cause the financing, construction, operation and maintenance of any public infrastructure necessary for the development of property within their respective boundaries, with certain specific exceptions listed therein. The Restructure IGA addresses the disposition of certain water rights, water options, water fees and water related agreements as between the parties.

Facilities Funding, Construction and Operations Agreement

The Jefferson Center Districts (JCMD No. 1, JCMD No. 2, the District, Vauxmont, Canyon Pines Metropolitan District and Mountain Shadows Metropolitan District) entered into a Facilities Funding, Construction and Operations Agreement ("Master IGA") on July 26, 2005, as amended on November 28, 2006, December 15, 2009, November 1, 2010, and June 11, 2015 to coordinate the financing, construction, operation and maintenance of the public improvements within the service area of the Jefferson Center Districts and to establish the relationship between and respective responsibilities of the District, JCMD No. 2, and the other Financing Districts (asdefined in the Master IGA). The Master IGA provides a framework for the equitable allocation over time among the Jefferson Center Districts of the costs of administration of the Jefferson Center Districts and the costs of financing, constructing, operating and maintaining the public improvements contemplated therein. JCMD No. 2 is generally responsible for providing the financing, construction, operations and maintenance of certain primary public infrastructure to serve the entire service area. The Master IGA provides a limitation on the issuance of indebtedness by the Jefferson Center Districts in the amount of $450 million of total aggregate debt by all of the Jefferson Center Districts. The Master IGA is intended to constitute a multiple fiscal year financial obligation of the Jefferson Center Districts, and as such, it was submitted to and approved by the electorates of each of the Jefferson Center Districts prior to being executed. On March 24, 2009, each of the Jefferson Center Districts elected to perform its own administrative services, effective January 1, 2008. On November 1, 2010, the Jefferson Center Districts entered into the Third Amendment to Facilities Funding, Construction and Operations Agreement, whereby JCMD No. 2 will not construct, own, operate or maintain Public Park Improvements. Each Financing District may determine to establish a system of fees, rates, tolls and/or charges with respect to the maintenance of the Public Park Improvements it constructs and/or maintains on property within its respective boundaries.

Second Amended and Restated Service Agreement for Project Management Services

The District entered into a Second Amended and Restated Service Agreement for Project Management Services with Terra Causa Capital, LLC on April 27, 2016 ("Second Amended Agreement"). The Second Amended Agreement replaced and superseded the Amended and Restated Project Management Agreement ("Amended Agreement") between the District and Terra Causa Capital, LLC dated October 11, 2012, which had replaced and superseded the Service Agreement for Project Management Services between the District and Terra Causa Capital, LLC dated April 1, 2011 ("Original Agreement"). Certain members of the District Board are employees or officers of Terra Causa Capital, LLC (the "Consultant"). The District and the Consultant (collectively, the "Parties") entered into the Second Amended Agreement to identify that Candelas Filing No. 3 was divided into Candelas Filing Nos. 3 and 4, and the Services previously related to Candelas Filing No. 3 were divided into Services related to Candelas Filing Nos. 3 and 4. In addition, the Parties revised the provisions governing the remaining fees to be paid to the Consultant for Services related to Candelas Filing No. 1 and also Services related to Candelas Filing Nos. 2, 3, and 4. The Amended Agreement included a Management Fee Cap of $5,025,666. At the time the Parties entered into the Second Amended Agreement, the outstanding balance of the Management Fee Cap to be paid to the Consultant for Services was $1,942,809 ("Amended Management Fee Cap"). The Management Fees to be paid to the Consultant for

Filing Nos. 1, 2, 3, and 4 Services combined include payment in the amount of $42,500 per month (paid in arrears) for the invoices beginning on May 1, 2016 through January 31, 2019; $20,430 per month (paid in arrears) for the invoices beginning on February 1, 2019 through January 31, 2021; and a one-time lump sum final payment of $49,989 on or before January 31, 2021. The Second Amended Agreement changed the term expiration date from September 30, 2021 to January 31, 2021. For consideration of prior work performed by the Consultant, if the Second Amended Agreement is terminated early, the Consultant is entitled to an early termination fee in lieu of any other amounts payable to the Consultant under the Second Amended Agreement, (with the exception of amounts outstanding and payable) calculated as follows: the Amended Management Fee Cap less Management Fees paid to date multiplied by 50%.

During the year ended December 31, 2016, the District paid $665,830 to Terra Causa Capital, LLC for project management services and additional expenses, pursuant to the Second Amended Agreement, the prior Amended Agreement, and the Original Agreement.

Third Amendment to Amended and Restated Joint Resolution of Cimarron Metropolitan District and Vauxmont Metropolitan District Regarding Imposition of Capital Fees

Cimarron Metropolitan District and Vauxmont Metropolitan District adopted an Amended and Restated Joint Resolution Regarding Imposition of Capital Fees (the "Original Fee Resolution") on February 28, 2012, pursuant to which the Districts imposed Capital Fees, including Park Development and Water Fees on property within the Districts' service areas in order to provide funding for public improvements, including payment on the 2012 Bonds. On February 25, 2014, the Original Fee Resolution was amended ("First Amendment") in order to impose a different Water Fee component of the Capital Fees for portions of the property. The First Amendment made one Capital Fee structure applicable to certain real property within Candelas Filing No. 1 and Candelas Filing No. 1, Amendment No. 1 ("Initial Lots") and another Capital Fee structure applicable to later filings of Candelas ("Amendment Property"). The Districts adopted a Second Amendment to the Resolution on October 28, 2015 in order to modify the Capital Fees payable for any lot that had not previously paid Capital Fees to the Districts. The Second Amendment also noted that the public improvements funded by the imposition of Capital Fees would include payment on the 2015 Bonds issued by the Districts, as well as payment on the 2012 Bonds. On March 23, 2016, the Districts adopted a Third Amendment in order to correct and clarify the Capital Fees applicable to the Initial Lots and Amendment Property and to put the current and future owners of the Initial Lots and Amendment Property on notice of the imposition and collection of such fees. The Exhibits to the Third Amendment, which provide schedules of the Capital Fees imposed and payable by the Initial Lots and the Amendment Property, replace in their entirety the Exhibits to the Original Fee Resolution and the First and Second Amendments. With the exception of their Exhibits, the Original Fee Resolution and First and Second Amendments remain in full force and effect. The Original Fee Resolution and the First, Second, and Third Amendments were all timely recorded in the real property records of Jefferson County, Colorado.

Note 6: Related Party

All of the members of the Board of Directors are employees, owners or are otherwise associated with the developers of property within the District's service area and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board. The Developer and its affiliated entities have entered into several agreements with the District, whereby the Developer is due funds from the District or otherwise has interest in District activities. The agreements include the Restated OFA, the Restated FFAA, and the Second Amended Project Management Agreement (See Note 4 and Note 5).

Accounting services for the District are provided by Growth Fund Properties which is an entity related to the Developer. During the year ended December 31, 2016, the District paid $58,000 for these services.

Note 7: Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer 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 year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

On May 4, 2004 and again on May 8, 2012, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

Note 8: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("Pool") which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 9: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Government Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments have the following elements:

1) capital improvements used in government activities are not financial resources and, therefore are not reported in the funds;

2) long-term liabilities such as notes payable, are not due and payable in the current period and, therefore, are not in the funds; and

The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

1) governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities;

2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities; and

3) governmental funds report developer advances as revenue.

Note 10: Commitments

The District has contracted with various vendors for the completion of work as described in Note 1. As of December 2016, $105.6 million in total contracts have been executed, $94.2 million has been completed and paid, leaving $11.4 million not completed.

SUPPLEMENTAL INFORMATION

**Cimarron Metropolitan District**
**Schedule of Revenues, Expenditures and**
**Changes in Fund Balances (Deficit) - Budget and Actual**
**Capital Projects Fund**
**For the Year Ended December 31, 2016**

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|---|---|---|---|
| **Revenues** | | | | |
| Interest income | $ 100 | $ 100 | $ - | $ (100) |
| Intergovernmental-Vauxmont Metro construction advances | 14,500,000 | 21,935,617 | 18,166,364 | (3,769,253) |
| Total revenues | 14,500,100 | 21,935,717 | 18,166,364 | (3,769,353) |
| **Expenditures** | | | | |
| General government | | | | |
| District management | 10,000 | - | - | 10,000 |
| Legal | 50,000 | 15,000 | 14,381 | 619 |
| Accounting and audit | 48,000 | 48,000 | 48,000 | - |
| Miscellaneous | 1,000 | 688 | - | 688 |
| Capital outlay | | | | |
| Capital outlay non-reimbursable | 1,000,000 | 275,000 | 251,754 | 23,246 |
| Capital outlay | 14,500,000 | 21,470,312 | 18,169,924 | 3,300,388 |
| Total expenditures | 15,609,000 | 21,809,000 | 18,484,059 | 3,334,941 |
| **Excess (deficiency) of revenues over expenditures** | (1,108,900) | 126,717 | (317,695) | (444,412) |
| **Other financing sources (uses)** | | | | |
| Developer payments non-reimbursable | 1,000,000 | 275,000 | 251,754 | (23,246) |
| Lease proceeds | - | 52,941 | 52,941 | - |
| Total other financing sources (uses) | 1,000,000 | 327,941 | 304,694 | (23,246) |
| **Net change in fund balance** | (108,900) | 454,658 | (13,000) | (467,658) |
| **Fund balance (deficit) - beginning of year** | 1,196,332 | (454,658) | (454,657) | 1 |
| **Fund balance (deficit) - end of year** | $ 1,087,432 | $ - | $ (467,657) | $ (467,657) |

The accompanying notes are an integral part of these financial statements.

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

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---|---|---|---|
| **Revenues** | | | |
| General revenues | | | |
| Interest income | $ 300 | $ 1,811 | $ 1,511 |
| Capitalization fee | 500,000 | 485,000 | (15,000) |
| Park development fee | 301,400 | 284,844 | (16,556) |
| Water fee | 1,431,425 | 1,343,488 | (87,937) |
| Operating grants and contributions | | | |
| Intergovernmental-Vauxmont District property taxes | 1,340,376 | 1,351,877 | 11,501 |
| Total revenues | 3,573,501 | 3,467,020 | (106,481) |
| **Expenditures:** | | | |
| General government | | | |
| Paying agent fees | 3,500 | - | 3,500 |
| Bank service charges | - | 33 | (33) |
| Debt service | | | |
| Debt service-bond principal | 155,000 | 155,000 | - |
| Debt service-bond interest | 1,371,000 | 1,371,000 | - |
| Intergovernmental | | | |
| Payment to Vauxmont Metro-excess revenues | 2,043,701 | 1,939,209 | 104,492 |
| Total expenditures | 3,573,201 | 3,465,242 | 107,959 |
| **Net change in fund balance** | 300 | 1,778 | 1,478 |
| **Fund balance - beginning of year** | 3,698,884 | 3,464,216 | (234,668) |
| **Fund balance - end of year** | $ 3,699,184 | $ 3,465,994 | $ (233,190) |

The accompanying notes are an integral part of these financial statements.