JEFFERSON CENTER METROPOLITAN DISTRICT NO. 2

Financial Statements

Year Ended December 31, 2017

with

Independent Auditors' Report

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Office of the State Auditor
September 28, 2018

C O N T E N T S

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Jefferson Center Metropolitan District No. 2
Jefferson County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund, of Jefferson Center Metropolitan District No. 2 (the District) as of and for the year ended December 31, 2017, 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 Jefferson Center Metropolitan District No. 2, as of December 31, 2017, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operation, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jefferson Center Metropolitan District No. 2's basic financial statements. The supplementary information as listed in the table of contents are 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 relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Brighton, Colorado
September 28, 2018

JEFFERSON CENTER METROPOLITAN DISTRICT NO. 2

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2017

	General	Debt Service	Capital Projects	Total	Adjustments	Statement of Net Position
ASSETS						
Cash and investments - restricted	$ -	$ -	$ 4,423,786	$ 4,423,786	$ -	$ 4,423,786
Receivable - other	-	1,722	2,476	4,198	-	4,198
Prepaid expenses	3,496	-	-	3,496	-	3,496
Due from JCMD #1	-	-	56,039	56,039	-	56,039
Due from Mountain Shadows Metro District	43,337	-	-	43,337	-	43,337
Due from other districts	59,431	-	-	59,431	-	59,431
Construction deposits	-	-	5,000	5,000	-	5,000
Due from other funds	-	-	56,180	56,180	(56,180)	-
Water rights	-	-	-	-	572,813	572,813
Tap allocation option rights	-	-	-	-	1,230,000	1,230,000
Construction in progress	-	-	-	-	480,099	480,099
Total Assets	$ 106,264	$ 1,722	$ 4,543,481	$ 4,651,467	2,226,732	6,878,199
LIABILITIES						
Accounts payable	$ 28,516	$ -	$ -	$ 28,516	-	28,516
Due to Mountain Shadows	-	-	14,459	14,459	-	14,459
Due to other funds	54,458	1,722	-	56,180	(56,180)	-
Long-term liabilities:						
Due in more than one year	-	-	-	-	11,787,501	11,787,501
Total Liabilities	82,974	1,722	14,459	99,155	11,731,321	11,830,476
FUND BALANCES						
Fund Balances:						
Nonspendable:						
Prepaids	3,496	-	-	3,496	(3,496)	-
Restricted:						
Emergencies	12,048	-	-	12,048	(12,048)	-
Debt service	-	-	-	-	-	-
Capital projects	-	-	177,607	177,607	(177,607)	-
Capital projects - Pledge Agreement	-	-	-	-	-	-
Capital projects - AFD	-	-	4,351,415	4,351,415	(4,351,415)	-
Committed:						
Project	-	-	-	-	-	-
Assigned:						
Subsequent year's expenditures	7,746	-	-	7,746	(7,746)	-
Total Fund Balances	23,290	-	4,529,022	4,552,312	(4,552,312)	-
Total Liabilities and Fund Balances	$ 106,264	$ 1,722	$ 4,543,481	$ 4,651,467		
NET POSITION						
Net investment in capital assets					(9,984,688)	(9,984,688)
Restricted for:						
Emergencies					12,048	12,048
Capital projects					4,529,022	4,529,022
Unrestricted					491,341	491,341
Total Net Position					$ (4,952,277)	$ (4,952,277)

The notes to the financial statements are an integral part of these statements.

JEFFERSON CENTER METROPOLITAN DISTRICT NO. 2

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	General	Debt Service	Capital Projects	Total	Adjustments	Statement of Activities
EXPENDITURES						
Accounting and audit	$ 32,408	$ -	$ -	$ 32,408	$ -	$ 32,408
Insurance	3,893	-	-	3,893	-	3,893
Legal	27,320	-	-	27,320	-	27,320
Legal - litigation	8,159	-	-	8,159	-	8,159
Management fees	17,215	-	-	17,215	-	17,215
Miscellaneous expenses	202	-	-	202	-	202
Office supplies	891	-	-	891	-	891
Stormwater IGA	61,057	-	-	61,057	-	61,057
Engineering channelization Phase II	-	-	5,085	5,085	(5,085)	-
Transferred to Cimarron Metro District - Cimarron Pledge	-	3,570,776	-	3,570,776	-	3,570,776
Transfer to JCMD #1	-	41,138	-	41,138	-	41,138
Capital pledge agreement interest expense	-	-	663,838	663,838	(29,351)	634,487
Total Expenditures	151,145	3,611,914	668,923	4,431,982	(34,436)	4,397,546
GENERAL REVENUES						
Transfer from JCMD #1	53,481	1,429,976	62,319	1,545,776	-	1,545,776
Transfer from Mountain Shadows Metro District	32,298	-	-	32,298	-	32,298
Transfer from Canyon Pines	6	-	-	6	-	6
Transfer from Cimarron/Vauxmont	45,780	-	-	45,780	-	45,780
Mt Shadows Northwest AURA Increment	-	221,731	170,210	391,941	-	391,941
Vauxmont Northwest AURA Increment	-	1,919,069	-	1,919,069	-	1,919,069
JCMD#1 Northwest AURA Increment	-	41,138	-	41,138	-	41,138
AURA Arvada Fire Department	-	-	720,852	720,852	-	720,852
Interest income	-	-	10,696	10,696	-	10,696
Total General Revenues	131,565	3,611,914	964,077	4,707,556	-	4,707,556
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(19,580)	-	295,154	275,574	34,436	310,010
NET CHANGES IN FUND BALANCES	(19,580)	-	295,154	275,574	(275,574)	-
CHANGE IN NET POSITION					310,010	310,010
FUND BALANCES/NET POSITION:						
BEGINNING OF YEAR	42,870	-	4,233,868	4,276,738	(9,539,025)	(5,262,287)
END OF YEAR	$ 23,290	$ -	$ 4,529,022	$ 4,552,312	$ (9,504,589)	$ (4,952,277)

The notes to the financial statements are an integral part of these statements.

JEFFERSON CENTER METROPOLITAN DISTRICT NO. 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Transfer from JCMD #1	$ 63,695	$ 53,481	$ (10,214)
Transfer from Mountain Shadows Metro District	38,271	32,298	(5,973)
Transfer from Canyon Pines	7	6	(1)
Transfer from Cimarron/Vauxmont	54,098	45,780	(8,318)
Total Revenues	156,071	131,565	(24,506)
EXPENDITURES			
Accounting and audit	20,000	32,408	(12,408)
Insurance	4,000	3,893	107
Legal	33,000	27,320	5,680
Legal - litigation		8,159	(8,159)
Management fees	25,000	17,215	7,785
Miscellaneous expenses	2,000	202	1,798
Office supplies	1,500	891	609
Stormwater IGA	65,650	61,057	4,593
Paying agent fees	375	-	375
Contingency	56,442	-	56,442
Emergency reserve	4,546	-	4,546
Total Expenditures	212,513	151,145	61,368
NET CHANGE IN FUND BALANCE	(56,442)	(19,580)	36,862
FUND BALANCE:			
BEGINNING OF YEAR	56,442	42,870	(13,572)
END OF YEAR	$ -	$ 23,290	$ 23,290

The notes to the financial statements are an integral part of these statements.

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Jefferson Center Metropolitan District No. 2, 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 Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. 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 No. 1 ("JCMD No. 1"), Vauxmont Metropolitan District, Cimarron Metropolitan District, Canyon Pines Metropolitan District, and Mountain Shadows Metropolitan District (collectively, the "Districts"), each of which was organized in 2004 (except JCMD No. 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 Districts were established to finance and construct water, sanitary and storm sewer, streets, limited fire protection services, park and recreation, safety protection, mosquito control, television relay and transmission, and transportation facilities and services. Pursuant to a contractual arrangement described herein, the District (the "Service District") is responsible for managing the financing, construction, operation, and maintenance of certain regional improvements to benefit the service area as well as providing certain administrative services for the Districts. The Jefferson Center Metropolitan District No. 1, Vauxmont Metropolitan District, Cimarron Metropolitan District, Canyon Pines Metropolitan District, and Mountain Shadows Metropolitan District (the "Financing Districts") are responsible for providing certain funding needed to support the Service District's provision for services. The District's primary revenues are property taxes pledged from JCMD No. 1 and incremental property taxes collected from within the urban renewal area pursuant to an agreement with the City and Arvada Urban Renewal Authority, described herein. The District is governed by an elected Board of Directors.

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 follows the GASB Pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

The District has no employees and all operations and administrative functions are contracted.

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 (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources 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. Property taxes are recognized as revenues in the year for which they are collected.

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 *availabl*e 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 property taxes and interest. 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.

Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

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.

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year end.

In September 2018, the District amended its total appropriations in the Capital Fund from $191,362 to $669,000 primarily due to repayment of interest under the Capital Pledge Agreement.

Assets, Liabilities, Deferred Inflow/Outflows of Resources 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, 2017, 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 and Investments

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 and investments 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. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting under this section at December 31, 2017.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any items that qualify for reporting under this section at December 31, 2017.

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. Land and certain landscaping improvements are not depreciated. No depreciation expense was recognized during 2017.

Fund Balance

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

The nonspendable fund balance in the General Fund in the amount of $3,496 represents prepaid expenditures.

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 $12,048 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Capital Projects Fund in the amount of $177,607 is reserved for capital improvements within the District.

The restricted fund balance in the Capital Projects Fund in the amount of $4,351,415 is reserved for capital improvements to benefit the Arvada Fire Protection District.

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

Assigned Fund Balance
Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

The assigned fund balance in the General Fund represents the amount appropriated for use in the budget for the year ending December 31, 2018.

Unassigned Fund Balance
Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all other funds can report negative amounts.

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.

Net Position
Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District may report three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District will use the most restrictive net position first.

Note 2: Cash and Investments

As of December 31, 2017, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments – Restricted	$ 4,423,786

Cash and investments as of December 31, 2017, consist of the following:

Deposits with financial institutions	$ 142
Investments – COLOTRUST	74,705
Investments – MSILF	4,348,939
	$ 4,423,786

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.

The District does not have a formal policy for deposits. None of the District's deposits were exposed to custodial credit risk.

Investments

Investment Valuation

Certain investments are measured at fair value 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; Level 3 inputs are significant unobservable inputs. The District's investment is not required to be categorized within the fair value hierarchy. This investments' value are calculated using the net asset value method (NAV) per share.

As of December 31, 2017, the District had the following investments:

Morgan Stanley Institutional Liquidity Fund

The Morgan Stanley Institutional Liquidity Fund ("MSILF") is rated AAAm by Standard & Poor's and the maturity is weighted average under 41 days. MSILF records its investments at fair value and the District records its investment in MSILF using the net asset value method. The fund is a money market fund with each share maintaining a value of $1.00. The money market fund invests in high quality debt securities issued by the U.S. Government. At December 31, 2017, the District had $4,348,939 invested in the MSILF held by a trustee.

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST") is rated AAAm by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint ventures established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. The trusts operate similarly to a money market fund with each share maintaining a value of $1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. At December 31, 2017, the District had $74,705 invested in COLOTRUST.

Credit Risk

The District's investment policy requires that the District follow state statutes for investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

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

Interest Rate Risk

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

Note 3: Long Term Debt

As of December 31, 2017, the District had remaining voted debt authorization of approximately $4,460,000,000. 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.

A description of the long-term obligations as of December 31, 2017, is as follows:

Mountain Shadows Pledge Agreement

On November 1, 2010, as amended May 5, 2015, the District and Mountain Shadows Metropolitan District ("MSMD") entered into that certain Capital Pledge Agreement (JCMD No. 2/Mountain Shadows – 2010) ("MSMD Pledge Agreement") whereby, in order to facilitate the provision of certain public infrastructure for the benefit of property within the service area of the District and the boundaries of MSMD, the District determined to pledge to MSMD certain tax increment revenues received by the District pursuant to the Amended MRA (defined below). Pursuant to the MSMD Pledge Agreement, MSMD is obligated to finance and/or acquire certain facilities described therein and, in exchange for the provision of such facilities, the District agrees to reimburse MSMD for the costs associated with such facilities in an amount not to exceed $7,000,000, plus interest and bond costs. Interest accrued under the MSMD Pledge Agreement at the rate of 8% per annum until February 20, 2017, computed on the basis of a 365-day year, actual days elapsed. Interest is payable each December 1 and June 1 to MSMD or its designee.

On March 10, 2017, the District and MSMD entered into that certain Amended and Restated Capital Pledge Agreement (the "Amended and Restated Pledge Agreement") which supersedes and replaced the MSMD Pledge Agreement in its entirety. The Amended and Restated Pledge Agreement acknowledges the District's current obligation to pledge to MSMD certain tax increment revenues received by the District pursuant to the Amended MRA. The Amended and Restated Pledge Agreement also releases certain property for which the Mis-Pledged Revenues (defined in the Reconciliation Agreement, below) were attributed to, from any future pledge obligation. Pursuant to the MSMD Pledge Agreement, MSMD was obligated to construct certain improvements, including the Indiana Improvements (defined therein) and if MSMD did not construct the Indiana Improvements by a certain date, the District would be obligated to construct the same. MSMD constructed all the improvements with the exception of certain of the Indiana Improvements. The Amended and Restated Pledge Agreement releases the District from any obligation to construct the remaining Indiana Improvements, as such obligation is assumed by JCMD No. 1 (as defined below) pursuant to the Reconciliation Agreement (defined below).

The reimbursement obligation of the District under the Amended and Restated Pledge Agreement is a limited obligation of the District payable solely from and to the extent of certain pledged revenues described therein, including 42% of the tax increment revenues received by the District pursuant to the Amended MRA from certain specifically identified properties within the Northwest Arvada Urban Renewal Area. The District is to transmit such pledged revenue to MSMD or its designee in advance of the MSMD Revenue Bonds due dates (currently June 1 and December 1). Interest accrues on the reimbursement obligation under the Amended and Restated Pledge Agreement at the rate of 5.71% per annum from March 10, 2017, computed on the basis of a 365-day year, actual days elapsed. The Amended and Restated Pledge Agreement terminates upon the earlier of: (1) the date on which reimbursement has been made in full thereunder and/or all Revenue Bonds permitted to be issued by MSMD have been paid or defeased; or (2) the Northwest Financing Termination Date (as defined in the Amended MRA). As of December 31, 2017, the principal amount of the reimbursement obligation under the Amended and Restated Pledge Agreement was $7,000,000 along with accrued interest in the amount of $4,787,501.

Agreement Regarding Indiana Street Improvements and Interim Revenue Reconciliation

On March 2, 2017, the District, Jefferson Center Metropolitan District No. 1 (“JCMD No. 1”) and MSMD entered into that certain Agreement Regarding Indiana Improvements and Interim Revenue Reconciliation (the “Reconciliation Agreement”) whereby, the District agreed to release certain pledged revenues, in the amount of $493,628.04, obligated to MSMD pursuant to the MSMD Pledge Agreement and MSMD agrees to pay the District $85,207.00, as required under the FFCO (defined below). Pursuant to the Reconciliation Agreement, the JCMD No. 1 also agreed to pay MSMD the present value of the Mis-Pledged Revenues in an amount of $299,442.00, releasing the District from any further obligation thereof.

Assignment and Assumption of Agreements and Obligations from Jefferson Center Metropolitan JCMD No. 1

On April 4, 2005, the District entered into an agreement with JCMD No. 1 whereby the District assumed certain agreements and corresponding rights to revenues and obligations of JCMD No. 1; including the Intergovernmental Agreement (“Current IGA”) with the City of Arvada (“Arvada”), dated April 4, 2005 and amended January 11, 2010; the Master Redevelopment Agreement (the “MRA”) with the City of Arvada and the Arvada Urban Renewal Authority (“AURA”), dated April 4, 2005, and amended on January 11, 2010; the Operation and Capital Funding Reimbursement Agreement with Jefferson Center Associates, Ralston Development Corporation, Charles C. McKay, Cimarron Park, LLC, and Howard W. Lacy (“Lacy”), a developer of land in the District, dated September 30, 2002; the Deferred Reimbursement Agreement with the Consolidated Mutual Water Company, dated November 20, 1998; the PG&E reimbursement resolution, dated October 23, 2001; and the Memorandum of Understanding with Alkire Investments dated April 19, 2004.

Amended and Restated Capital Pledge Agreement and Assignment Agreement

On June 11, 2015, the District entered into an Amended and Restated Capital Pledge Agreement and Assignment Agreement with JCMD No. 1, Vauxmont Metropolitan District ("Vauxmont"), and U.S. Bank National Association in its capacity as trustee for the Bonds ("Pledge and Assignment Agreement"). The Pledge and Assignment Agreement replaced and superseded the Capital Pledge Agreement dated July 1, 2007 between JCMD No. 1 and the District. Pursuant to the Pledge and Assignment Agreement, the parties recognize Vauxmont's issuance of the Bonds and agree to pledge certain revenues to support the repayment thereof.

Specifically, pursuant to the Pledge and Assignment Agreement, the District pledges the "Vauxmont Revenue" to the repayment of the Series 2015A Bonds, the Series 2015C Bonds, the Series 2015D Bonds and the Series 2015E Note. The Vauxmont Revenue is defined in the Pledge and Assignment Agreement as the sum of the certain incremental property tax revenues received by the District from AURA pursuant to the MRA.

Also in accordance with the Pledge and Assignment Agreement, the District separately pledges the "Series 2015B TIF Revenues" to the repayment of the Series 2015B Bonds. The Series 2015B TIF Revenues are defined as certain incremental property tax revenues derived in accordance with the MRA from properties within both JCMD No. 1 and the Northwest Arvada Urban Renewal Area ("NWAURA") less certain administrative fees and annual stormwater costs, as described in the agreement.

Finally, pursuant to the Pledge and Assignment Agreement, the District pledges certain "Impact Fees" received by the District pursuant to a Resolution of the District adopted on December 20, 2005 to the repayment of the Series 2015A Bonds.

Parkway Capital Pledge Agreement

On November 1, 2010, as amended on June 11, 2015, the District and JCMD No. 1 entered into that certain Capital Pledge Agreement (JCMD No. 1/JCMD No. 2 – Jefferson Parkway) ("Parkway Pledge Agreement") whereby, in order to facilitate the acquisition of certain right-of-way for the provision of highway access for the benefit of the constituents of the District's service area, the District determined to pledge certain tax increment revenues it receives pursuant to the Amended MRA to JCMD No. 1. Pursuant to the Parkway Pledge Agreement, JCMD No. 1 is obligated to finance and/or acquire the right-of-way property and, in exchange for the provision of such right-of-way property, the District agrees to reimburse JCMD No. 1 for the cost of the right-of-way in an amount not to exceed $11,762,000, plus interest and bond costs. Interest accrues on the balance owed under the Parkway Pledge Agreement at the rate of 8% per annum, computed on the basis of a 365-day year, actual days elapsed, and is payable each December 1 and June 1. As of December 31, 2017, there are not amounts due under the Parkway Capital Pledge Agreement.

The reimbursement obligation of the District under the Parkway Pledge Agreement is a limited obligation of the District payable solely from and to the extent of the JCMD No. 1 Pledged Revenues (defined in the Parkway Pledge Agreement) which include: (1) certain Surplus Pledged Revenue, including Pledged Revenue available under the Series 2015B Indenture to pay "Subordinate Obligations" thereunder, and pursuant to the Series 2010 Subordinate Bond Resolution. The amount of reimbursement obligation under the Parkway Pledge Agreement is required to be reduced by amounts collected by JCMD No. 1 from a required mill levy of JCMD No. 1. The District's reimbursement obligation to JCMD No. 1 under the Parkway Pledge Agreement is further subject to other reimbursement priorities set forth therein. The Parkway Pledge Agreement terminates upon the earlier of: (a) the date on which reimbursement has been made in full thereunder; or (b) the date on which the District will receive no further revenues under the Amended MRA and has transferred all revenues available and required to be paid under the Parkway Pledge Agreement.

The following is an analysis of changes in long-term debt for the period ending December 31, 2017:

	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017	Current Portion
Amended Mountain Shadows Pledge Agreement	$ 7,000,000	$ -	$ -	$ 7,000,000	$ -
Amended Mountain Shadows Pledge Agreement - Interest	4,816,852	620,029	649,380	4,787,501	-
	$ 11,816,852	$ 620,029	$ 649,380	$ 11,787,501	$ -

Note 4: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2017, follows:

Governmental Type Activities:	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017
Capital assets not being depreciated:				
Water rights	$ 572,813	$ -	$ -	$ 572,813
Tap allocation option rights	1,230,000	-	-	1,230,000
Construction-in-progress	475,014	5,085	-	480,099
Total capital assets not being depreciated	2,277,827	5,085	-	2,282,912
Government type assets, net	$ 2,277,827	$ 5,085	$ -	$ 2,282,912

Note 5: Intergovernmental Agreements

City of Arvada and Arvada Urban Renewal Authority

The City, JCMD No. 1, and AURA entered into a Master Redevelopment Agreement ("MRA") on April 4, 2005, and on the same date, the District assumed the obligations and rights under the MRA for the construction of infrastructure and public improvements, including but not limited to water, sewer, drainage, park and recreation, transportation, and fire protection in accordance with the Jefferson Center Urban Renewal Plan (the "Plan"). The Plan authorizes AURA to receive and pledge certain incremental increases in property and sales tax revenues ("Pledged Revenues") generated within the Jefferson Center Urban Renewal Area (the "Area") and pursuant to the MRA, AURA pledges a portion of such incremental tax revenues authorized by the Plan to the District to provide funds to the District to meet its obligations with respect to the construction of public infrastructure improvements. The Pledged Revenues will consist of incremental property or sales taxes, except the City's incremental property taxes.

On January 11, 2010, the Plan and Area were modified and a new Northwest Arvada Urban Renewal Area was created. As a result, also on January 11, 2010, the District entered into an Amended and Restated Master Redevelopment Agreement (the "Amended MRA") with the City and AURA which replaces and supersedes the above MRA. Under the Amended MRA, the District is responsible for the construction of infrastructure and public improvements in accordance with both the Plan and the Northwest Arvada Urban Renewal Plan (collectively, the "Plans"). The Plans authorize AURA to receive and pledge certain incremental increases in property and sales tax revenues ("Pledged Revenues") generated within the Modified Area and the Northwest Arvada Urban Renewal Area. Pursuant to the Amended MRA, AURA pledges a portion of such incremental tax revenues authorized by the Plans to the District to provide funds to the District to meet its obligations with respect to the construction of public infrastructure improvements. The Pledged Revenues will consist of incremental property or sales taxes, except the City's incremental property taxes.

City of Arvada

JCMD No. 1 entered into an intergovernmental agreement with the City, dated December 7, 1989 and effective January 17, 1991 (the "Previous IGA"), for the construction and operation of certain public improvements and facilities. The agreement has been replaced in its entirety with the Current IGA described in the next paragraph.

Concurrent with the MRA on April 4, 2005, the City and the District entered into the Current IGA to address issues which did not require the agreement of AURA. The Current IGA rescinds and terminates the following agreements: the Previous IGA; the 1989 Jefferson Center Comprehensive Development Plan; the 1990 Subdivider's Agreement; and the 1989 IGA among Jefferson County, the City, the District, and Jefferson Center Associates ("JCA"). The Current IGA also establishes the following: 1) certain rights and options of the District to purchase portions of water rights from the City and defines the District's uses of the water purchased; 2) agreement on development in accordance with the City's preferred Metropolitan Beltway Alignment; 3) compliance by the District to the City's road standards; 4) compliance with the City's Park Master Plan in construction of parks and cooperation in obtaining the consent of Apex (formerly North Jeffco) Park and Recreation District to terminate a 1988 MOU with JCA; 5) the District's compliance with the Service Plan; 6) acknowledgement that the District will address issues related to the provision of fire protection services directly with Arvada Fire Protection District; 7) funding and escrow instructions for previous commitments of the City and the District to construct the Panorama Park (Yenter) Sewer Line (see details below); 8) conveyance of infrastructure; 9) the District's payment to the City of a promissory note dated July 7, 2003, in the amount of $150,000 and a portion of the outstanding obligation to Westwoods in the amount of $250,000; 10) reimbursement to the District for infrastructure improvements that benefit properties currently located outside the District's area; 11) good faith in land use processing; 12) provisions for individual development agreement; 13) consideration of possible future sales tax sharing by the City; and 14) compliance by the District with the City's regulations regarding storm drainage and erosion control.

On January 11, 2010, the District amended the above agreement to change the termination of the agreement to January 19, 2040, due to the Amended MRA (see above).

On April 7, 2014, the above agreement was further amended to allow for blended water rates.

On June 29, 2015, the above agreement was further amended to allow for an extended option to purchase water rights, allow for the possibility of economic incentives and possible reimbursement of District infrastructure.

On February 6, 2017, the above agreement was further amended to allow the City to allocate additional water supplies not otherwise identified in the Current IGA.

On March 7, 2011, the District and the City of Arvada entered into an Intergovernmental Agreement for Park Maintenance. Per this agreement, the District will be responsible for the construction of those open space, park, recreation and trail improvements within the JCMD Area as authorized in its Service Plan. After the completion, dedication and acceptance of the Park Improvements by the City, the District will be responsible for the operation and maintenance, including insurance and water usage costs, of the Park Improvements through the Financing Termination Date, as defined in the Amended MRA. After the Financing Termination Date, the City shall be responsible for expenses associated with the park improvements.

Arvada Fire Protection District – Escrow Agreement

The District and Arvada Fire Protection District ("AFPD") entered into an Escrow Agreement on August 20, 2012. Pursuant to the Amended MRA, the District has collected, and will continue to collect, tax increment revenue generated as a result of AFPD's property tax mill levy. Per the escrow agreement, the District will deposit AFPD increment funds in the amount of $1,655,768 into an escrow account and any additional AFPD increment funds the District may in the future collect for the benefit of the AFPD. Any interest received by the escrow agent with respect to the escrowed funds shall become part of the escrowed funds. The escrow fund will terminate upon depletion of all escrowed funds, receipt of a joint instruction by AFPD and the District to disburse all escrowed funds or receipt of a final judgment requiring disbursement of all escrowed funds. As of December 31, 2017, the balance in the escrow fund is $4,348,939.

City of Arvada – Stormwater IGA

On October 16, 2006, the District and the City entered into an Intergovernmental Agreement Concerning Storm Water Facilities Located within the Jefferson Center Metropolitan District No. 2 Service Area ("Stormwater IGA"). Pursuant to the Stormwater IGA, the District agreed to pay certain costs associated with construction, operation and maintenance of certain stormwater improvements within the District's service area.

Facilities Funding, Construction and Operations Agreement

The Districts entered into a Facilities Funding, Construction and Operations Agreement ("FFCO") 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 Districts and to establish the relationship between and respective responsibilities of the District and the Financing Districts. The FFCO provides a framework for the equitable allocation over time among the Districts of the costs of administration of the Districts and the costs of financing, constructing, operating and maintaining the public improvements contemplated therein. As the Service District, the District is generally responsible for providing the financing, construction, operations and maintenance of certain primary public infrastructure to serve the entire service area. The FFCO provides a limitation on the issuance of indebtedness by the Districts in the amount of $450 million of total aggregate debt by all of the Districts. The FFCO is intended to constitute a multiple fiscal year financial obligation of the Districts, and as such, it was submitted to and approved by the electorates of each of the Districts prior to being executed. On March 24, 2009, each of the Jefferson Center Metropolitan District No. 1, Vauxmont Metropolitan District, Cimarron Metropolitan District, Canyon Pines Metropolitan District, and Mountain Shadows Metropolitan District elected to perform its own administrative services, effective January 1, 2008.

Canyon Pines Intergovernmental Cooperation Agreement

On November 1, 2010, the District and Canyon Pines Metropolitan District ("Canyon Pines MD") entered into that certain Intergovernmental Cooperation Agreement ("Canyon Pines IGA") which sets forth the obligations, rights and responsibilities of the District and Canyon Pines MD with respect to the financing, construction and acquisition of certain water tank improvements anticipated to facilitate the development of property within the District's service area, including the development of property within Canyon Pines MD. Specifically, pursuant to the Canyon Pines IGA, the District agrees to set aside certain funds or to cause the construction or acquisition of the water tank improvements in an amount not to exceed $5,250,000. In order to fund the construction and/or acquisition of the water tank improvements, the District agreed to deposit and hold in a segregated Water Tank Fund certain Capital Recovery Fees, Surplus Pledged Revenues, Tax Increment Revenue (all as defined in the Canyon Pines IGA), proceeds of third party bonds issued by the District, and/or funds advanced to the District specifically for construction or acquisition of the water tank. The availability of the Surplus Pledged Revenues under the Canyon Pines IGA is senior to the District's obligations to utilize such funds for reimbursement under the Cimarron Pledge Agreement and the 2010 Subordinate Bonds. The availability of the Tax Increment Revenues under the Canyon Pines IGA is subordinate to the District's obligations to use such funds for reimbursement under the MSMD Pledge Agreement, as amended by the Amended and Restated Pledge Agreement, but is senior to the District's obligations under the Cimarron Pledge Agreement and the 2010 Subordinate Bonds. The Cimarron Pledge Agreement was terminated as of June 11, 2005 and the 2010 Subordinate Bonds were redeemed and longer outstanding as of June 11, 2015. The Canyon Pines IGA is a multiple fiscal year obligation of the District.

Intergovernmental Restructuring Agreement

On June 11, 2015, District No. 1, the District, Vauxmont, and Cimarron Metropolitan District ("Cimarron") entered into that certain Intergovernmental Restructuring Agreement ("Restructure IGA") to acknowledge the issuance of the Bonds and the 2015E Note (by Vauxmont) 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 issued the Bonds and the 2015E Note in part to refinance and restructure certain outstanding debts of JCMD No. 1, the District, Vauxmont, and Cimarron, 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.

Amended and Restated Intergovernmental Agreement for the Jefferson Parkway
On July 23, 2015, the District, the City of Arvada (the "City"), JCMD No. 1, Cimarron Commercial LLC ("CCLLC") and the Jefferson Parkway Public Highway Authority (the "Authority") entered into that certain Amended and Restated Intergovernmental Agreement for the Jefferson Parkway (the "Amended Parkway IGA"). The Amended Parkway IGA amends and restates entirely that certain Intergovernmental Agreement dated April 7, 2008 between the District and the City and adds JCMD No. 1, CCLLC and the Authority as parties. The Amended Parkway IGA sets forth the terms and conditions of the design of the Jefferson Parkway as the same is located within the boundaries of the District and JCMD. 1, including, but not limited to, alignment and elevation, use of the property prior to construction of the Jefferson Parkway and utility crossings. It also sets forth the terms upon which certain land and easements will be transferred from CCLLC to the City to accommodate the Jefferson Parkway. The land and easements were transferred to the City in 2015.

Note 6: Other Agreements

Parkway Acquisition Agreement
On November 1, 2010, the District, JCMD No. 1 and CCLLC entered into that certain Acquisition Agreement (Jefferson Parkway Right of Way) ("Parkway Acquisition Agreement") whereby the parties set forth their understanding with respect to the obligations related to the conveyance of and reimbursement for conveyance of certain ROW property necessary for a beltway loop serving the Denver, Colorado metropolitan area, a highway commonly known as Jefferson Parkway. The Parkway Acquisition Agreement was amended on December 23, 2011 to grant TCC1, LLC the right to receive reimbursement for a portion of the Appraised Value of the ROW. The Districts have entered into that certain Capital Pledge Agreement (Jefferson Parkway), whereby the District agrees to transfer certain tax increment revenues to JCMD No. 1 in exchange for the promise of JCMD No. 1 to finance the acquisition of the ROW and payment on the Promissory Note (the "Pledge Agreement"). In addition, JCMD No. 1 adopted its Resolution Authorizing the Issuance of its Not to Exceed $11,762,000 Subordinate Nonrevolving Line of Credit Note, Series 2010A for the benefit of CCLLC whereby JCMD No. 1 pledges certain tax increment revenues and revenues from its debt service mill levy to finance the acquisition of the ROW and payment on the Promissory Note. In December 2011, $3,612,000 was included under this agreement.

Site Reservation Agreement – Artemis Properties, LLC

The District entered into a Site Reservation Agreement on March 28, 2006, and amended on September 30, 2008, with Artemis Properties, LLC ("Artemis") whereby the District has agreed to construct certain improvements in accordance with its service plan on certain property owned by Artemis (the "Property"). In consideration for the District's construction of the improvements, Artemis has agreed to waive its right to object to the District's determination of need for a portion of the Property to be utilized for construction of a substantially underground water tank and related public improvements.

The District shall pay Artemis fair market value of all property required for the water tank, including any necessary easements, rights-of-way, and appraisal costs.

The District has agreed that the Capital Recovery Fee imposed by the District on the property shall remain at $10,000 per single family equivalent regardless of any increase in the Capital Recovery Fee subsequent to the agreement.

The District has allocated 36 acre feet of Arvada water to serve the Property.

The first amendment to the agreement refines the definitions of the improvements and establishes a priority for construction of certain improvements.

Note 7: Related Party

All 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 by the Board.

Note 8: 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 November 2, 2004, the District's electors authorized the District to increase debt $450,000,000 for the purpose of entering into intergovernmental agreements.

Note 9: 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 10: 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; and

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

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; and

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.

SUPPLEMENTAL INFORMATION

JEFFERSON CENTER METROPOLITAN DISTRICT NO. 2

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
DEBT SERVICE FUND
For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Transfer from JCMD #1	$ 1,491,091	$ 1,429,976	$ (61,115)
Mt Shadows Northwest AURA Increment	248,245	221,731	(26,514)
Vauxmont Northwest AURA Increment	2,060,397	1,919,069	(141,328)
JCMD#1 Northwest AURA Increment	140,100	41,138	(98,962)
Reimbursed expenses - Canyon Pines	900,000	-	(900,000)
Total Revenues	4,839,833	3,611,914	(1,227,919)
EXPENDITURES			
Transferred to Cimarron Metro District - Cimarron Pledge	4,699,733	3,570,776	1,128,957
Transfer to JCMD #1	140,100	41,138	98,962
Total Expenditures	4,839,833	3,611,914	1,227,919
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE:			
BEGINNING OF YEAR	-	-	-
END OF YEAR	$ -	$ -	$ -

The notes to the financial statements are an integral part of these statements.

JEFFERSON CENTER METROPOLITAN DISTRICT NO. 2

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
CAPITAL PROJECTS FUND
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Mt Shadows Northwest AURA Increment	$ 179,764	$ 179,764	$ 170,210	$ (9,554)
Transfer from JCMD #1		-	62,319	62,319
AURA Arvada Fire Department	766,221	766,221	720,852	(45,369)
Interest income	-	-	10,696	10,696
Total Revenues	945,985	945,985	964,077	18,092
EXPENDITURES				
Engineering channelization Phase II	-	5,100	5,085	15
Capital improvements	191,362	-	-	-
Capital pledge agreement interest expense	-	663,900	663,838	62
Total Expenditures	191,362	669,000	668,923	77
NET CHANGE IN FUND BALANCE	754,623	276,985	295,154	18,169
FUND BALANCE:				
BEGINNING OF YEAR	4,297,867	4,233,868	4,233,868	-
END OF YEAR	$ 5,052,490	$ 4,510,853	$ 4,529,022	$ 18,169

The notes to the financial statements are an integral part of these statements.