VAUXMONT METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2017

with

Independent Auditor’s Report

Vauxmont Metropolitan District
Financial Statements
December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Vauxmont Metropolitan District (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 Vauxmont Metropolitan District, as of December 31, 2017, and the respective changes in financial position thereof and the budgetary comparisons for the general fund and Candelas Special Improvement (special revenue) fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Fiscal Focus Partners, LLC

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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 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.

Fiscal Focus Partners, LLC

Lakewood, Colorado
July 25, 2018

Vauxmont Metropolitan District

Management's Discussion and Analysis
December 31, 2017

As management of the Vauxmont 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, 2017.

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 and 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 the collection of property taxes and transfer of the revenue from these taxes to Cimarron Metropolitan District (Cimarron). A percentage of this revenue is pledged to Cimarron's bonded debt retirement and the balance is used for Cimarron's operations and maintenance expenses. The District also provides for trash removal services within the District including the collection of fees and contracting for trash removal services. Arvada Residential Partners, LLC charges a sustainability contribution, pursuant to the Candelas Sustainability Trust, upon issuance of a building permit and transfers these revenues to Candelas Special Improvement District No. 1 (a blended component unit). These fees are used for renewable energy rebates to builders 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 reports the following funds: General Fund, Capital Projects Fund, Debt Service Fund, Special Revenue Fund – Candelas Special Improvement District No. 1.

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.

Overview of Financial Statements (continued)

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.

Information is presented separately in the Governmental Funds Balance Sheet and in the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances for the General Fund, the Capital Projects Fund, the Debt Service Fund, and the Special Revenue Fund – Candelas Special Improvement District No. 1.

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 11 through 27 of this report.

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

Government-wide Financial Analysis. Currently, the District's primary sources of revenues are property taxes, pledged revenues and contributions from other Districts, sustainability fees, and trash collection revenues.

The following tables show the District's condensed Statement of Net Position and Condensed Statement of Activities for 2017 and 2016.

Vauxmont Metropolitan District - Net Position

	2017	2016
Assets		
Current and other assets	$ 7,486,486	$ 6,175,626
Property taxes receivable	3,619,261	2,005,027
Due from Cimarron Metropolitan District	259,680	279,751
Total assets	$ 11,365,427	$ 8,460,404
Liabilities		
Current and other liabilities	$ 14	$ 14
Due to Cimarron Metropolitan District	1,077,090	626,121
Series E Note payable	63,707,709	59,286,986
Bonds payable	59,683,741	61,125,806
Total liabilities	124,468,554	121,038,927
Deferred inflows of resources		
Deferred property taxes	3,619,261	2,005,027
Total deferred inflows of resources	3,619,261	2,005,027
Net Position		
Restricted for emergencies	21,690	17,921
Restricted for energy sustainability	2,484,347	1,868,902
Restricted for debt service	4,160,638	3,947,417
Unrestricted	(123,389,063)	(120,417,790)
Total net position	$ (116,722,388)	$ (114,583,550)

Overview of Financial Statements (continued)

Vauxmont Metropolitan District - Change in Net Position

	2017	2016
Revenues:		
General revenues	$ 2,910,060	$ 2,503,897
Charges for services	94,061	49,028
Operating and capital grants and contributions	14,451,238	9,454,090
Total Revenues	17,455,359	12,007,014
Expenses:		
General government	272,220	168,587
Debt service	8,945,752	8,096,687
Intergovernmental	10,376,225	20,058,955
Total Expenses	19,594,197	28,324,229
Change in Net Position	(2,138,838)	(16,317,215)
Net Position - Beginning	(114,583,550)	(98,266,335)
Net Position - Ending	$ (116,722,388)	$ (114,583,550)

The District's overall financial position, as measured by net position, decreased by $2,138,838 during 2017. Decrease in net position is primarily the result of interest expense on developer debt. Agreements with Cimarron Metropolitan District and the other Districts provide for revenue pledges to service the 2015 bonds. Developer contributions to fund capital activity in Cimarron are received by the District, become debt owed to the developer, and transferred to Cimarron.

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.

The District's combined fund balances increased $839,819 during 2017. Increase in fund balance is primarily the result of debt service funding and sustainability fees collected in excess of trusts residential improvement distributions in the Candelas Special Improvement District No. 1.

Economic Factors and Next Year's Financial Activity

Key financial factors for the District are the ability to levy, collect and remit property taxes to support Cimarron Metropolitan District's operations and debt service and to collect pledged revenues to service District bonded debt. The District continues to see increases in property tax revenues as a result of new home development in its service area. The Colorado housing market in general appears to be healthy with positive sales and property value trends. In the District's service area, there were 1,168 lots sold as of December 31, 2017 with a projected total build out of 1,899 lots by 2021. There were 772 cumulative home closings as of December 31, 2017 and a taxable assessed valuation of $46,767,129 projected to generate $2,585,193 in debt mill levy revenues on 55.278 mills assessed, and $1,034,068 in Operating and Maintenance mill levy revenues on 22.090 mills assessed in 2018. As a result of a multi-district refinancing agreement approved in 2015, the District receives revenues based on other district's property taxes which are pledged to service its bonded debt. Such re-assessment may impact the amount of increment tax revenue received from the Northwest Arvada Urban Renewal Area ("NWAURA") and the Jefferson Center Urban Renewal Area ("JCURA").

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 Capital Consultants Management Corporation, 400 E. Simpson St., Suite 200, Lafayette, CO 80026, Denise Hogenes (dhogenes@ccmcnet.com).

Vauxmont Metropolitan District
Governmental Funds Balance Sheet / Statement of Net Position
December 31, 2017

	General	Capital Projects	Debt Service	Candelas Special Improvement District No. 1 Special Revenue	Total	Adjustments	Statement of Net Position
Asset							
Current assets							
Cash and investments	$ 37,488	$ -	$ 434,281	$ -	$ 471,769	$ -	$ 471,769
Restricted cash and investments	-	-	3,530,060	2,434,347	5,964,407	-	5,964,407
Cash with county treasurer	4,224	-	10,561	-	14,785	-	14,785
Due from other districts	3,116	-	6,896	-	10,012	-	10,012
Property taxes receivable	1,034,068	-	2,585,193	-	3,619,261	-	3,619,261
Due from developer	-	1,025,513	-	-	1,025,513	-	1,025,513
Due from Cimarron Metropolitan District	-	-	208,680	51,000	259,680	-	259,680
Total assets	$ 1,078,896	$ 1,025,513	$ 6,775,671	$ 2,485,347	$ 11,365,427	$ -	$ 11,365,427
Liabilities							
Current liabilities							
Accounts payable	$ 14	$ -	$ -	$ -	$ 14	$ -	$ 14
Due to Cimarron Metropolitan District	20,737	1,025,513	29,840	1,000	1,077,090	-	1,077,090
Bonds payable-due within one year	-	-	-	-	-	2,050,000	2,050,000
Other long-term liabilities							
Accrued interest payable-Series E Note	-	-	-	-	-	9,632,709	9,632,709
Accrued interest payable-Bonds	-	-	-	-	-	343,741	343,741
Bonds payable-Series 2015A Senior Revenue Bonds	-	-	-	-	-	21,410,000	21,410,000
Bonds payable-Series 2015C Subordinate Bond	-	-	-	-	-	15,545,000	15,545,000
Bonds payable-Series 2015D Subordinate Bond	-	-	-	-	-	20,335,000	20,335,000
Notes payable-Series E Note	-	-	-	-	-	54,075,000	54,075,000
Total liabilities	20,751	1,025,513	29,840	1,000	1,077,104	123,391,450	124,468,554
Deferred inflows of resources							
Deferred revenue-property taxes	1,034,068	-	2,585,193	-	3,619,261	-	3,619,261
Total deferred inflows of resources	1,034,068	-	2,585,193	-	3,619,261	-	3,619,261
Total liabilities and deferred inflows of resources	1,054,819	1,025,513	2,615,033	1,000	4,696,365	123,391,450	128,087,815
Fund balance							
Restricted for							
Emergencies	21,690	-	-	-	21,690	(21,690)	
Debt service	-	-	4,160,638	-	4,160,638	(4,160,638)	
Energy sustainability	-	-	-	2,484,347	2,484,347	(2,484,347)	
Unassigned	2,387	-	-	-	2,387	(2,387)	
Total fund balances	24,077	-	4,160,638	2,484,347	6,669,062	(6,669,062)	
Total liabilities, deferred inflows of resources and fund balances	$ 1,078,896	$ 1,025,513	$ 6,775,671	$ 2,485,347	$ 11,365,427		
Net Position							
Restricted for							
Emergencies							21,690
Debt service							4,160,638
Energy sustainability							2,484,347
Unrestricted							(123,389,063)
Total net position							$ (116,722,388)

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

Vauxmont Metropolitan District
Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances/Statement of Activities
For the year ended December 31, 2017

	General	Capital Projects	Debt Service	Candelas Special Improvement District No. 1 Special Revenue	Total	Adjustments	Statement of Activities
Expenditures/expenses							
General government:							
Trust residential improvements distributions	$ -	$ -	$ -	$ 78,000	$ 78,000	$ -	$ 78,000
Trash collection expense	83,044	-	-	-	83,044	-	83,044
Accounting	-	-	-	6,000	6,000	-	6,000
Treasurer Fees	8,592	-	21,482	-	30,074	-	30,074
Bank and credit card fees	9	-	-	-	9	-	9
Trustee fees	-	-	2,500	-	2,500	-	2,500
Urban renewal fee	-	-	72,593	-	72,593	-	72,593
Debt service:							
Debt service interest-Series E Note	-	-	322,407	-	322,407	4,420,723	4,743,130
Debt service interest-Bonds	-	-	4,209,688	-	4,209,688	(7,066)	4,202,622
Debt service principal-Bonds	-	-	1,435,000	-	1,435,000	(1,435,000)	-
Intergovernmental:							
Payment to Cimarron Metro-developer advances	-	8,205,455		-	8,205,455	-	8,205,455
Payment to Cimarron Metro District-property taxes	620,189	-	1,550,581	-	2,170,770	-	2,170,770
Total expenditures/expenses	711,834	8,205,455	7,614,251	84,000	16,615,540	2,978,657	19,594,197
General revenues							
Interest income	145	-	9,625	445	10,215	-	10,215
District Mill Levy Base Revenue	64,289	-	160,735	-	225,024	-	225,024
Specific Ownership tax revenue	55,962	-	139,914	-	195,876	-	195,876
Sustainability fees	-	-	-	699,000	699,000	-	699,000
District Mill Levy Increment Revenue	508,530	-	1,271,415	-	1,779,945	-	1,779,945
Total general revenues	628,926	-	1,581,689	699,445	2,910,060	-	2,910,060
Program revenues							
Program revenues							
Trash Fees	94,061	-	-	-	94,061	-	94,061
Operating grants and contributions							
Contribution from Cimarron Metro-excess pledged revenues	-	-	2,601,940	-	2,601,940	-	2,601,940
Contribution from other districts-pledged revenues Series A Bonds	-	-	3,643,843	-	3,643,843	-	3,643,843
	94,061	-	6,245,783	-	6,339,844	-	6,339,844
Excess (deficiency) of revenues over expenditures	11,153	(8,205,455)	213,221	615,445	(7,365,636)	(2,978,657)	(10,344,293)
Other financing sources (uses)							-
Developer advance	-	8,205,455	-	-	8,205,455	-	8,205,455
Total other financing sources (uses)	-	8,205,455	-	-	8,205,455	-	8,205,455
Net change in fund balance/net position	11,153	-	213,221	615,445	839,819	(2,978,657)	(2,138,838)
Fund balance/net position - January 1, 2017	12,924	-	3,947,417	1,868,902	5,829,243	(120,412,793)	(114,583,550)
Fund balance/net position - December 31, 2017	$ 24,077	$ -	$ 4,160,638	$ 2,484,347	$ 6,669,062	$ (123,391,450)	$ (116,722,388)

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

Vauxmont Metropolitan District
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
General Fund
For the year ended December 31, 2017

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
Revenues				
Interest income	$ -	$ 145	$ 145	$ -
District Mill Levy Base Revenue	56,551	64,289	64,289	-
Specific Ownership tax revenue	45,829	55,962	55,962	-
District Mill Levy Increment Revenue	516,314	508,530	508,530	-
Trash Fees	84,420	94,061	94,061	-
Total revenues	703,114	722,987	722,987	-
Expenditures				
General government:				
Trash collection expense	84,420	83,044	83,044	-
Treasurer Fees	8,868	8,592	8,592	-
Bank and credit card fees	400	9	9	-
Intergovernmental payment-property tax	609,826	620,189	620,189	-
Total expenditures	703,514	711,834	711,834	-
Excess (deficiency) of revenues over expenditures	(400)	11,153	11,153	-
Fund balance - beginning of year	22,490	12,924	12,924	-
Fund balance - end of year	$ 22,090	$ 24,077	$ 24,077	$ -

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

Vauxmont Metropolitan District
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Candelas Special Improvement District No. 1 - Special Revenue Fund
For the year ended December 31, 2017

	Budget Original and Final	Actual	Variance Favorable (Unfavorable)
Revenues			
Interest income	$ 500	$ 445	$ (55)
Sustainability fees	540,000	699,000	159,000
Total revenues	540,500	699,445	158,945
Expenditures			
General government:			
Legal	6,000	-	6,000
Accounting and audit	6,000	6,000	-
Insurance	2,500	-	2,500
Miscellaneous	1,000	-	1,000
Administrative	5,000	-	5,000
Trust residential improvements distributions	101,400	78,000	23,400
Total expenditures	121,900	84,000	37,900
Excess (deficiency) of revenues over expenditures	418,600	615,445	196,845
Fund balance - beginning of year	1,868,935	1,868,902	(33)
Fund balance - end of year	$ 2,287,535	$ 2,484,347	$ 196,812

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

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Vauxmont Metropolitan District (the "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 No. 1 ("JCMD No. 1"), Jefferson Center Metropolitan District No. 2 ("JCMD No. 2"), Cimarron Metropolitan District ("Cimarron"), 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 District was 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. The District's primary revenues are property taxes. 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 Generally Accepted Accounting Principles (GAAP), these financial statements present the activities of the District and its blended component unit, Candelas Special Improvement District No. 1, which together are legally separate and financially independent of other state and local governments.

In 2010, the District formed Candelas Special Improvement District No. 1 (Candelas) to encourage, accommodate and provide financing for renewable energy improvements on properties within the District and pursuant to the Districts service plan. Candelas is being presented as a blended component unit because it was established for the benefit of the District's constituents.

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

The District is not financially accountable for any other organization.

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, 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.

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 property taxes and sustainability fees. Expenditures are recorded when the liability is incurred.

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.

Special Revenue Fund Candelas Special Improvement District No. 1 – is used to account for accumulation of resources to be used to provide financing for renewable energy improvements to District properties. Revenues reported in this fund are sustainability fees.

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, 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

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.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations by the County Assessor generally as of January1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The property tax revenues are recorded as revenue in the year they are available or collected.

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.

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 or inventory) or legally or contractually required to maintained intact.

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 $21,690 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund represents amounts restricted for debt service. A total of $4,160,638 has been restricted for this purpose.

The restricted fund balance in the Special Revenue Fund represents amounts restricted for the financing of renewable and energy efficiency improvements within the District. A total of $2,484,347 has been restricted for this purpose.

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.

Unassigned Fund Balance

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

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 follows the following time table in approving and enacting a budget for the ensuing years:

i. For the 2017 budget year, prior to August 25, 2016, the County Assessor sent to the District the certified assessed valuation of all taxable property within the District's boundaries. The County Assessor may change the assessed valuation on or before December 10, only once by a single notification to the District.

ii. In the fall of each year, the District accountant submits 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.

iii. A public hearing on the proposed budget and capital program is held.

iv. Prior to December 15, 2016, the District computed and certified to the Directors of Vauxmont Metropolitan District the rate of levy that derived the necessary property taxes as computed in the proposed 2017 budget.

v. For the 2017 budget, the final budget and appropriating resolution was adopted prior to December 31, 2016.

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.

In July, 2018, the District amended its appropriation in the General Fund from $703,514 to $711,834 for property tax transfers in excess of those anticipated. In November, 2017, the District also amended its appropriation in the Debt Service Fund from $7,472,109 to $33,000,000 in anticipation of an intergovernmental transfer to Cimarron Metropolitan District from the proceeds of a refunding note.

Note 2: Cash and Investments

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

Statement of net position:	
Cash and investments	$ 471,769
Restricted cash and investments	5,964,407
Total cash and investments	$ 6,436,176

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

Deposits with financial institutions	$ 6,434,100

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, 2017, the District's cash deposits had a carrying value of $6,434,100 and a bank balance of $6,433,973. Deposits are in a checking account of which $750,000 is covered by Federal depository insurance and the balance of $5,683,973 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.

Debt service funds that are included in the trust accounts at U.S. bank are invested in the First American Government Fund. This portfolio is a money market mutual fund which invests in U.S. government securities and repurchase agreements at more than100%. The fund meets the Colorado statutes for allowable investments. The First American Government Obligation Fund is rated AAAm by Standard and Poor's. At December 31, 2017, the District had $2,073 of its funds invested in First American.

Fair Value Measurement and Application

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.

Note 3: Long Term Debt

$24,250,000 Refunding Revenue Bonds, Series 2015A

On June 11, 2015, the District issued its Refunding Revenue Bonds, Series 2015A ("Series 2015A Bonds") in the initial principal amount of $24,250,000 for the purpose of (a) refunding certain bonds previously issued by the District, Jefferson Center Metropolitan District No. 2 ("District No. 2") and Cimarron to finance public infrastructure installed within and for the benefit of constituents of the District, (b) funding a Series 2015A Reserve Fund, and (c) paying costs of issuance of the Bonds (defined below). The Series 2015A Bonds bear interest at 5.5% per annum payable to the extent of certain Series 2015A Pledged Revenue (defined below) available semiannually on each June 1 and December 1 commencing on December 1, 2015, and fully maturing on December 1, 2035. If the Series 2015A Bonds remain outstanding on December 2, 2022, the Series 2015A Bonds shall bear interest at the rate of 7.0% per annum unless on or prior to December 2, 2022 such interest rate is waived in writing by certain consent parties with respect to 100% of the Series 2015A Bonds, in which case, the Series 2015A Bonds will continue to bear interest at the rate of 5.5% per annum.

The Series 2015A Bonds are a special limited revenue obligation of the District payable from certain "Series 2015A Pledged Revenue". The Series 2015A Pledged Revenue is defined in the documents governing issuance of the Series 2015A Bonds as certain property tax increment and fee revenues pledged to the District pursuant to the Pledge and Assignment Agreement with District No. 2 (described below). Specifically, the Series 2015A Pledged Revenue includes certain incremental property tax revenue received by District No. 2 from the Arvada Urban Renewal Authority ("AURA") pursuant to the Master Redevelopment Agreement among District No. 2, AURA and the City ("MRA") as specifically defined in the Indenture governing issuance of the Series 2015A Bonds.

The documents governing the Series 2015A Bonds indicate the Series 2015A Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2020 or any date thereafter, upon payment of the principal amount so redeemed plus accrued interest to the date of redemption, with any applicable redemption premium.

$16,600,000 Subordinate Refunding Revenue Bonds, Series 2015C

On June 11, 2015, the District issued its Subordinate Refunding Revenue Bonds, Series 2015C ("Series 2015C Bonds") in the initial principal amount of $16,600,000 for the purpose of (a) refunding certain bonds previously issued by Cimarron to finance public infrastructure installed within and for the benefit of constituents of the District, and (b) funding a Series 2015C Reserve Fund. The Series 2015C Bonds bear interest at 7.65% per annum payable annually to the extent of the Subordinate Pledged Revenue (defined below) on each December 1 commencing on December 1, 2015, and fully mature on December 1, 2035.

The Series 2015C Bonds are a special limited revenue obligation of the District payable from certain "Subordinate Pledged Revenue". The Subordinate Pledged Revenue is defined in the documents governing issuance of the Series 2015C Bonds as "Excess Series 2015A Pledged Revenue," "Excess Cimarron Pledged Revenue," and revenues generated from the imposition and collection of certain Facility Fees not otherwise pledged to Cimarron's bonds.

The documents governing the Series 2015C Bonds indicate the Series 2015C Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2020 or any date thereafter, upon payment of the principal amount so redeemed plus accrued interest to the date of redemption, with any applicable redemption premium.

$20,600,000 Subordinate Refunding Revenue Bonds, Series 2015D

On June 11, 2015, the District issued its Subordinate Refunding Revenue Bonds, Series 2015D ("Series 2015D Bonds" and, collectively with the Series 2015A Bonds, the Series 2015B Bonds, and the Series 2015C Bonds, the "Bonds") in the initial principal amount of $20,600,000 for the purpose of (a) refunding certain bonds previously issued by Cimarron to finance public infrastructure installed within and for the benefit of constituents of the District, and (b) funding capitalized interest on the Series 2015D Bonds. The Series 2015D Bonds bear interest at 8.0% per annum payable to the extent of the Subordinate Pledged Revenue available therefore annually on December 1 commencing on December 1, 2015, and fully mature on December 1, 2035.

The Series 2015D Bonds are a special limited revenue obligation of the District payable on a subordinate basis to the Series 2015C Bonds from the Subordinate Pledged Revenue. The documents governing the Series 2015D Bonds indicate the Series 2015D Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2020 or any date thereafter, upon payment of the principal amount so redeemed plus accrued interest to the date of redemption, with any applicable redemption premium.

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

	Balance Jan 1, 2017	Changes Additions	Changes Retirements	Balance Dec 31, 2017	Current Portion
Series 2015A Bonds	$ 23,800,000	$ -	$ (1,170,000)	$ 22,630,000	$ 1,220,000
Series 2015C Bonds	16,375,000	-	(215,000)	16,160,000	615,000
Series 2015D Bonds	20,600,000	-	(50,000)	20,550,000	215,000
	$ 60,775,000	$ -	$ (1,435,000)	$ 59,340,000	$ 2,050,000

The following is a summary of annual and long-term debt principal and interest requirements for the Series 2015 Bonds:

	Series 2015A Principal	Series 2015A Interest	Series 2015A Total	Series 2015C Principal	Series 2015C Interest	Series 2015C Total
2018	$ 1,220,000	$ 1,244,650	$ 2,464,650	$ 615,000	$ 1,236,240	$ 1,851,240
2019	1,260,000	1,177,550	2,437,550	815,000	1,189,193	2,004,193
2020	1,320,000	1,108,250	2,428,250	815,000	1,126,845	1,941,845
2021	1,360,000	1,035,650	2,395,650	825,000	1,064,498	1,889,498
2022	1,160,000	1,222,900	2,382,900	850,000	1,001,385	1,851,385
2023-2027	6,860,000	4,804,100	11,664,100	4,625,000	3,993,300	8,618,300
2028-2032	5,680,000	2,461,200	8,141,200	5,025,000	2,126,700	7,151,700
2033-2035	3,770,000	521,500	4,291,500	2,590,000	384,030	2,974,030
	$ 22,630,000	$ 13,575,800	$ 36,205,800	$ 16,160,000	$ 12,122,190	$ 28,282,190

	Series 2015D Principal	Series 2015D Interest	Series 2015D Total	Total-Series 2015 Principal	Total-Series 2015 Interest	Total-Series 2015 Total
2018	$ 215,000	$ 1,644,000	$ 1,859,000	$ 2,050,000	$ 4,124,890	$ 6,174,890
2019	350,000	1,626,800	1,976,800	2,425,000	3,993,543	6,418,543
2020	375,000	1,598,800	1,973,800	2,510,000	3,833,895	6,343,895
2021	400,000	1,568,800	1,968,800	2,585,000	3,668,948	6,253,948
2022	425,000	1,536,800	1,961,800	2,435,000	3,761,085	6,196,085
2023-2027	7,850,000	6,437,200	14,287,200	19,335,000	15,234,600	34,569,600
2028-2032	8,845,000	2,771,600	11,616,600	19,550,000	7,359,500	26,909,500
2033-2035	2,090,000	248,400	2,338,400	8,450,000	1,153,930	9,603,930
	$ 20,550,000	$ 17,432,401	$ 37,982,401	$ 59,340,000	$ 43,130,391	$102,470,391

$54,075,000 Nonrevolving Line of Credit Taxable Note, Series 2015E

On June 11, 2015, the District issued its Nonrevolving Line of Credit Taxable Note, Series 2015E in an amount not to exceed $54,075,000 ("Series 2015E Note"). Repayment of the Series 2015E Note is secured by the Series 2015A Pledged Revenue and the Subordinate Pledged Revenue (both discussed above) on a basis subordinate to the Bonds.

The following is an analysis of changes in these advances for the period ending December 31, 2017:

	Balance	Changes		Balance
	Jan 1, 2017	Additions	Retirements	Dec 31, 2017
Series E Note-principal	$ 54,075,000	$ -	$ -	$ 54,075,000
Series E Note-accrued interest	5,211,986	4,743,130	(322,407)	9,632,709
	$ 59,286,986	$ 4,743,130	$ (322,407)	$ 63,707,709

The Series 2015E Note is a special limited revenue obligation of the District payable on a subordinate basis to the Bonds from the Subordinate Pledged Revenue. The documents governing the Series 2015E Note indicates the Series 2015E Note is subject to redemption prior to maturity, at the option of the District, on any date, upon payment of par and accrued interest, without redemption premium.

Authorized Debt

As of December 31, 2017, as a result of the District's outstanding 2015 issuances, the District had remaining voted authorized but unissued debt for infrastructure financing of approximately $3,484,475,000. In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for the 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, Cimarron and the District are collectively limited to the issuance of debt in the maximum principal amount of $138,525,000.

Note 4: Agreements

Candelas Sustainability Trust

The Candelas Sustainability Trust (the "Trust") was established by the District, Arvada Residential Partners, LLC ("ARP"), and the Candelas Special Improvement District No. 1 ("Candelas") pursuant to that certain Declaration of Trust dated June 28, 2011. The development the Trust serves is located within the boundaries of the District. Pursuant to the Declaration of Trust, ARP shall charge each Homebuilder a Sustainability Contribution for the purpose of funding qualified residential improvement systems, qualified community-wide sustainability programs, scholarships, general education, administrative expenses and other uses within the community. The Sustainability Contribution is due and payable when a Homebuilder obtains a building permit. Candelas, as Trustee, shall maintain a record of each Sustainability Contribution that is associated with each lot. Distributions for qualified residential improvement systems may be made to homebuilders or home owners and are limited to one payment per residential lot. Ten years after the sale of the last lot in the development, the Trustee shall transfer the remaining funds in the Trust to the District for the benefit of the development.

Agreement Regarding Collection of Fees

On February 28, 2012, the District, Cimarron, ARP, and Candelas entered into the Agreement Regarding Collection of Fees, whereby the parties agreed that, for increased efficiency and ease of administration, Cimarron would collect the Capital Fees, the Sustainability Contribution, and the Design Review Fees (all as defined in the Agreement). On September 25, 2012, the agreement was amended to include collection of Trash and Recycling Fees (defined in the Agreement) as well.

Facilities Funding, Construction and Operation Agreement-Cimarron/Vauxmont

On October 25, 2012, the District entered into a Facilities Funding, Construction and Operations Agreement with Cimarron. This agreement terminates and replaces the Memorandum of Understanding with Vauxmont dated February 24, 2009 (effective January 1, 2009), (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"). Pursuant to the Cimarron FFCOA, Cimarron will own, operate, maintain and construct (including funding thereof) certain public improvements and the District will contribute to the costs of construction, operation, and maintenance of such public improvements. Cimarron is obligated to pay the costs of providing such services from revenues generated from the District's operation and maintenance mill levy. The Cimarron FFCOA also acknowledges the District's and Cimarron's current and potential future issuances of debt for the purpose of funding capital costs associated with public improvements and provides that the District's obligation with respect to payment of such costs will be set forth in one or more pledge agreements, including the VXMD Pledge Agreement (defined below) and others in the future.

Amended and Restated Capital Pledge Agreement – Cimarron/Vauxmont

On October 25, 2012, the District entered into an Amended and Restated Capital Pledge Agreement with Cimarron ("Original VXMD Pledge Agreement") which replaced and superseded the Capital Pledge Agreement between the District and Cimarron dated November 1, 2010. Pursuant to the Original VXMD Pledge Agreement, the District 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). The Original VXMD Pledge Agreement was amended by a First Amendment dated June 11, 2015 (collectively, the Original VXMD Pledge Agreement and the First Amendment are the "VXMD Pledge Agreement"). Pursuant to the VXMD Pledge Agreement, as amended, the parties acknowledge the District's refunding of the Cimarron's Series 2012 Subordinate Note and the District's issuance of the Bonds.

For repayment of the Series 2012 Bonds, the District is obligated to impose and remit to Cimarron revenues generated by a Senior Capital Levy (as defined in the VXMD Pledge Agreement) of the District 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 Senior Capital Levy may be imposed in an amount necessary to make such payment without limitation as to rate.

For repayment of the Subordinate Bonds (as defined in the VXMD Pledge Agreement and including the Series 2015A Bonds, the Series 2015C Bonds, the Series 2015D Bonds and the Series 2015E Note), the District is obligated to impose a Subordinate Capital Levy (defined in the VXMD Pledge Agreement) of the District of no less than 50 mills, less the mill levy imposed under the Senior Capital Levy; provided, however, that such mill levy may be adjusted in the event of legislative changes affecting the method of calculating assessed value.

The Amended VXMD Pledge Agreement will terminate when all of the debt obligations permitted to be issued by the District have been defeased.

<u>Amended and Restated Capital Pledge Agreement and Assignment Agreement</u>

On June 11, 2015, the District entered into an Amended and Restated Capital Pledge Agreement and Assignment Agreement with District No. 1, District No. 2 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 District No. 1 and District No. 2. Pursuant to the Pledge and Assignment Agreement, the parties recognize the District's issuance of the Bonds and agree to pledge certain revenues to support the repayment thereof.

Specifically, pursuant to the Pledge and Assignment Agreement, District No. 2 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 District No. 2 from AURA pursuant to the MRA.

Also in accordance with the Pledge and Assignment Agreement, District No. 2 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 District 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, District No. 2 pledges certain Impact Fees received by District No. 2 pursuant to a Resolution of District No. 2 adopted on December 20, 2005 to the repayment of the Series 2015A Bonds.

Intergovernmental Restructuring Agreement

On June 11, 2015, the District, District No. 1, District No. 2 and Cimarron entered into that certain Intergovernmental Restructuring Agreement ("Restructure IGA") to acknowledge the issuance of the Bonds and the 2015E Note 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 (defined below) ("Service Area"). The Restructure IGA acknowledges the District issued the Bonds and the 2015E Note in part to refinance and restructure certain outstanding debts of District No. 1, District No. 2, the District 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 Facilities Funding and Acquisition Agreement

On October 11, 2012, Cimarron 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 the 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 Bonds and Series 2015D Bonds, and (2) any Advances made after June 11, 2015 are to be applied to and accrue under the Series 2015E Note. Per the Restated FFAA, the Developer is obligated to advance funds to Cimarron for the payment of construction related expenses and/or for Cimarron'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 Cimarron 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, Cimarron shall prepare and provide to Developer a proposed budget for the forthcoming budget year which shall include all reasonably anticipated Developer Advances. Cimarron 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 Cimarron's accountant and engineer.

Interest shall accrue on construction related expenses from the date of deposit of the Advance into Cimarron'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 Cimarron 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 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, 2017 carried a total balance of $63,707,709 of which $54,075,000 was principal and $9,632,709 was interest.

Amended and Restated Facilities Funding, Construction and Operations Agreement
District No. 1, District No. 2, the District, Cimarron, Canyon Pines Metropolitan District and Mountain Shadows Metropolitan District (collectively the "Jefferson Center Districts") 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, District No. 2, and the other Financing Districts (as defined 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. District 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 District 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.

Note 5: Related Party

All but one of the members of the Board of Directors are employees, owners or are otherwise associated with the entities involved in the development 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.

Note 6: 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 7: 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 8: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

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

1) 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 element:

1) governmental funds report principal payments on debt as expenses, however, they are recorded as a reduction in debt on the Statement of Activities.

SUPPLEMENTAL INFORMATION

Vauxmont Metropolitan District
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Capital Projects Fund
For the year ended December 31, 2017

	Budget Original and Final	Actual	Variance Favorable (Unfavorable)
Expenditures			
Payments to Cimarron Metropolitan District	$ 12,007,202	$ 8,205,455	$ 3,801,747
Total expenditures	12,007,202	8,205,455	3,801,747
Excess (deficiency) of revenues over expenditures	12,007,202	8,205,455	3,801,747
Other financing sources (uses)			
Developer advance	12,007,202	8,205,455	(3,801,747)
Total other financing sources (uses)	12,007,202	8,205,455	(3,801,747)
Net change in fund balance	-	-	-
Fund balance - beginning of year	-	-	-
Fund balance - end of year	$ -	$ -	$ -

Vauxmont Metropolitan District
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Debt Service Fund
For the year ended December 31, 2017

	Budget			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Revenues				
Interest income	$ 2,000	$ 8,000	$ 9,625	$ 1,625
District Mill Levy Base Revenue	141,376	141,376	160,735	19,359
Specific Ownership tax revenue	114,573	114,573	139,914	25,341
District Mill Levy Increment Revenue	1,290,786	1,290,786	1,271,415	(19,371)
Operating grants and contributions:				
Contributions from Cimarron Metro-excess pledged revenues	1,993,885	5,491,615	2,601,940	(2,889,675)
Contributions from other districts-pledged revenues	3,931,489	3,643,843	3,643,843	-
Contributions from Cimarron Metro-debt trust funds	-	3,456,000	-	(3,456,000)
Series 2017 note proceeds	-	22,123,000	-	(22,123,000)
Total revenues	7,474,109	36,269,193	7,827,472	(28,441,721)
Expenditures				
General government:				
Treasurer Fees	22,170	22,170	21,482	688
Trustee fees	3,500	3,500	2,500	1,000
Urban renewal fee	75,000	72,593	72,593	-
Debt service:				-
Debt service interest-Series E note	202,186	202,186	322,407	(120,221)
Debt service interest-bonds	4,209,688	4,209,688	4,209,688	-
Debt service principal-bonds	1,435,000	1,435,000	1,435,000	-
Cost of debt issuance	-	554,345	-	554,345
Intergovernmental:				
Payment to Cimarron Metro District-property taxes	1,524,565	1,524,565	1,550,581	(26,016)
Payment to Cimarron Metro District-debt defeasance	-	24,975,953	-	24,975,953
Total expenditures	7,472,109	33,000,000	7,614,251	25,385,749
Net change in fund balance	2,000	3,269,193	213,221	(3,055,972)
Fund balance - beginning of year	4,238,973	3,947,417	3,947,417	-
Fund balance - end of year	$ 4,240,973	$ 7,216,610	$ 4,160,638	$ (3,055,972)