

TOWN CENTER METROPOLITAN DISTRICT
City and County of Denver, Colorado

FINANCIAL STATEMENTS
December 31, 2017

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Office of the State Auditor

October 1, 2018

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet - Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) - Governmental Funds	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) of Governmental Funds to the Statement of Activities	5
General Fund - Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	6
Special Revenue Fund - Subdistrict No. 1 - Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) - Budget and Actual.....	7
Special Revenue Fund - Subdistrict No. 2 - Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual.....	8
Notes to Financial Statements	9
SUPPLEMENTARY INFORMATION	29
Capital Projects Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	30
Capital Replacement Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	31
Schedule of Assessed Valuation, Mill Levy and Property Taxes Collected.....	32

Board of Directors
Town Center Metropolitan District
City and County of Denver, Colorado

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town Center Metropolitan 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 of 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 the Town Center Metropolitan District as of December 31, 2017, and the respective changes in financial position and the respective budgetary comparison for the General Fund and Special Revenue Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

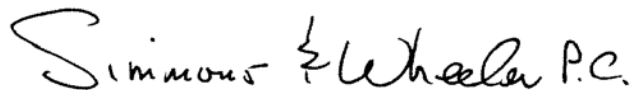
Required Supplementary Information

Management has omitted the 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 operational, 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 Town Center Metropolitan District's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of 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. 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.

Handwritten signature in cursive script that reads "Simmons & Wheeler P.C."

Englewood, CO
October 1, 2018

BASIC FINANCIAL STATEMENTS

**TOWN CENTER METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2017**

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 3,477,086
Cash and investments - Restricted	10,852,315
Receivable from Ebert Metropolitan District	87
Prepaid expenses	20,989
Receivable from County Treasurer	2,268
Property taxes receivable	676,435
Other receivables	212,896
Capital assets:	
Capital assets not being depreciated	13,470,748
Capital assets, net of depreciation	<u>15,109,061</u>
Total assets	<u><u>43,821,885</u></u>
LIABILITIES	
Accounts payable	515,646
Retainage payable	3,348
Due to customers	330
Total liabilities	<u><u>519,324</u></u>
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	<u>676,435</u>
Total deferred inflows of resources	<u><u>676,435</u></u>
NET POSITION	
Net investment in capital assets	28,479,797
Restricted for:	
Emergencies (TABOR)	50,700
Capital projects	10,801,615
Unrestricted	<u>3,294,014</u>
Total net position	<u><u>\$ 42,626,126</u></u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**TOWN CENTER METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 3,758,525	\$ 131,762	\$ 1,843,578	\$ 2,138,997	\$ 355,812
Debt forgiveness	-	-	624,550	-	624,550
Public works - Dedication of capital assets to other governments	1,841,836	-	-	-	(1,841,836)
	<u>\$ 5,600,361</u>	<u>\$ 131,762</u>	<u>\$ 2,468,128</u>	<u>\$ 2,138,997</u>	<u>(861,474)</u>
General revenues:					
Property taxes					431,702
Specific ownership taxes					32,594
Net investment income					161,691
Transfer fees					603,019
Other revenue					41,285
Total general revenues					<u>1,270,291</u>
Change in net position					408,817
Net position - Beginning					42,217,309
Net position - Ending					<u>\$ 42,626,126</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**TOWN CENTER METROPOLITAN DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2017**

	General	Special Revenue		Capital Projects	Capital Replacement	Total Governmental Funds
		Subdistrict No. 1	Subdistrict No. 2			
ASSETS						
Cash and investments	\$ 258,026	\$ 58,816	\$ 36,298	\$ 3,123,946	\$ -	\$ 3,477,086
Cash and investments - Restricted	23,200	12,700	14,800	10,478,390	323,225	10,852,315
Due from other funds	1,885	31,000	-	-	-	32,885
Receivable from Ebert Metropolitan District	-	-	-	-	87	87
Other receivables	181,850	-	20,826	10,220	-	212,896
Prepaid expenses	18,433	2,495	-	61	-	20,989
Receivable from County Treasurer	179	1,313	776	-	-	2,268
Property taxes receivable	30,026	350,073	296,336	-	-	676,435
Total assets	<u>\$ 513,599</u>	<u>\$ 456,397</u>	<u>\$ 369,036</u>	<u>\$ 13,612,617</u>	<u>\$ 323,312</u>	<u>\$ 15,274,961</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)						
LIABILITIES						
Accounts payable	\$ 298,544	\$ 125,356	\$ 32,414	\$ 59,332	\$ -	\$ 515,646
Retainage payable	-	-	-	3,348	-	3,348
Due to other funds	-	1,885	31,000	-	-	32,885
Due to customers	-	-	330	-	-	330
Total liabilities	<u>298,544</u>	<u>127,241</u>	<u>63,744</u>	<u>62,680</u>	<u>-</u>	<u>552,209</u>
DEFERRED INFLOWS OF RESOURCES						
Property tax revenue	30,026	350,073	296,336	-	-	676,435
Total deferred inflows of resources	<u>30,026</u>	<u>350,073</u>	<u>296,336</u>	<u>-</u>	<u>-</u>	<u>676,435</u>
FUND BALANCES (DEFICITS)						
Nonspendable:						
Prepaid expenses	18,433	2,495	-	61	-	20,989
Restricted for:						
Emergencies (TABOR)	23,200	12,700	14,800	-	-	50,700
Capital projects	-	-	-	10,478,390	-	10,478,390
Committed:						
Capital projects	-	-	-	3,071,486	-	3,071,486
Assigned to:						
Capital replacement	-	-	-	-	323,312	323,312
Unassigned:						
General government	143,396	-	-	-	-	143,396
Subdistrict - special revenues	-	(36,112)	(5,844)	-	-	(41,956)
Total fund balances (deficits)	<u>185,029</u>	<u>(20,917)</u>	<u>8,956</u>	<u>13,549,937</u>	<u>323,312</u>	<u>14,046,317</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	<u>\$ 513,599</u>	<u>\$ 456,397</u>	<u>\$ 369,036</u>	<u>\$ 13,612,617</u>	<u>\$ 323,312</u>	

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

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the funds

28,579,809

Net position of governmental activities

\$ 42,626,126

These financial statements should be read only in connection with
the accompanying notes to financial statements.

TOWN CENTER METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
Year Ended December 31, 2017

	General	Special Revenue		Capital Projects	Capital Replacement	Total Governmental Funds
		Sub-District No. 1	Sub-District No. 2			
REVENUES						
Property taxes	\$ 30,240	\$ 250,415	\$ 151,047	\$ -	\$ -	\$ 431,702
Specific ownership taxes	2,573	18,870	11,151	-	-	32,594
Net investment income	3,500	581	356	154,493	2,761	161,691
Ebert conservation trust fund revenue	-	58,347	-	5,529	-	63,876
Ebert capital revenue	-	-	-	-	164,011	164,011
Ebert services revenue	1,405,000	-	-	-	-	1,405,000
Landscape escrow forfeits	81,855	-	-	-	-	81,855
Reimbursed expenditures	13,845	-	-	-	-	13,845
System development fees	-	-	-	1,911,110	-	1,911,110
Transfer fees	603,019	-	-	-	-	603,019
Water fees	-	-	131,762	-	-	131,762
Z Place rent	17,223	-	-	-	-	17,223
Other revenue	19,106	7,534	800	-	-	27,440
Total revenues	2,176,361	335,747	295,116	2,071,132	166,772	5,045,128
EXPENDITURES						
General government						
Accounting	142,107	19,675	31,520	516	-	193,818
Audit	8,100	-	-	-	-	8,100
Bank fees	844	-	-	-	-	844
County Treasurer's fees	311	2,505	1,511	-	-	4,327
Directors' fees	1,000	-	-	-	-	1,000
District management	139,450	56,073	35,640	-	-	231,163
Dues and licenses	2,475	400	-	-	-	2,875
Insurance and bonds	19,825	-	-	-	-	19,825
Legal	43,792	-	-	902	-	44,694
Miscellaneous	6,000	106	306	-	-	6,412
Payroll taxes	77	-	-	-	-	77
Transfer fees	603,019	-	-	-	-	603,019
Water billing	-	-	152,585	-	-	152,585
Operations and maintenance						
Administrative management/architectural control	189,765	-	-	-	-	189,765
Clubhouse management	-	133,960	-	-	-	133,960
Clubhouse operations and maintenance	-	58,332	-	-	-	58,332
Construction management	-	-	-	6,877	-	6,877
FV Clubhouse events	-	47,502	-	-	-	47,502
Landscape escrow refunds	16,000	-	-	-	-	16,000
Landscape maintenance	592,814	12,897	173,208	-	-	778,919
Pool maintenance	-	10,517	-	-	-	10,517
Repairs and maintenance	113,493	20,437	2,617	-	-	136,547
Snow removal	-	-	43,912	-	-	43,912
Tree replacement	67,432	-	9,452	-	-	76,884
Utilities - Electric	87,930	29,430	433	-	-	117,793
Utilities - Storm drainage	3,093	1,148	-	-	-	4,241
Utilities - Water	133,416	1,229	15,208	-	-	149,853
Z Place operations and maintenance	18,916	-	-	-	-	18,916
Capital outlay	-	79,946	-	3,820,809	-	3,900,755
Total expenditures	2,189,859	474,157	466,392	3,829,104	-	6,959,512
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(13,498)	(138,410)	(171,276)	(1,757,972)	166,772	(1,914,384)
OTHER FINANCING SOURCES (USES)						
Developer contribution	-	143,000	196,500	-	-	339,500
Total other financing sources (uses)	-	143,000	196,500	-	-	339,500
NET CHANGE IN FUND BALANCES	(13,498)	4,590	25,224	(1,757,972)	166,772	(1,574,884)
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	198,527	(25,507)	(16,268)	15,307,909	156,540	15,621,201
FUND BALANCES (DEFICITS) - END OF YEAR	\$ 185,029	\$ (20,917)	\$ 8,956	\$13,549,937	\$ 323,312	\$ 14,046,317

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**TOWN CENTER METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICITS) OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2017**

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

Net changes in fund balances - Total governmental funds	\$ (1,574,884)
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Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the net capital outlay activity for the year:

Capital outlay	3,900,755
Depreciation	(699,768)
Dedication of capital assets to other governments	(1,841,836)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt is as follows:

Developer advance forgiveness	624,550
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Change in net position of governmental activities	\$ 408,817
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These financial statements should be read only in connection with
the accompanying notes to financial statements.

**TOWN CENTER METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2017**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 30,240	\$ 30,240	\$ 30,240	\$ -
Specific ownership taxes	2,120	2,500	2,573	73
Net investment income	240	3,200	3,500	300
Ebert services revenue	1,428,000	1,405,000	1,405,000	-
Landscape escrow forfeits	5,000	33,000	81,855	48,855
Reimbursed expenditures	-	13,845	13,845	-
Transfer fees	400,000	605,400	603,019	(2,381)
Z Place rent	120,000	20,000	17,223	(2,777)
Other revenue	10,000	10,000	19,106	9,106
Total revenues	<u>1,995,600</u>	<u>2,123,185</u>	<u>2,176,361</u>	<u>53,176</u>
EXPENDITURES				
General government				
Accounting	100,000	142,500	142,107	393
Audit	8,000	8,100	8,100	-
Bank fees	600	600	844	(244)
County Treasurer's fees	300	300	311	(11)
Directors' fees	2,000	1,000	1,000	-
District management	135,000	148,000	139,450	8,550
Dues and licenses	3,000	2,475	2,475	-
Insurance and bonds	18,000	19,825	19,825	-
Legal	75,000	43,500	43,792	(292)
Miscellaneous	1,000	6,000	6,000	-
Payroll taxes	153	77	77	-
Transfer fees	400,000	605,400	603,019	2,381
Contingency	11,947	6,123	-	6,123
Operations and maintenance				
Administrative management/architectural control	160,000	190,000	189,765	235
Fence repairs	20,000	20,000	-	20,000
Landscape escrow refunds	5,000	16,500	16,000	500
Landscape maintenance	450,000	627,000	592,814	34,186
Repairs and maintenance	150,000	150,000	113,493	36,507
Tree replacement	100,000	67,500	67,432	68
Utilities - Electric	80,000	88,000	87,930	70
Utilities - Storm drainage	5,000	3,100	3,093	7
Utilities - Water	150,000	134,000	133,416	584
Z Place operations and maintenance	120,000	20,000	18,916	1,084
Total expenditures	<u>1,995,000</u>	<u>2,300,000</u>	<u>2,189,859</u>	<u>110,141</u>
NET CHANGE IN FUND BALANCES	600	(176,815)	(13,498)	163,317
FUND BALANCES - BEGINNING OF YEAR	<u>47,877</u>	<u>198,527</u>	<u>198,527</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 48,477</u>	<u>\$ 21,712</u>	<u>\$ 185,029</u>	<u>\$ 163,317</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**TOWN CENTER METROPOLITAN DISTRICT
SPECIAL REVENUE FUND - SUBDISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES (DEFICITS) - BUDGET AND ACTUAL
Year Ended December 31, 2017**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Property taxes	\$ 250,415	\$ 250,415	\$ 250,415	\$ -
Specific ownership taxes	17,530	18,900	18,870	(30)
Net investment income	40	590	581	(9)
Other income	1,000	7,500	7,534	34
Ebert conservation trust fund revenue	-	58,347	58,347	-
Total revenues	<u>268,985</u>	<u>335,752</u>	<u>335,747</u>	<u>(5)</u>
EXPENDITURES				
General government				
Accounting	18,000	19,700	19,675	25
County Treasurer's fees	2,500	2,510	2,505	5
District management	48,000	56,500	56,073	427
Dues and licenses	500	400	400	-
Insurance and bonds	2,000	-	-	-
Legal	1,000	-	-	-
Miscellaneous	3,000	200	106	94
Contingency	6,455	11,230	-	11,230
Operations and maintenance				
Clubhouse management	130,000	133,960	133,960	-
Clubhouse operations and maintenance	51,960	59,000	58,332	668
FV Clubhouse events	30,000	48,000	47,502	498
Landscape maintenance	16,185	13,000	12,897	103
Pool maintenance	10,000	11,000	10,517	483
Repairs and maintenance	6,650	21,000	20,437	563
Utilities - electric	26,400	30,000	29,430	570
Utilities - storm drainage	750	1,500	1,148	352
Utilities - water	6,600	1,500	1,229	271
Capital outlay	5,000	80,500	79,946	554
Total expenditures	<u>365,000</u>	<u>490,000</u>	<u>474,157</u>	<u>15,843</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(96,015)</u>	<u>(154,248)</u>	<u>(138,410)</u>	<u>15,838</u>
OTHER FINANCING SOURCES (USES)				
Developer contribution	98,000	185,000	143,000	(42,000)
Total other financing sources (uses)	<u>98,000</u>	<u>185,000</u>	<u>143,000</u>	<u>(42,000)</u>
NET CHANGE IN FUND BALANCES	1,985	30,752	4,590	(26,162)
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	<u>7,292</u>	<u>(25,507)</u>	<u>(25,507)</u>	<u>-</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 9,277</u>	<u>\$ 5,245</u>	<u>\$ (20,917)</u>	<u>\$ (26,162)</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**TOWN CENTER METROPOLITAN DISTRICT
SPECIAL REVENUE FUND - SUBDISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2017**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 151,047	\$ 151,047	\$ 151,047	\$ -
Specific ownership taxes	10,570	11,000	11,151	151
Net investment income	30	400	356	(44)
Other revenue	-	800	800	-
Water fees	<u>90,000</u>	<u>138,000</u>	<u>131,762</u>	<u>(6,238)</u>
Total revenues	<u>251,647</u>	<u>301,247</u>	<u>295,116</u>	<u>(6,131)</u>
EXPENDITURES				
General government				
Accounting	27,000	33,000	31,520	1,480
County Treasurer's fees	1,510	1,510	1,511	(1)
District management	35,000	35,000	35,640	(640)
Insurance and bonds	3,000	-	-	-
Legal	1,000	-	-	-
Miscellaneous	1,000	500	306	194
Water billing	90,000	148,350	152,585	(4,235)
Contingency	5,290	4,140	-	4,140
Operations and maintenance				
Landscape maintenance - common areas	35,000	25,000	20,922	4,078
Landscape maintenance - front yards	83,400	155,000	152,286	2,714
Repairs and maintenance	-	5,000	2,617	2,383
Snow removal	57,000	55,000	43,912	11,088
Tree replacement	-	10,000	9,452	548
Utilities - electric	800	500	433	67
Utilities - water	<u>17,000</u>	<u>12,000</u>	<u>15,208</u>	<u>(3,208)</u>
Total expenditures	<u>357,000</u>	<u>485,000</u>	<u>466,392</u>	<u>18,608</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(105,353)</u>	<u>(183,753)</u>	<u>(171,276)</u>	<u>12,477</u>
OTHER FINANCING SOURCES (USES)				
Developer contribution	<u>108,000</u>	<u>210,000</u>	<u>196,500</u>	<u>(13,500)</u>
Total other financing sources (uses)	<u>108,000</u>	<u>210,000</u>	<u>196,500</u>	<u>(13,500)</u>
NET CHANGE IN FUND BALANCES	2,647	26,247	25,224	(1,023)
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	<u>5,804</u>	<u>(16,268)</u>	<u>(16,268)</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 8,451</u>	<u>\$ 9,979</u>	<u>\$ 8,956</u>	<u>\$ (1,023)</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**TOWN CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 1 - DEFINITION OF REPORTING ENTITY

Town Center Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court for the City and County of Denver, Colorado (City), on September 12, 1983, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Service Plan approved by the City. The District's service area is located within the City.

The District was organized concurrently with Ebert Metropolitan District (Ebert). The District has the power to provide sanitation, storm drainage, streets, traffic and safety controls and park and recreation improvements and other related improvements for the benefit of taxpayers and service users within Ebert's and the District's boundaries.

The District is intended to serve as the "operating district" while Ebert is intended to serve as the "financing district." The operating district is responsible for providing the day-to-day construction operations and administrative management of both districts. The operating district is economically dependent upon intergovernmental revenue received from the financing district. During 2017, the District entered into a District Facilities Agreement with First Creek Village Metropolitan District (FCV). The District will provide day-to-day management services for FCV similar to what is provided for Ebert. FCV will impose a mill levy not to exceed 17.000 mills, as adjusted for changes in the method of assessing residential property in the State, to be remitted to the District as a Service Levy.

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.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity, including Ebert, FCV, and the City. The financial operations of Town Center Metropolitan District Subdistrict No. 1 (Subdistrict No. 1) and Town Center Metropolitan District Subdistrict No. 2 (Subdistrict No. 2) are included within these financial statements.

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

**TOWN CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows of resources and the sum of liabilities and deferred inflows of resources is reported as net position.

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.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes, specific ownership taxes, and system development fees. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

**TOWN CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Special Revenue Fund - Subdistrict No. 1 is used to account for financial resources to be used for the general operations related to the Town Center Subdistrict No. 1 subarea.

The Special Revenue Fund - Subdistrict No. 2 is used to account for financial resources to be used for the general operations related to the Town Center Subdistrict No. 2 subarea.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

The Capital Replacement Fund is used to account for financial resources accumulated for the repair and replacement of capital assets that will be maintained by the District.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year end. 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 District amended its annual budget for the year ended December 31, 2017.

Pooled Cash and Investments

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 single bank account. 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.

TOWN CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

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

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

Development Fees

On January 1, 2016, the District entered into an Amended and Restated Facilities Construction, Funding and Service Agreement with Ebert (see Note 7). The responsibility for setting, collecting and spending the development fees passed from Ebert to Town. Fees are increased annually. As of March 1, 2015, the fees in effect were \$37,500 per acre for single family development, \$43,500 per acre for multi-family development, \$45,500 per acre for commercial development, \$16,000 per acre for school sites, and \$16,000 per acre for churches. No increases in fees have been made since March 1, 2015.

Capital Assets

Capital assets, which include property, 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in process, and are not included in the calculation of net investment in capital assets.

**TOWN CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The costs of normal maintenance and repairs that do not add to the value of the asset 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. Any construction in process that will be dedicated to another entity is not depreciated. Land and certain landscaping improvements are not depreciated. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Buildings, water wells, monumentation	50 years
Fencing	20 years
Irrigation systems, cart paths	15 years
Furniture and equipment	5 – 10 years

Water Rights

The cost of water rights includes acquisition cost, legal, and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports 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 and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

**TOWN CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

- *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 be maintained intact.
- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *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. The 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* – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District’s practice to use the most restrictive classification first.

Deficits

The following individual fund had a deficit reported in the fund financial statements as of December 31, 2017:

Special Revenue Fund Subdistrict No. 1	<u>\$ (20,917)</u>
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These deficit is anticipated to be eliminated with the receipt of property taxes and developer contributions in 2018.

TOWN CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 3 - CASH AND INVESTMENTS

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

Statement of net position:	
Cash and investments	\$ 3,477,086
Cash and investments - Restricted	<u>10,852,315</u>
Total cash and investments	<u>\$ 14,329,401</u>

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

Deposits with financial institutions	\$ 117,148
Investments	<u>14,212,253</u>
	<u>\$ 14,329,401</u>

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 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 bank balance of \$150,816 and a carrying balance of \$117,148.

Investments

The District has not adopted a formal investment policy; however, the District follows State statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements. Guaranteed investment contracts not purchased with bond proceeds, are limited to maturities of three years or less.

**TOWN CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- * Local government investment pools

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

Investment	Maturity	Amount
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	<u>\$ 14,212,253</u>

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**TOWN CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 4 - CAPITAL ASSETS

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

<u>By Classification</u>	<u>Balance at December 31, 2016</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance at December 31, 2017</u>
Capital assets, not being depreciated				
Landscape improvements	\$ 5,396,532	\$ 881,971	\$ -	\$ 6,278,503
Plaza, Lake, Amphitheater	1,189,292	-	-	1,189,292
Water rights	2,214,469	7,416	-	2,221,885
Land	3,681,056	-	-	3,681,056
Construction in process	-	1,941,848	(1,841,836)	100,012
Total capital assets, not being depreciated	<u>12,481,349</u>	<u>2,831,235</u>	<u>(1,841,836)</u>	<u>13,470,748</u>
Capital assets, being depreciated				
Fencing	2,585,646	95,594	-	2,681,240
Furniture and equipment	66,753	73,379	-	140,132
Irrigation system	4,062,034	881,971	-	4,944,005
Golf course buildings	3,644,637	-	-	3,644,637
Community Center	2,103,216	-	-	2,103,216
Cart paths	91,776	-	-	91,776
Monumentation	791,981	-	-	791,981
Campus building	4,602,734	-	-	4,602,734
Water wells	3,146,967	18,576	-	3,165,543
Total capital assets, being depreciated	<u>21,095,744</u>	<u>1,069,520</u>	<u>-</u>	<u>22,165,264</u>
Less accumulated depreciation for:				
Fencing	(1,130,133)	(132,371)	-	(1,262,504)
Furniture and equipment	(17,512)	(10,543)	-	(28,055)
Irrigation system	(2,775,354)	(260,016)	-	(3,035,370)
Golf course buildings	(1,004,857)	(72,893)	-	(1,077,750)
Community Center	(80,623)	(42,064)	-	(122,687)
Cart paths	(91,776)	-	-	(91,776)
Monumentation	(142,281)	(15,840)	-	(158,121)
Campus building	(322,192)	(92,055)	-	(414,247)
Water wells	(791,707)	(73,986)	-	(865,693)
Total accumulated depreciation	<u>(6,356,435)</u>	<u>(699,768)</u>	<u>-</u>	<u>(7,056,203)</u>
Total capital assets, being depreciated, net	<u>14,739,309</u>	<u>369,752</u>	<u>-</u>	<u>15,109,061</u>
Governmental activities - Capital assets, net	<u>\$ 27,220,658</u>	<u>\$ 3,200,987</u>	<u>\$ (1,841,836)</u>	<u>\$ 28,579,809</u>

**TOWN CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities:	
General government	<u>\$ 699,768</u>

It is intended that upon completion of construction, all water facilities, except for those constructed or acquired for the purpose of irrigation or other nonpotable uses, will be dedicated to the Denver Water Board (DWB) for operation and maintenance. It is intended that all other completed capital facilities, with the exception of certain park facilities, will be dedicated to and maintained by the City and County of Denver (City). Certain park facilities shall be owned, operated and maintained by the District.

During 2017, the District dedicated certain infrastructure to either the City, the Denver Water Board, or the Denver Wastewater Board. This infrastructure has either been accepted or is in the process of being accepted. Upon acceptance of the improvements, the District removes the cost of construction from its capital asset records.

NOTE 5 - LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2017:

	Balance at December 31, 2016	Additions	Payments/ Forgiveness	Balance at December 31, 2017
Governmental Activities:				
Developer advances - Subdistrict No. 1	\$ 348,444	\$ -	\$ 348,444	\$ -
Accrued interest - Subdistrict No. 1	31,196	-	31,196	-
Developer advances - Subdistrict No. 2	229,468	-	229,468	-
Accrued interest - Subdistrict No. 2	15,442	-	15,442	-
	<u>\$ 624,550</u>	<u>\$ -</u>	<u>\$ 624,550</u>	<u>\$ -</u>

**TOWN CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

On November 3, 1998, the District's electors authorized the incurrence of general obligation bonds totaling \$29,500,000 at an interest rate not to exceed 15% for a maximum term of 20 years. At December 31, 2017, the District has authorized but unissued indebtedness for the following purposes:

	Authorized November 3, 1998 Election	Remaining at December 31, 2017
Street improvements	\$ 10,000,000	\$ 10,000,000
Traffic controls	1,000,000	1,000,000
Water system	9,000,000	9,000,000
Sanitary sewer	5,000,000	5,000,000
Parks and recreation	4,000,000	4,000,000
Operations and maintenance	500,000	500,000
	<u>\$ 29,500,000</u>	<u>\$ 29,500,000</u>

Developer Advances

During 2017, the Developer made operating advances to Subdistrict No. 1 and Subdistrict No. 2. Subsequently, the Developer agreed to reclassify the advances as contributions. In addition, prior advances and accrued interest were forgiven and terminated. As a result, the District recorded \$624,550 of debt forgiveness in the government-wide financial statements.

NOTE 6 - NET POSITION

The District has net position consisting of three components – net investment in capital assets, restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets that are owned by the District, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. As of December 31, 2017, the net investment in capital assets was \$28,479,797.

**TOWN CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 6 - NET POSITION (CONTINUED)

The restricted component of net position consists of amounts that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. As of December 31, 2017, the District had restricted net position as follows:

	Governmental Activities
Restricted net position	
TABOR reserves	\$ 50,700
Capital projects	10,801,615
	\$ 10,852,315

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

NOTE 7 - INTERGOVERNMENTAL AGREEMENTS

Regional Facilities Construction Agreements

The District entered into a Regional Facilities Construction Agreement (Old Agreement) with Ebert on December 1, 1999. Under the Old Agreement, the District is to provide capital construction and administrative services to Ebert.

The District is to own, operate, maintain, and construct the facilities benefiting both Districts. Ebert will, to the extent that Ebert is to benefit, pay the capital and service costs of construction, operation and maintenance of such facilities. At special elections held within Ebert on November 2, 1999, and on November 7, 2000, Ebert's qualified electors approved \$33,000,000 and \$66,000,000, respectively, for a total amount of \$99,000,000, for the Old Agreement.

On April 28, 2005, the District and Ebert entered into a District Facilities Construction, Funding and Service Agreement (New Agreement), which replaced the Old Agreement. Under the New Agreement, the obligations of the District and Ebert remain essentially the same. In addition, the District may draw against Ebert's project funds, without further need of Ebert's consent, to pay the capital costs expected to be paid pursuant to the New Agreement. Ebert also agrees to levy a minimum service levy of not less than 10 mills and not greater than 50 mills to pay the service costs expected to be paid pursuant to the New Agreement.

The District and Ebert entered into an Amended and Restated Facilities, Construction, Funding and Service Agreement effective January 1, 2016 (Amended Agreement). Under the Amended Agreement, the Ebert will pay a maximum of \$21,635,477 to the District for service costs, which represents voted authorization of \$99,000,000 less all service costs paid to the District through December 31, 2015. Service costs comprise all operations, maintenance, and administration costs incurred by the District in the performance of the duties and services required by the

**TOWN CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 7 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

Amended Agreement. Ebert agrees to levy a minimum service levy of 19 mills that may be adjusted to account for constitutional or legislative changes in computing assessed valuation of Ebert's property, provided that the levy shall never exceed 50 mills. Payments for capital costs contemplated by the Amended Agreement are to be funded from the proceeds of Ebert's 2016C Note. During 2017, the Ebert paid \$1,405,000 of service costs to the District, leaving a balance of \$18,698,925 on the Amended Agreement.

Development Agreement

On February 20, 2003, and as amended on May 25, 2007, March 13, 2012, and November 17, 2014, the District entered into a development agreement with Ebert Metropolitan District (collectively, the Districts); the City and County of Denver and Denver School District No. 1 (collectively, the City); and C&H Ranch Company LLC, Oakwood Commercial Ventures LLC, and HC Development & Management Services, Inc. (collectively, the Developers). The purpose of the agreement was to modify and supersede prior annexation agreements between the City and the Developers in order to coordinate all present and future plans for the development of the area in the vicinity of the District, known as Green Valley Ranch (GVR).

The agreement outlines the capital improvement responsibilities of the Districts, the Developers, and the City. Under the agreement, the City is responsible for the funding and construction of a regional park, regional trails, arterial roads and medians surrounding GVR (less the first 22 feet of pavement, curb, gutter, and sidewalks of the arterial roads), and 50% of the costs associated with arterial road bridges. The City will also contribute funding toward the construction of a recreation center (see below). The Districts are responsible for construction and funding of five scenic viewing areas, neighborhood and pocket parks, the landscaping of the regional trails that lie within GVR, collector streets which link local streets to arterial streets, and the first 22 feet of pavement, curb, gutter, and sidewalks of the arterial roads. The Districts are also responsible for the construction and balance of funding of a recreation center. The Developer is responsible for the construction and funding of local or neighborhood roads and medians, interior arterial roads, the interior road bridges, 50% of the costs associated with arterial road bridges, and all storm drainage improvements within GVR. The Developers may assign or transfer all of their rights and obligations for collector and arterial improvements in this agreement to the Districts, which they have done.

The public golf course and wetlands owned by the District are considered Metropolitan District Open Space and Wetlands and shall at all times be owned by a public entity and be maintained for the public golf course or other public open space or public recreational purposes.

In order to facilitate the completion of the arterial roads, the City and the District have agreed to undertake the other's obligations and have entered into written road development agreements (see below).

The City has acknowledged that the Developers have undertaken certain public improvements within GVR that may be the obligation of the City under the terms of the prior annexation agreements. The City has given the Developer a credit of \$5,900,000 that will be applied by the City paying or reimbursing for the benefit of the District, the District's share of arterial costs. As of December 31, 2017, approximately \$1,205,000 of this credit was remaining.

**TOWN CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 7 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

The City will own, operate, and maintain the regional park, the recreation center, the arterial roads, bridges, and medians, the interior roads and bridges, and the storm drainage for the recreation center and parks. The District will own, operate, and/or maintain the viewing areas, the landscaping improvements on the regional trails that are within the District, and the remainder of the storm drainage improvements.

Per this agreement, the District is responsible for funding, constructing, and maintaining certain improvements within GVR, which encompasses areas outside of the District's boundaries, including other metropolitan districts. The District is currently in the process of negotiating with the other metropolitan districts for reimbursement of the improvement costs that are benefiting the other districts. The approximate cost of these improvements is \$3 million.

On May 9, 2008, GVR Metropolitan District and the Developers entered into a Mutual Release and Settlement Agreement whereby certain disputes regarding infrastructure construction and system development fee credits were resolved. Additionally, GVR Metropolitan District agreed to waive its rights or claims to all system development fees due from the Developers on residential property within GVR Metropolitan District.

Agreement for Reimbursement of Costs

On July 14, 2010, the District entered into an agreement (2010 Agreement) with the Green Valley Ranch East Metropolitan District Nos. 1 – 7 (GVRE) for reimbursement of certain Street Improvements benefiting GVRE that the District has completed and which the City has accepted. Under a previous agreement for reimbursement of costs entered into during 2008 (2008 Agreement), GVRE had agreed to reimburse the District for the cost of the Street Improvements plus interest at the rate of 8% per annum. Under the current agreement, it is agreed that the District's cost of construction of the Street Improvements is \$1,765,539 (Reimbursement Amount). Under a Development Agreement dated February 20, 2003 (see above), the District has the responsibility for the construction of certain Additional Street Improvements south of 48th Avenue with an estimated cost of \$1,634,000. As consideration for the District's payment of the Street Improvements, and full and complete satisfaction of the Reimbursement Amount (regardless of the final amount expended by GVRE), GVRE assumed the District's obligations for the Additional Street Improvements. This agreement does not constitute "debt" or a "multiple-fiscal year direct or indirect district debt or other financial obligation whatsoever" within the meaning of the Colorado constitution or any other Colorado law. As of December 31, 2016, GVRE had not performed its obligations under the 2010 Agreement. Therefore, on January 11, 2017, the District and GVRE agreed to account for the reimbursement of costs in the same manner as the 2008 Agreement.

**TOWN CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 7 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

Golf Club at Green Valley Ranch LLC

On April 14, 2000, the District entered into a Golf Course Development Agreement and a Golf Course Concession Agreement with the Golf Club at Green Valley Ranch LLC (Concessionaire).

The Concessionaire constructed various golf course improvements and was reimbursed \$2,500,000 under the terms of the Development Agreement.

The Concessionaire will operate the golf course, clubhouse and maintenance facility as a public facility for a period of 99 years. The Concessionaire will be responsible for routine repairs and maintenance of the golf course and facilities, including the irrigation system and parking areas. The District will be responsible for the nonroutine repairs and replacements of structures and systems, including the water supply and drainage improvements. The District shall be responsible for the cost, maintenance and repair of the water supply system and the water supplied to the Concessionaire from its wells, provided, however, that any extra costs of maintenance or repair of damage to the water system shall be the responsibility of the Concessionaire.

During 2005, the District amended and restated the Golf Facility Use Agreement, whereby the District and Concessionaire agree to provide improvements to the golf facilities to include a short course and learning center for a First Tee program, which is aimed at developing the interest and ability of youth in the sport of golf. Since 2005, the Colorado Open Golf Foundation (Foundation) has contributed \$336,250 to the District and an additional \$54,236 was contributed by a related party toward the funding of these improvements. The agreement provides that for the next 30 years, the Foundation shall have the use of the short course and learning center in order to administer the First Tee program. The Foundation will make payments if and when it can to reimburse the District for additional First Tee program costs. A receivable was not recorded and no revenue was budgeted in 2017 associated with this amended agreement.

Effective January 1, 2005, the Golf Course Concession Agreement was amended whereby, for the next ten years, the Concessionaire will pay to the District a fee of 5% of gross revenues if gross revenues exceed operating expenses by \$300,000. No concession fee is due if revenues do not exceed expenses by \$300,000. Thereafter, the concession fee will be 5% of gross revenues if gross revenues exceed operating expenses. No concession fees were paid in 2017.

Inclusion Agreement

The District has entered into an Inclusion Agreement dated as of September 20, 2005 (the Inclusion Agreement), with Ebert and C.P. Bedrock LLC (C.P. Bedrock). Pursuant to the Inclusion Agreement, the parties set out the terms by which certain property owned by C.P. Bedrock has been and will be included into and excluded from Ebert. In addition, Ebert has agreed to limit its debt service mill levy to 65 mills, subject to certain adjustments for changes in law.

**TOWN CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 7 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

During 2008, the parties entered into an amendment to the Inclusion Agreement that modified the language in the Inclusion Agreement to describe the authorized adjustments to Ebert's 65-mill limit for changes in law and other provisions. As of December 31, 2016, the adjusted mill levy cap for Ebert was 74.717 mills. The parties also entered into an Escrow Agreement with United Missouri Bank (UMB) that modified the original escrow instructions delivered pursuant to the Inclusion Agreement. Pursuant to the Modified Escrow Agreement, \$4,657,010 of the proceeds of Ebert's 2007 bonds were deposited into an escrow account to be released as the District completes certain improvements benefiting property owned by C.P. Bedrock that is subject to the Inclusion Agreement. At December 31, 2017, the remaining balance in the escrow account held by Ebert was \$160,866.

56th Avenue Improvements

The District entered into an agreement dated October 20, 2009, with the City for the construction of the 56th Avenue Right-of-Way Improvements – Phase I. The 56th Avenue Right-of-Way Improvements include: 1) a full 6-lane section, with median and sidewalk on each side, from Tower Road to Dunkirk Street; 2) three southerly lanes, with a half median on the north side and adjacent sidewalk on the south side, from Dunkirk Street to Picadilly Road; 3) portions of the intersections of 56th Avenue with Tower Road, Argonne Street, Dunkirk Street, Ireland Street, Nepal Street, and Picadilly Road; 4) certain related utility relocations and installation of conduit; 5) certain traffic signalization and; 6) certain street lighting, signage, and other incidental improvements. Phase I consists of the 56th Avenue Right-of-Way Improvements from the Tower Road intersection to and including the Ireland Street intersection. The District shall cause the Project to be completed in accordance with the Project Plans and terms of the agreement.

The project cost estimate for the Phase I improvements is \$3,227,940. The City has appropriated \$3,113,624 from various sources, including payments to the City from Denver High Point at DIA Metropolitan District and Gateway Regional Metropolitan District in accordance with agreements the City has with those districts. The District's share of the cost is \$114,316, of which \$61,844 is for design costs for drainage facilities benefitting the City of Aurora. Additionally, \$327,089 of the project cost estimate is for improvements located within the City of Aurora, which is currently not in a position to pay the cost of these improvements. The District, with the involvement and cooperation of the City, will diligently pursue agreements to have the Aurora improvements funded by the City of Aurora and/or adjacent private developers and/or metropolitan districts or other applicable governing authorities. Through December 31, 2017, the City has paid \$2,276,420 to the District under this agreement. Phase I was completed and accepted by the City in 2011.

Subsequent to December 31, 2017, the District entered into an intergovernmental agreement for 56th Avenue Improvements - Phase 2 with the City. This District will be responsible for construction of all roadway and right of way improvements for the three southerly lanes and adjacent sidewalk of 56th Avenue from Ireland Street through Picadilly Street. The total estimated cost of the project is \$6.9 million, which includes \$2.1 million of landscaping costs. The City will contribute \$1,081,938 of remaining credits associated with the above Development Agreement, plus an additional \$1,400,000.

**TOWN CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 7 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

Upon completion of the balance of the Project and final inspection and acceptance by the City, the City shall own, operate, and maintain the remaining Project.

Z Place (formerly known as Building 5)

In 2012, the District entered into a "Design/Build Turnkey Contract and Funding Agreement for Building 5 at the Evie Garrett Dennis E12 Campus" with Denver Public School District No. 1 (SD1) and HC Development and Management Services, Inc. (HC Development). HC Development shall design and construct "Building 5," a public school and multiple-use building on the Evie Garrett Dennis E12 Campus in the Green Valley Ranch area. Building 5 shall consist of one 2-story building. The second floor and a section of the first floor are intended to be used as a DPS chartered middle school with associated educational offices and installations. The balance of the first floor will be owned by the District and is intended to be used for privately operated early learning education facilities, a Young Americans Bank branch, and a multi-use area suitable for community meetings and other multiple purpose uses, including District offices and board meetings. The ownership of the building will be governed pursuant to a condominium declaration with SD1 and the District as declarants. The condominium declaration is anticipated to be executed in 2018.

The estimated total cost of the project is \$9,580,406, with SD1 responsible for payment of 57.5% and the District responsible for 42.5% of the total estimated cost. SD1 affirms that it has appropriated and has funds on hand equal to its share of the cost. The District deposited its share of the project costs, \$3,231,893, into an escrow account per an escrow agreement associated with this agreement. As of December 31, 2013, all monies designated for this project have been spent and the District's final project cost was \$4,602,734.

This information is also memorialized in a Memorandum of Understanding dated June 5, 2012, between SD1 and the District.

NOTE 8 - RELATED PARTIES

The Developer of the property which constitutes the District is Clayton Properties Group II, Inc. d/b/a Oakwood Homes. Members of the Board of Directors are employees of or consultants to Oakwood Homes. As such, these Board members may have conflicts of interest in dealing with the District.

The District has entered into a construction management agreement with the Developer whereby the District will pay a fee to the Developer for construction management services on various District projects. During 2017, the District paid \$6,877 to the Developer for construction management services.

A transfer fee in the amount of $\frac{1}{2}$ of 1% of sales price for any home resold in the District was established by the 2001 Master Declaration for the Development. The District is designated to collect the fee and remit 75% of the transfer fee to the Developer and 25% to GVR Foundation, a Developer-related entity. During 2017, \$603,019 of transfer fees was collected and paid per the Master Declaration, \$452,264 to the Developer, and \$150,755 to GVR Foundation.

**TOWN CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 9 - RISK MANAGEMENT

The District may be exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials' liability and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds 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 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior 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.

On November 3, 1998, 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 TABOR.

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.

TOWN CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 11 - SUBDISTRICTS

During 2011, the Board of Directors of the District by resolution allowed for the division of the District into one or more subareas. Different rates of levy for property tax purposes may be fixed against all the taxable property within the subareas for operations and/or repayment of indebtedness issued by the subareas to finance services, programs, and facilities furnished or to be furnished with the subareas.

Town Center Metropolitan District Subdistrict No. 1 was established on August 22, 2011. The electors of Subdistrict No. 1, at an election held on November 1, 2011, approved authorization to increase property taxes up to \$500,000 annually, as necessary, to pay for the costs of operating and maintaining the improvements within and/or benefiting Subdistrict No. 1. Debt authorization was approved for the following improvements: \$1,500,000 for streets; \$1,500,000 for safety protection; \$1,500,000 for parks and recreation; \$1,500,000 for water supply; \$1,500,000 for sanitary and storm sewer; \$1,500,000 for mosquito control and; \$1,500,000 for television relay. Debt authorization was also approved in the amount of \$15,000,000 for operations and maintenance, \$5,000,000 for refinance/refunding, and \$15,000,000 for executing intergovernmental agreements.

During 2016 a mill levy of 50.000 mills was levied against all taxable property within Subdistrict No. 1 for collection in 2017. The mill levy is subject to changes in the method of assessing residential property in the State. For tax collections in 2018, the mill levy has been adjusted to 55.278. Financial activity of Subdistrict No. 1 is displayed within the financial statements as a Special Revenue Fund.

Subdistrict No. 1 is an adult community (Fairway Villas) consisting of ranch homes with a club house serving the residents of the Subdistrict.

Town Center Metropolitan Subdistrict No. 2 was established on April 30, 2013. The organizational election for Subdistrict No. 2 approved authorization to increase property taxes up to \$2,000,000 annually, as necessary, to pay for the cost of constructing, operating and maintaining the improvements within and/or benefitting the Subdistrict. The election also authorized Subdistrict No. 2 to enter into multi-fiscal year agreements and to collect, retain, and spend amounts collected annually from any and all revenue sources without regard to any limitations contained within Article X, Section 20, of the Colorado Constitution.

In 2016 a mill levy of 50.000 mills was levied against all taxable property within Subdistrict No. 2 for collection in 2017. The mill levy is subject to changes in the method of assessing residential property in the State. For tax collections in 2018, the mill levy has been adjusted to 55.278. Financial activity in Subdistrict No. 2 is displayed within the financial statements as a Special Revenue Fund.

Subdistrict No. 2 is a community (Carriage House) of cluster homes.

**TOWN CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 11 - SUBDISTRICTS (CONTINUED)

Town Center Metropolitan Subdistrict No. 3 was originally established on February 5, 2014, and reestablished on September 1, 2017. The organizational election for Subdistrict No. 3 held on November 3, 2015, and again on November 7, 2017, approved authorization to increase property taxes up to \$1,000,000 annually, as necessary, to pay for the cost of constructing, operating and maintaining the improvements within and/or benefitting Subdistrict 3. The election also authorized Subdistrict No. 3 to collect, retain, and spend amounts collected annually from any and all revenue sources without regard to any limitations contained within Article X, Section 20, of the Colorado Constitution. There was no financial activity during 2017 for Subdistrict No. 3.

Town Center Metropolitan District Subdistrict No. 4 was established on February 5, 2014, and reestablished on September 1, 2017. The electors of Subdistrict No. 4, at an election held on November 3, 2015, approved authorization to increase property taxes and fees up to \$40,000 annually, as necessary, to pay for the costs of operating and maintaining the improvements within and/or benefitting Subdistrict No. 4. Debt authorization was approved for the following improvements: \$1,500,000 for streets; \$1,500,000 for security; \$1,500,000 for parks and recreation; \$1,500,000 for water supply; \$1,500,000 for sanitary and storm sewer; and; \$1,500,000 for reimbursements with private entities. The election also authorized Subdistrict No. 4 to collect, retain, and spend amounts collected annually from any and all revenue sources without regard to any limitations contained within Article X, Section 20, of the Colorado Constitution. An election held on November 7, 2017, approved authorization to increase property taxes up to \$1,000,000 annually, as necessary, to pay for the cost of constructing, operating and maintaining the improvements within and/or benefitting Subdistrict No.4. The election also authorized Subdistrict No. 4 to collect, retain, and spend amounts collected annually from any and all revenue sources without regard to any limitations contained within Article X, Section 20, of the Colorado Constitution. There was no financial activity during 2017 for Subdistrict No. 4.

Any mill levies certified for Subdistrict No. 3 and Subdistrict No. 4 are also subject to changes in the method of calculating assessed valuation of residential property. Currently, no mill levies have been certified for these two Subdistricts.

NOTE 12 - SUBSEQUENT EVENT

On July 10, 2018, the District accepted public improvements (as authorized by the District's Service Plan) from the Developer in the amount of \$1,714,956, which included costs for water, sewer, street, storm drainage, and safety protection facilities, as well as park and recreation improvements.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTARY INFORMATION

**TOWN CENTER METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2017**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Net investment income	\$ 50,000	\$ 154,493	\$ 104,493
Ebert conservation trust fund revenue	48,120	5,529	(42,591)
System development fees	1,002,000	1,911,110	909,110
Reimbursed expenditures	1,000,000	-	(1,000,000)
Total revenues	<u>2,100,120</u>	<u>2,071,132</u>	<u>(28,988)</u>
EXPENDITURES			
General government			
Accounting	10,000	516	9,484
Construction management	75,000	6,877	68,123
Legal	8,000	902	7,098
Miscellaneous	1,000	-	1,000
Repairs and maintenance	15,000	-	15,000
Contingency	31,000	-	31,000
Capital outlay			
Engineering	-	3,845	(3,845)
Fencing	350,000	89,026	260,974
GVR Blvd - Trail Widening Project	-	75,836	(75,836)
Landscaping	-	199,995	(199,995)
Parks and recreation	1,100,000	1,486,568	(386,568)
Pocket parks and tracts	500,000	75,737	424,263
Sanitary sewer	-	272,216	(272,216)
Streets	3,900,000	1,391,073	2,508,927
Water rights	30,000	7,415	22,585
Water system	-	200,522	(200,522)
Water wells	50,000	18,576	31,424
Total expenditures	<u>6,070,000</u>	<u>3,829,104</u>	<u>2,240,896</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,969,880)</u>	<u>(1,757,972)</u>	<u>2,211,908</u>
OTHER FINANCING SOURCES (USES)			
Repay developer advance	(5,000,000)	-	5,000,000
Total other financing sources (uses)	<u>(5,000,000)</u>	<u>-</u>	<u>5,000,000</u>
NET CHANGE IN FUND BALANCES	(8,969,880)	(1,757,972)	7,211,908
FUND BALANCES - BEGINNING OF YEAR	<u>14,531,497</u>	<u>15,307,909</u>	<u>776,412</u>
FUND BALANCES - END OF YEAR	<u>\$ 5,561,617</u>	<u>\$ 13,549,937</u>	<u>\$ 7,988,320</u>

**TOWN CENTER METROPOLITAN DISTRICT
CAPITAL REPLACEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2017**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Net investment income	\$ 1,600	\$ 2,761	\$ 1,161
Ebert capital replacement revenue	325,139	164,011	(161,128)
Total revenues	<u>326,739</u>	<u>166,772</u>	<u>(159,967)</u>
EXPENDITURES			
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>326,739</u>	<u>166,772</u>	<u>(159,967)</u>
FUND BALANCES - BEGINNING OF YEAR	155,792	156,540	748
FUND BALANCES - END OF YEAR	<u>\$ 482,531</u>	<u>\$ 323,312</u>	<u>\$ (159,219)</u>

**TOWN CENTER METROPOLITAN DISTRICT
SCHEDULE OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2017**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied General Service	Total Property Taxes		Percentage Collected to Levied
			Levied	Collected	
2013	\$ 192,740	75.000	\$ 14,456	\$ 14,006	96.89%
	\$ 709,510	50.000	\$ 35,476 (A)	\$ 35,476	100.00%
2014	\$ 333,120	75.000	\$ 24,984	\$ 24,452	97.87%
	\$ 987,050	50.000	\$ 49,353 (A)	\$ 49,353	100.00%
	\$ 618,850	50.000	\$ 30,943 (B)	\$ 30,943	100.00%
2015	\$ 367,140	75.000	\$ 27,536	\$ 29,586	107.44%
	\$ 1,710,650	50.000	\$ 85,533 (A)	\$ 85,533	100.00%
	\$ 678,150	50.000	\$ 33,908 (B)	\$ 33,902	99.98%
2016	\$ 406,090	84.000	\$ 34,112	\$ 33,844	99.21%
	\$ 4,348,280	50.000	\$ 217,414 (A)	\$ 216,826	99.73%
	\$ 2,075,890	50.000	\$ 103,795 (B)	\$ 96,927	93.38%
2017	\$ 360,000	84.000	\$ 30,240	\$ 30,240	100.00%
	\$ 5,008,290	50.000	\$ 250,415 (A)	\$ 250,415	100.00%
	\$ 3,020,940	50.000	\$ 151,047 (B)	\$ 151,047	100.00%
Estimated for year ending December 31,					
2018	\$ 330,460	90.861	\$ 30,026		
	\$ 6,332,950	55.278	350,073 (A)		
	\$ 5,360,830	55.278	296,336 (B)		
			<u>\$ 676,435</u>		

NOTES:

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.

(A) Represents property included in the Town Center Metropolitan District Subdistrict No. 1.

(B) Represents property included in the Town Center Metropolitan District Subdistrict No. 2.