

VAUXMONT METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2019

with

Independent Auditor's Report

**Vauxmont Metropolitan District
Financial Statements
December 31, 2019**

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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, 2019, 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, 2019, 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.

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

Greenwood Village, Colorado
August 6, 2020

Vauxmont Metropolitan District

Management's Discussion and Analysis
December 31, 2019

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, 2019.

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 30 of this report.

Supplementary Information. Supplementary information is contained on pages 31 and 32 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 2019 and 2018.

Vauxmont Metropolitan District - Net Position

	2019	2018
Assets		
Current and other assets	\$ 7,316,376	\$ 7,475,956
Property taxes receivable	4,890,696	3,852,884
Due from Cimarron Metropolitan District	534,673	382,500
Prepaid insurance-2019 Bonds	3,264,657	-
Prepaid cost of issuance-2020 Bonds	465,380	-
Total assets	\$ 16,471,782	\$ 11,711,340
Liabilities		
Current and other liabilities	\$ 46,751	\$ 14
Due to Cimarron Metropolitan District	110,801	476,167
Series E Note payable	-	63,522,003
Bond premium-Series 2019 Bonds	4,168,244	-
Bonds payable	121,524,417	57,622,795
Total liabilities	125,850,213	121,620,979
Deferred inflows of resources		
Deferred property taxes	4,890,696	3,852,884
Total deferred inflows of resources	4,890,696	3,852,884
Net Position		
Restricted for emergencies	40,280	37,286
Restricted for energy sustainability	3,932,991	3,300,740
Restricted for debt service	3,780,128	4,061,431
Unrestricted	(122,022,526)	(113,725,237)
Total net position	\$ (114,269,127)	\$ (113,762,523)

Overview of Financial Statements (continued)

Vauxmont Metropolitan District - Change in Net Position

	2019	2018
Revenues:		
General revenues	\$ 4,822,698	\$ 4,825,993
Charges for services	192,894	107,799
Operating and capital grants and contributions	11,930,203	21,790,300
Total Revenues	<u>16,945,795</u>	<u>26,724,092</u>
Expenses:		
General government	2,277,399	249,114
Debt service	8,942,907	9,210,473
Intergovernmental	6,232,093	14,304,640
Total Expenses	<u>17,452,399</u>	<u>23,764,227</u>
Change in Net Position	(506,604)	2,959,865
Net Position - Beginning	<u>(113,762,523)</u>	<u>(116,722,388)</u>
Net Position - Ending	<u>\$ (114,269,127)</u>	<u>\$ (113,762,523)</u>

The District's overall financial position, as measured by net position, decreased by \$506,604 during 2019. Decrease in net position is primarily the result of expenses related to the issuance of the Series 2019 bonds. During 2019, the District issued the Series 2019 Subordinate Limited Tax General Obligation and Special Revenue Refunding Bonds in the amount of \$66,265,000. These bonds refunded the Series 2015E Non-revolving line of credit note plus accrued interest due to the developer. Agreements with Cimarron Metropolitan District and the other Districts provide for revenue pledges to service the 2015 and 2019 bonds. Developer contributions to fund capital activity in Cimarron are received by the District 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 \$776,602 during 2019. Increase in fund balance is primarily the result of 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 1,598 lots sold as of December 31, 2019 with a projected total build out of 1,854 lots by 2021. There were 1,306 cumulative home closings as of December 31, 2019 and a taxable assessed valuation of \$62,757,547 projected to generate \$3,493,336 in debt mill levy revenues on 55.664 mills assessed, and \$1,397,360 in Operating and Maintenance mill levy revenues on 22.266 mills assessed in 2019. 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, Traci McDonald (tmcdonald@ccmcnet.com).

Vauxmont Metropolitan District
Governmental Funds Balance Sheet/Statement of Net Position
December 31, 2019

	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	\$ 44,269	\$ -	\$ 38,119	\$ 3,534,491	\$ 3,616,879	\$ -	\$ 3,616,879
Restricted cash and investments	-	-	3,617,565	-	3,617,565	-	3,617,565
Cash with county treasurer	8,095	-	20,240	-	28,335	-	28,335
Prepaid insurance-Series 2019 Bonds	-	-	-	-	-	3,264,657	3,264,657
Prepaid cost of issuance-2020 bonds	-	-	465,380	-	465,380	-	465,380
Due from other districts	3,117	-	6,896	-	10,013	-	10,013
Property taxes receivable	1,397,360	-	3,493,336	-	4,890,696	-	4,890,696
Due from developer	-	43,584	-	-	43,584	-	43,584
Due from Cimarron Metropolitan District	14,332	-	118,341	402,000	534,673	-	534,673
Total assets	\$ 1,467,173	\$ 43,584	\$ 7,759,877	\$ 3,936,491	\$ 13,207,125	\$ 3,264,657	\$ 16,471,782
Liabilities							
Current liabilities							
Accounts payable	\$ 13	\$ -	\$ 46,738	\$ -	\$ 46,751	\$ -	\$ 46,751
Due to Cimarron Metropolitan District	18,459	43,584	45,258	3,500	110,801	-	110,801
Accrued interest payable-Series 2015 Bonds	-	-	-	-	-	319,491	319,491
Accrued interest payable-Series 2019 Bonds	-	-	-	-	-	74,926	74,926
Other long-term liabilities							
Bond premium-Series 2019 Bonds	-	-	-	-	-	4,168,244	4,168,244
Bonds payable-Series 2015A Senior Revenue Bonds	-	-	-	-	-	20,150,000	20,150,000
Bonds payable-Series 2015C Subordinate Bonds	-	-	-	-	-	14,730,000	14,730,000
Bonds payable-Series 2015D Subordinate Bond	-	-	-	-	-	19,985,000	19,985,000
Bonds payable-Series 2019 Subordinate Bonds	-	-	-	-	-	66,265,000	66,265,000
Total liabilities	18,472	43,584	91,996	3,500	157,552	125,692,661	125,850,213
Deferred inflows of resources							
Deferred revenue-property taxes	1,397,360	-	3,493,336	-	4,890,696	-	4,890,696
Total deferred inflows of resources	1,397,360	-	3,493,336	-	4,890,696	-	4,890,696
Total liabilities and deferred inflows of resources	1,415,832	43,584	3,585,332	3,500	5,048,248	125,692,661	130,740,909
Fund balance							
Nonspendable	-	-	465,380	-	465,380	(465,380)	
Restricted for							
Emergencies	40,280	-	-	-	40,280	(40,280)	
Debt service	-	-	3,709,165	-	3,709,165	(3,709,165)	
Energy sustainability	-	-	-	3,932,991	3,932,991	(3,932,991)	
Unassigned	11,061	-	-	-	11,061	(11,061)	
Total fund balances	51,341	-	4,174,545	3,932,991	8,158,877	(8,158,877)	
Total liabilities, deferred inflows of resources and fund balances	\$ 1,467,173	\$ 43,584	\$ 7,759,877	\$ 3,936,491	\$ 13,207,125		
Net Position							
Restricted for							
Emergencies							40,280
Debt service							3,780,128
Energy sustainability							3,932,991
Unrestricted							(122,022,526)
Total net position							\$ (114,269,127)

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, 2019

	General	Capital Projects	Debt Service	Candelas Special Improvement District No. 1 Special Revenue	Total	Adjustments	Statement of Activities
Expenditures/expenses							
General government:							
Trash collection expense	\$ 161,881	\$ -	\$ -	\$ -	\$ 161,881	\$ -	\$ 161,881
Accounting	-	-	-	6,000	6,000	-	6,000
Treasurer Fees	16,301	-	40,757	-	57,058	-	57,058
Bank and credit card fees	336	-	120	-	456	-	456
Trustee fees	-	-	2,500	-	2,500	-	2,500
Urban renewal fee	-	-	73,508	-	73,508	-	73,508
Bond issuance and underwriting expense	-	-	5,240,653	-	5,240,653	(3,264,657)	1,975,996
Debt service:							
Debt service interest-Series E Note	-	-	14,334,745	-	14,334,745	(9,447,003)	4,887,742
Debt service principal-Series E Note	-	-	54,075,000	-	54,075,000	(54,075,000)	-
Debt service interest-Series 2015 Bonds	-	-	3,993,543	-	3,993,543	(13,304)	3,980,239
Debt service interest-Series 2019 Bonds	-	-	-	-	-	74,926	74,926
Debt service principal-Series 2015 Bonds	-	-	2,425,000	-	2,425,000	(2,425,000)	-
Intergovernmental:							
Payment to Cimarron Metro-developer advances	-	2,157,363	-	-	2,157,363	-	2,157,363
Payment to Cimarron Metro District-property taxes	1,164,150	-	2,910,580	-	4,074,730	-	4,074,730
Total expenditures/expenses	1,342,668	2,157,363	83,096,406	6,000	86,602,437	(69,150,038)	17,452,399
General revenues							
Interest income	559	-	52,100	6,751	59,410	-	59,410
District Mill Levy Base Revenue	107,970	-	269,944	-	377,914	-	377,914
Specific Ownership tax revenue	93,672	-	234,196	-	327,868	-	327,868
Sustainability fees	-	-	-	631,500	631,500	-	631,500
District Mill Levy Increment Revenue	978,810	-	2,447,196	-	3,426,006	-	3,426,006
Total general revenues	1,181,011	-	3,003,436	638,251	4,822,698	-	4,822,698
Program revenues							
Program revenues							
Trash Fees	192,894	-	-	-	192,894	-	192,894
Operating grants and contributions							
Contribution from Cimarron Metro-excess pledged revenues	-	-	4,637,103	-	4,637,103	-	4,637,103
Contributions from other districts-pledged revenues Series A bonds	-	-	5,135,737	-	5,135,737	-	5,135,737
Capital grants and contributions	-	-	-	-	-	-	-
Contributions from developer-capital advances	-	2,157,363	-	-	2,157,363	-	2,157,363
	192,894	2,157,363	9,772,840	-	12,123,097	-	12,123,097
Excess (deficiency) of revenues over expenditures	31,237	-	(70,320,130)	632,251	(69,656,642)	69,150,038	(506,604)
Other financing sources (uses)							
Bond proceeds-Series 2019 Bonds	-	-	66,265,000	-	66,265,000	(66,265,000)	-
Bond premium-Series 2019 Bonds	-	-	4,168,244	-	4,168,244	(4,168,244)	-
Total other financing sources (uses)	-	-	70,433,244	-	70,433,244	(70,433,244)	-
Net change in fund balance/net position	31,237	-	113,114	632,251	776,602	(1,283,206)	(506,604)
Fund balance/net position - January 1, 2019	20,104	-	4,061,431	3,300,740	7,382,275	(121,144,798)	(113,762,523)
Fund balance/net position - December 31, 2019	\$ 51,341	\$ -	\$ 4,174,545	\$ 3,932,991	\$ 8,158,877	\$ (122,428,004)	\$ (114,269,127)

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, 2019**

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Interest income	\$ 540	\$ 559	\$ 559	\$ -
District Mill Levy Base Revenue	105,629	107,970	107,970	-
Specific Ownership tax revenue	88,065	93,672	93,672	-
District Mill Levy Increment Revenue	995,188	978,810	978,810	-
Trash Fees	126,000	192,894	192,894	-
Total revenues	<u>1,315,422</u>	<u>1,373,905</u>	<u>1,373,905</u>	<u>-</u>
Expenditures				
General government:				
Trash collection expense	126,000	175,000	161,881	13,119
Treasurer Fees	17,041	16,301	16,301	-
Bank and credit card fees		400	336	64
Intergovernmental payment-property tax	1,169,341	1,185,299	1,164,150	21,149
Total expenditures	<u>1,312,382</u>	<u>1,377,000</u>	<u>1,342,668</u>	<u>(34,332)</u>
Excess (deficiency) of revenues over expenditures	3,040	(3,095)	31,237	34,332
Fund balance - beginning of year	36,617	20,104	20,104	-
Fund balance - end of year	<u>\$ 39,657</u>	<u>\$ 17,009</u>	<u>\$ 51,341</u>	<u>\$ 34,332</u>

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, 2019

	Budget Original and Final	Actual	Variance Favorable (Unfavorable)
Revenues			
Interest income	\$ 1,300	\$ 6,751	\$ 5,451
Sustainability fees	696,000	631,500	(64,500)
Total revenues	<u>697,300</u>	<u>638,251</u>	<u>(59,049)</u>
Expenditures			
General government:			
Accounting and audit	6,000	6,000	-
Builder sustainability rebates	400,000	-	400,000
Homeowner sustainability rebates	25,000	-	25,000
Community programs	25,000	-	25,000
Total expenditures	<u>456,000</u>	<u>6,000</u>	<u>450,000</u>
Excess (deficiency) of revenues over expenditures	241,300	632,251	390,951
Fund balance - beginning of year	<u>3,065,699</u>	<u>3,300,740</u>	<u>235,041</u>
Fund balance - end of year	<u>\$ 3,306,999</u>	<u>\$ 3,932,991</u>	<u>\$ 625,992</u>

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

Vauxmont Metropolitan District
Notes to Financial Statements
December 31, 2019

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.

Vauxmont Metropolitan District
Notes to Financial Statements
December 31, 2019

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.

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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, 2019, 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 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.

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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.

Bond Premiums and Prepaid Debt Insurance

Bond premiums and prepaid debt insurance relative to issuing bonded debt are recorded as an asset and liability on the balance sheet/statement of net position and are amortized using the interest method over the life of the bonds. No amortization was recorded in 2019 due to the close proximity of the bond closing date to year-end.

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 be maintained intact. The nonspendable fund balance in the debt service fund represents prepaid bond cost of issuance expenses in the amount of \$465,380.

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 \$40,280 of the General Fund balance has been restricted in compliance with this requirement.

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The restricted fund balance in the Debt Service Fund represents amounts restricted for debt service. A total of \$3,709,165 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 \$3,932,991 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 2019 budget year, prior to August 25, 2018, 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 details the necessary property taxes needed along with other available revenues to meet the District's operating requirements.

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- iii. A public hearing on the proposed budget and capital program is held.
- iv. Prior to December 15, 2018, 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 2019 budget.
- v. For the 2019 budget, the final budget and appropriating resolution was adopted prior to December 31, 2018.

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 December, 2019, the District amended its appropriation in the General Fund from \$1,312,382 to \$1,377,000 for utility expenses in excess of those anticipated. In December, 2019, the District amended its appropriation in the Capital Projects Fund from \$575,484 to \$2,250,000 for capital expenses in excess of those anticipated. Also, in December 2019, the District amended its appropriation in the Debt Service Fund from \$12,369,462 to \$85,011,008 for the unanticipated issuance of the Series 2019 bonds resulting in related bond issuance expenses and the refunding of the Series E Note.

Note 2: Cash and Investments

As of December 31, 2019, cash is classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 3,616,879
Restricted cash and investments	<u>3,617,565</u>
Total cash and investments	<u>\$ 7,234,444</u>

Cash as of December 31, 2019 consist of the following:

Deposits with financial institutions	<u>\$ 7,137,902</u>
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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, 2019, the District's cash deposits had a carrying value of \$7,137,902 and a bank balance of \$7,137,902. Deposits are in a checking account of which \$750,000 is covered by Federal depository insurance and the balance of \$6,387,902 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.

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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 than 100%. 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, 2019, the District had \$96,542 of its funds invested in First American which is valued using Level 1 inputs.

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 2015 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 Amended and Restated 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.

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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. It is anticipated that the District will issue its Series 2020 Bonds (defined herein) on or after September 2, 2020 to refund the Series 2015A Bonds outstanding (see Note 9 “Subsequent Events”).

\$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. It is anticipated that the District will issue its Series 2020 Bonds on or after September 2, 2020 to refund the Series 2015C Bonds outstanding (see Note 9 “Subsequent Events”).

\$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 “2015 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 (defined above) available therefore annually on December 1 commencing on December 1, 2015, and fully mature on December 1, 2035.

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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. It is anticipated that the District will issue its Series 2020 Bonds on or after September 2, 2020 to refund the Series 2015D Bonds outstanding (see Note 9 “Subsequent Events”).

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

	Series 2015A			Series 2015C		
	Principal	Interest	Total	Principal	Interest	Total
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	1,210,000	1,141,700	2,351,700	875,000	936,360	1,811,360
2024	1,300,000	1,057,000	2,357,000	900,000	869,423	1,769,423
2025-2029	6,850,000	3,813,600	10,663,600	4,950,000	3,276,113	8,226,113
2030-2034	5,790,000	1,693,300	7,483,300	4,750,000	1,363,613	6,113,613
2035	1,160,000	81,200	1,241,200	765,000	58,523	823,523
	<u>\$ 20,150,000</u>	<u>\$ 11,153,600</u>	<u>\$ 31,303,600</u>	<u>\$ 14,730,000</u>	<u>\$ 9,696,758</u>	<u>\$ 24,426,758</u>

	Series 2015D			Total-Series 2015		
	Principal	Interest	Total	Principal	Interest	Total
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	1,060,000	1,502,800	2,562,800	3,145,000	3,580,860	6,725,860
2024	1,375,000	1,418,000	2,793,000	3,575,000	3,344,423	6,919,423
2025-2029	9,760,000	5,098,400	14,858,400	21,560,000	12,188,113	33,748,113
2030-2034	6,465,000	1,428,000	7,893,000	17,005,000	4,484,913	21,489,913
2035	125,000	10,000	135,000	2,050,000	149,723	2,199,723
	<u>\$ 19,985,000</u>	<u>\$ 14,161,600</u>	<u>\$ 34,146,600</u>	<u>\$ 54,865,000</u>	<u>\$ 35,011,958</u>	<u>\$ 89,876,958</u>

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\$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 2015 Bonds. 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.

The Series 2015E Note was refunded in its entirety from proceeds of the Series 2019 Bonds (defined below) on December 20, 2019.

The following reflects activity for the year ended December 31, 2019:

	Balance	Changes		Balance
	<u>Jan 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Dec 31, 2019</u>
Series E Note-principal	\$ 54,075,000	\$ -	\$ (54,075,000)	\$ -
Series E Note-accrued interest	9,447,003	4,887,742	(14,334,745)	-
	<u>\$ 63,522,003</u>	<u>\$ 4,887,742</u>	<u>\$ (68,409,745)</u>	<u>\$ -</u>

\$66,265,000 Subordinate Limited Tax (Convertible to Unlimited Tax) General Obligation and Special Revenue Refunding Bonds, Series 2019

On December 20, 2019, the District issued its Subordinate Limited Tax (Convertible to Unlimited Tax) General Obligation and Special Revenue Refunding Bonds, Series 2019 (“Series 2019 Bonds”) in the principal amount of \$66,265,000 for the purpose of: (a) refunding the Series 2015E Note; (b) funding the purchase of the insurance policy issued for the funding of 100% of the Subordinate Reserve Requirement for the Series 2019 Bonds; and (c) paying the costs of issuing the Series 2019 Bonds and a portion of the costs of issuing the 2020 Senior Bonds (See Note 9 “Subsequent Events” for discussion of 2020 Senior Bonds). The Series 2019 Bonds bear interest at 5.0% per annum for bonds maturing through December 15, 2032 and 3.25% per annum for bonds maturing on December 15, 2033 through December 15, 2050, payable to the extent of the Subordinate Pledged Revenue (discussed below) available therefore annually on December 15 commencing on December 15, 2020, and fully mature on December 15, 2050.

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The Series 2019 Bonds are subordinate limited tax (convertible to unlimited tax) general and revenue obligations of the District payable from the “Subordinate Pledged Revenue.” The Subordinate Pledge Revenue is generally defined in the documents governing the issuance of the Series 2019 Bonds as: (a) the Subordinate Pledged MRA Revenue (consisting generally of certain revenues received by District No. 2 from AURA and assigned to the District pursuant to the MRA and the Pledge and Assignment Agreement (discussed under Note 4), which amounts remain after amounts used to pay any Senior Obligations (discussed below); (b) all Subordinate Property Tax Revenues (consisting generally of moneys derived by the District from the Subordinate Required Mill Levy, which consists initially of a mill levy not to exceed 50 mills (subject to certain adjustments), subject to potential conversion to any unlimited mill levy); (c) all Subordinate Specific Ownership Tax Revenues (consisting of specific ownership taxes received by the District as a result of the Subordinate Required Mill Levy); and (d) all Subordinate Capital Fee Revenue (consisting of one-time fees payable to the District upon the issuance of a building permit within the District which remain after such amounts are used to pay any Senior Obligations). The Series 2019 Bonds are also secured by the Subordinate Reserve Fund established pursuant to the documents governing the issuance of the Series 2019 Bonds and the Surplus Fund, which will not be funded with proceeds of the Series 2019 Bonds, but is required to be funded with excess Subordinate Pledged Revenue, if any.

The Series 2019 Bonds are subordinate in their lien status to the Senior Obligations. “Senior Obligations” is generally defined in the documents governing the issuance of the Series 2019 Bonds as the 2015 Bonds, the Cimarron Series 2018 Note (for which the District is obligated to make payment for pursuant to the VXMD Pledge Agreement (discussed under Note 4)), any obligations issued on parity with the 2015 Bonds, the Series 2020 Bonds, the Cimarron Series 2018 Note, any obligations constituting “Parity Bonds” under the 2020 Senior Indenture and any other obligations the District designates as a Senior Obligations, including any obligation of the District issued as an unlimited mill levy debt.

The documents governing the Series 2019 Bonds indicate the Series 2019 Bonds are subject to option and mandatory sinking fund redemption. The Series 2019 Bonds maturing on or after December 15, 2025 are subject to redemption prior to maturing, at the option of the District, on December 15, 2024, and any date thereafter, upon payment of par, accrued interest, and a redemption premium. The Series 2019 Bonds maturing on December 15, 2050 are also subject to mandatory sinking fund redemption on December 15, 2033, and on each December 15 thereafter prior to the maturity date of such Series 2019 Bonds.

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The following is a summary of annual and long-term debt principal and interest requirements for the Series 2019 Bonds:

	Series 2019		
	Principal	Interest	Total
2020	\$ -	\$ 2,659,874	\$ 2,659,874
2021	1,700,000	2,697,338	4,397,338
2022	1,835,000	2,612,338	4,447,338
2023	2,125,000	2,520,588	4,645,588
2024	2,375,000	2,414,338	4,789,338
2025-2029	13,580,000	10,158,440	23,738,440
2030-2034	16,730,000	6,569,552	23,299,552
2035-2039	6,655,000	4,124,738	10,779,738
2040-2044	8,420,000	2,932,639	11,352,639
2045-2049	10,460,000	1,436,654	11,896,654
2050	2,385,000	77,513	2,462,513
	\$ 66,265,000	\$ 38,204,012	\$ 104,469,012

The following is an analysis of changes in long-term bond debt for the period ending December 31, 2019:

	Balance	Changes		Balance	Current
	Jan 1, 2019	Additions	Retirements	Dec 31, 2019	Portion
Series 2015A Bonds	\$ 21,410,000	\$ -	\$ (1,260,000)	\$ 20,150,000	\$ 1,320,000
Series 2015C Bonds	15,545,000	-	(815,000)	14,730,000	815,000
Series 2015D Bonds	20,335,000	-	(350,000)	19,985,000	375,000
Series 2019 Bonds	-	66,265,000	-	66,265,000	-
Series 2019 Premium Amortized Cost	-	4,168,244	-	4,168,244	290,205
	\$ 57,290,000	\$ 70,433,244	\$ (2,425,000)	\$ 125,298,244	\$ 2,800,205

Authorized Debt

As of December 31, 2019, as a result of the District's outstanding 2015 issuances, the District had remaining voted authorized but unissued debt for infrastructure financing of approximately \$3,461,945,000. 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 original principal amount of \$138,525,000.

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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 homeowners 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 (the “Original Cimarron FFCOA”). The Original Cimarron FFCOA terminated and replaced the Memorandum of Understanding with Cimarron dated February 24, 2009 (effective January 1, 2009). 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.

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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 Cimarron Series 2012 Bonds and the Cimarron Series 2012 Note. 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 refunding of Cimarron’s Series 2012 Subordinate Note and the District’s issuance of the 2015 Bonds and the Series 2015E Note.

Under the VXMD Pledge Agreement, 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 (“Pledge Agreement Revenue”).

On January 16, 2018, Cimarron refunded the Cimarron Series 2012 Bonds in their entirety by entering into a Loan Agreement with Compass Mortgage Corporation (“Cimarron 2018 Loan Agreement”) in the amount of \$21,367,000, and executed a promissory note in the same amount (“Cimarron Series 2018 Note”). As a result, the Pledge Agreement Revenue is now pledged to repayment of the Cimarron Series 2018 Note.

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

Amended and Restated Capital Pledge Agreement and Assignment Agreement

On June 11, 2015, the District entered into an Amended and Restated Capital Pledge Agreement and Assignment Agreement with JCMD No. 1, JCMD No. 2 and U.S. Bank National Association in its capacity as trustee for the 2015 Bonds, as amended by the First Amendment to the Amended

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and Restated Capital Pledge Agreement and Assignment Agreement dated December 20, 2019 (as amended, “Pledge and Assignment Agreement”). The Pledge and Assignment Agreement replaced and superseded the Capital Pledge Agreement dated July 1, 2007 between JCMD No. 1 and JCMD No. 2. Pursuant to the Pledge and Assignment Agreement, the parties recognize the District’s issuance of the 2015 Bonds and the Series 2019 Bonds and agree to pledge certain revenues to support the repayment thereof.

Specifically, pursuant to the Pledge and Assignment Agreement, JCMD 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 and any debt issued to refund the same (such as the Series 2019 Bonds). The Vauxmont Revenue is defined in the Pledge and Assignment Agreement as the sum of the certain incremental property tax revenues received by JCMD No. 2 from AURA pursuant to the MRA.

Also, in accordance with the Pledge and Assignment Agreement, JCMD 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 JCMD No. 1 and the Northwest Arvada Urban Renewal Area (“NWAURA”) less certain administrative fees and annual stormwater costs, as described in the agreement. The Series 2015B Bonds were subsequently refunded by JCMD No. 1, and the Series 2015B TIF Revenues are now payable to JCMD No. 1 as pledged revenues to those bonds. The Series 2015B TIF revenues are not pledged to the Series 2019 Bonds.

Finally, pursuant to the Pledge and Assignment Agreement JCMD No. 2 pledges certain Impact Fees received by JCMD No. 2 pursuant to a Resolution of JCMD No. 2 adopted on December 20, 2005 to the repayment of the Series 2015A Bonds. To date, all Impact Fees have been paid to JCMD No. 2 and assigned to the District for repayment of the Series 2015A Bonds.

Intergovernmental Restructuring Agreement

On June 11, 2015, the District, JCMD No. 1, JCMD No. 2 and Cimarron entered into that certain Intergovernmental Restructuring Agreement (“Restructure IGA”) to acknowledge the issuance of the Bonds and the Series 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 2015 Bonds and the Series 2015E Note in part to refinance and restructure certain outstanding debts of JCMD No. 1, JCMD 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

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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 as subsequently amended. 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: (a) 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 (b) 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. Additionally, 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 (as defined in the Restated FFAA). 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 2015E Note evidenced the obligation to reimburse the Developer for construction related expenses and/or costs of acquiring improvements completed by the Developer. The Series 2015E Note was refunded in its entirety from proceeds of the Series 2019 Bonds (defined below) on December 20, 2019.

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Amended and Restated Facilities Funding, Construction and Operations Agreement

JCMD No. 1, JCMD 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, JCMD 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. JCMD No. 2 is generally responsible for providing the financing, construction, operations and maintenance of certain primary public infrastructure to serve the entire service area. The Master IGA provides a limitation on the issuance of indebtedness by the Jefferson Center Districts in the amount of \$450 million of total aggregate debt by all of the Jefferson Center Districts. The Master IGA is intended to constitute a multiple fiscal year financial obligation of the Jefferson Center Districts, and as such, it was submitted to and approved by the electorates of each of the Jefferson Center Districts prior to being executed. On March 24, 2009, each of the Jefferson Center Districts elected to perform its own administrative services, effective January 1, 2008. On November 1, 2010, the Jefferson Center Districts entered into the Third Amendment to Facilities Funding, Construction and Operations Agreement, whereby JCMD No. 2 will not construct, own, operate or maintain Public Park Improvements. Each Financing District may determine to establish a system of fees, rates, tolls and/or charges with respect to the maintenance of the Public Park Improvements it constructs and/or maintains on property within its respective boundaries.

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.

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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.
- 2) the bond premium and prepaid debt insurance are reported as a deferred charge and amortized over the term of the related debt in the government-wide financial statements.

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Notes to Financial Statements
December 31, 2019

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 Net Position.
- 2) governmental funds report interest expense on the modified accrual basis, however, interest expense is reported on the full accrual method on the Statement of Activities.

Note 9: Subsequent Events

The District anticipates issuing its Senior Limited Tax (Convertible to Unlimited Tax) General Obligation and Special Revenue Refunding Bonds, Series 2020 in the aggregate principal amount of \$66,355,000 on or after September 2, 2020 (“Series 2020 Bonds”). The proceeds from the Series 2020 Bonds are expected to be applied to: (a) refund the 2015 Bonds and the Cimarron Series 2018 Note; (b) fund the purchase of the insurance policy to fund the reserve fund associated with the Series 2020 Bonds; and (c) pay a portion of the cost of issuing the Series 2020 Bonds. The Series 2020 Bonds are forward delivery bonds and are not expected to be issued and delivered until September 2, 2020. It is anticipated that proceeds of the Series 2020 Bonds will be placed into escrow on or after September 2, 2020 to be used to redeem the 2015 Bonds on December 1, 2020, at a price equal to the principal amount outstanding, plus accrued interest, plus a redemption premium of 2% and refunding the Cimarron Series 2018 Note on or before December 20, 2020, at a price equal to the principal amount outstanding, plus accrued interest, without prepayment premium.

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, 2019

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Expenditures				
Payments to Cimarron Metropolitan District	\$ 575,484	\$ 2,250,000	\$ 2,157,363	\$ 92,637
Total expenditures	<u>575,484</u>	<u>2,250,000</u>	<u>2,157,363</u>	<u>92,637</u>
Excess (deficiency) of revenues over expenditures	(575,484)	(2,250,000)	(2,157,363)	(92,637)
Other financing sources (uses)				
Contributions from developer-capital advances	575,484	2,250,000	2,157,363	(92,637)
Total other financing sources (uses)	<u>575,484</u>	<u>2,250,000</u>	<u>2,157,363</u>	<u>(92,637)</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Vauxmont Metropolitan District
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Debt Service Fund
For the year ended December 31, 2019

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Interest income	\$ 25,000	\$ 52,100	\$ 52,100	\$ -
District Mill Levy Base Revenue	264,076	269,944	269,944	-
Specific Ownership tax revenue	220,165	234,196	234,196	-
District Mill Levy Increment Revenue	2,487,991	2,447,196	2,447,196	-
Operating grants and contributions:				
Contributions from Cimarron Metro-excess pledged revenues	4,783,276	4,637,103	4,637,103	-
Contributions from other districts-pledged revenues	4,588,954	5,135,737	5,135,737	-
Total revenues	12,369,462	12,776,276	12,776,276	-
Expenditures				
General government:				
Treasurer Fees	42,602	40,757	40,757	-
Bank charges	-	120	120	-
Trustee fees	2,500	2,500	2,500	-
Urban renewal fee	73,000	73,508	73,508	-
Bond issuance and underwriting expense	-	6,490,000	5,240,653	1,249,347
Debt service:				
Debt service interest-Series E note	2,903,187	15,000,000	14,334,745	665,255
Debt service principal-Series E note	-	54,075,000	54,075,000	-
Debt service interest-Series 2015 bonds	3,993,543	3,993,543	3,993,543	-
Debt service principal-Series 2015 bonds	2,425,000	2,425,000	2,425,000	-
Intergovernmental:				
Payment to Cimarron Metro District-property taxes	2,929,630	2,910,580	2,910,580	-
Total expenditures	12,369,462	85,011,008	83,096,406	1,914,601
Other financing sources (uses)				
Bond proceeds	-	66,265,000	66,265,000	-
Bond premium	-	5,428,301	4,168,244	(1,260,057)
Total other financing sources (uses)	-	71,693,301	70,433,244	(1,260,057)
Net change in fund balance	-	(541,431)	113,114	654,544
Fund balance - beginning of year	3,520,000	4,061,429	4,061,431	2
Fund balance - end of year	\$ 3,520,000	\$ 3,519,998	\$ 4,174,545	\$ 654,547