

MILE HIGH BUSINESS CENTER METROPOLITAN DISTRICT
City and County of Denver, Colorado

FINANCIAL STATEMENTS
December 31, 2016



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Certified Public Accountants and Business Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Mile High Business Center Metropolitan District
City and County of Denver, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Mile High Business Center Metropolitan District (the District), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

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

I

Barnes Griggs & Associates, PC

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate 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 the District's basic financial statements. The supplementary information as listed in the table of contents is presented for purposed of legal compliance and additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Darner Higgin & Associates, PC

Lakewood, Colorado

July 21, 2017

BASIC FINANCIAL STATEMENTS

MILE HIGH BUSINESS CENTER METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2016

	<u>Governmental Activities</u>
ASSETS	
Investments	\$ 205,203
Investments - Restricted	451,277
Property taxes receivable	839,272
Receivable from Country Treasurer	4,651
Capital assets	
Capital assets, net depreciation	302,862
Total assets	<u>1,803,265</u>
LIABILITIES	
Accounts payable	2,100
Accrued interest payable	29,094
Noncurrent liabilities	
Due within one year	190,000
Due in more than one year	7,859,360
Total liabilities	<u>8,080,554</u>
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	839,272
Total deferred inflows of resources	<u>839,272</u>
NET POSITION	
Net investment in capital assets	227,586
Restricted for:	
Emergency reserves	7,200
Debt service	419,434
Unrestricted	(7,770,781)
Total net position	<u>\$ (7,116,561)</u>

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

**MILE HIGH BUSINESS CENTER METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Government activities:					
General government	\$ 140,912	\$ -	\$ -	\$ -	\$ (140,912)
Interest and related costs on long-term debt	440,402	-	-	-	(440,402)
	<u>\$ 581,314</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(581,314)</u>
General revenues:					
Property taxes					830,174
Specific ownership taxes					58,038
Net investment income					4,565
Total general revenues					<u>892,777</u>
Change in net position					311,463
Net position - Beginning					<u>(7,428,024)</u>
Net position - Ending					<u>\$ (7,116,561)</u>

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

**MILE HIGH BUSINESS CENTER METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016**

	General	Debt Service	Total Governmental Funds
ASSETS			
Investments	\$ 205,203	\$ -	\$ 205,203
Investments - Restricted	7,200	444,077	451,277
Property tax receivable	238,641	600,631	839,272
Receivable from County Treasurer	-	4,651	4,651
TOTAL ASSETS	\$ 451,044	\$ 1,049,359	\$ 1,500,403
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,900	\$ 200	\$ 2,100
Total liabilities	1,900	200	2,100
DEFERRED INFLOWS OF RESOURCES			
Property tax revenue	238,641	600,631	839,272
Total deferred inflows of resources	238,641	600,631	839,272
FUND BALANCES			
Emergency reserves	7,200	-	7,200
Debt service	-	448,528	448,528
Unassigned	203,303	-	203,303
Total fund balances	210,503	448,528	659,031
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 451,044	\$ 1,049,359	

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.

Capital assets, net 302,862

Long-term liabilities, including bonds payable and interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable (6,571,795)

Accrued bond interest (29,094)

Developer advance payable - Principal (1,024,689)

Developer advance payable - Interest (452,876)

Net position of governmental activities **\$ (7,116,561)**

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

**MILE HIGH BUSINESS CENTER METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2016**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 236,054	\$ 594,120	\$ 830,174
Specific ownership taxes	-	58,038	58,038
Net investment income	1,108	3,457	4,565
Total revenues	<u>237,162</u>	<u>655,615</u>	<u>892,777</u>
EXPENDITURES			
Current			
Accounting	24,716	-	24,716
Audit	4,850	-	4,850
County Treasurer's fees	2,361	5,941	8,302
City review fee	5,000	-	5,000
Election	649	-	649
Insurance	2,488	-	2,488
District management	39,087	-	39,087
Dues and subscriptions	826	-	826
Landscape maintenance	14,453	-	14,453
Landscape maintenance - Irrigation repair	1,575	-	1,575
Legal	9,496	-	9,496
Snow removal	25,714	-	25,714
Miscellaneous	206	-	206
Debt service			
Bond principal - 2007	-	110,000	110,000
Bond principal - 2010	-	75,000	75,000
Bond interest - 2007	-	205,318	205,318
Bond interest - 2010	-	152,203	152,203
Paying agent fees	-	1,450	1,450
Total expenditures	<u>131,421</u>	<u>549,912</u>	<u>681,333</u>
NET CHANGE IN FUND BALANCES	105,741	105,703	211,444
FUND BALANCES - BEGINNING OF YEAR	104,762	342,825	447,587
FUND BALANCES - END OF YEAR	<u>\$ 210,503</u>	<u>\$ 448,528</u>	<u>\$ 659,031</u>

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

**MILE HIGH BUSINESS CENTER METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

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

Net change in fund balances - Total governmental funds	\$ 211,444
<p>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.</p>	
Depreciation	(9,491)
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. 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.</p>	
Principal payment	185,000
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Bond interest - Change in liability	699
Current year amortization of bond premium	1,735
Developer advances - Interest, Change in liability	<u>(77,924)</u>
Changes in net position of governmental activities	<u>\$ 311,463</u>

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

**MILE HIGH BUSINESS CENTER METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016**

	<u>Original & Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Property taxes	\$ 249,275	\$ 236,054	\$ (13,221)
Net investment income	500	1,108	608
Total revenues	<u>249,775</u>	<u>237,162</u>	<u>(12,613)</u>
EXPENDITURES			
Accounting	27,000	24,716	2,284
Audit	4,800	4,850	(50)
County Treasurer's fees	2,493	2,361	132
City review fee	5,000	5,000	-
Election	1,000	649	351
Insurance	2,700	2,488	212
District management	20,000	39,087	(19,087)
Dues and subscriptions	500	826	(326)
Landscape maintenance	30,000	14,453	15,547
Landscape maintenance - Drainage Pond	20,000	1,575	18,425
Landscape maintenance - Pond	10,000	-	10,000
Legal	75,000	9,496	65,504
Storm drainage	1,000	-	1,000
Pond Rehabilitation	25,000	25,714	(714)
Miscellaneous	500	206	294
Contingency	6,007	-	6,007
Total expenditures	<u>231,000</u>	<u>131,421</u>	<u>99,579</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>18,775</u>	<u>105,741</u>	<u>86,966</u>
NET CHANGE IN FUND BALANCE	18,775	105,741	86,966
FUND BALANCES - BEGINNING OF YEAR	67,880	104,762	36,882
FUND BALANCES - END OF YEAR	<u>\$ 86,655</u>	<u>\$ 210,503</u>	<u>\$ 123,848</u>

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

MILE HIGH BUSINESS CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - DEFINITION OF REPORTING ENTITY

Mile High Business 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 in November 2005, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located entirely within the City and County of Denver, Colorado. The District was established to provide financing for the design, acquisition, installation and construction of water, sanitation, streets, safety protection and park and recreation facilities. Upon the completion of the infrastructure improvements, the District anticipates dedicating most of the improvements to the City or to such other governmental entity as appropriate. The District also provides the funding for infrastructure improvements and the tax base needed to support ongoing operations.

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

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

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 and the sum of liabilities and deferred inflows is reported as net position.

MILE HIGH BUSINESS CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 government 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 and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation is due.

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 Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

MILE HIGH BUSINESS CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 has amended its annual budget for the year ended December 31, 2016.

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.

Investments are carried at fair value.

Property Taxes

Property taxes are levied by the District 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.

Capital Assets

Capital assets, which include property and equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. 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. Assets included in construction in progress that the District will convey to other entities are not included in the calculation of net investment in capital assets.

MILE HIGH BUSINESS CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Streets	20 years
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Amortization - Bond Premiums

In the government-wide financial statements, bond premiums are deferred and amortized over the life of the bonds using the effective interest method.

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(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is reported only in the governmental funds balance sheet and statement of net position. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become 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.

In the government-wide financial statements, fund equity is classified as net position. Net position may be classified into three components: net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

- Net investment in capital assets – this component of net position consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any debt that is attributable to the acquisition, construction or improvement of those assets. If there are significant unspent debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in this component.
- Restricted – this component of net position consists of assets that are restricted for use as imposed by external parties such as creditors, grantors or contributors, or as imposed by laws or regulations of other governments, or as imposed through constitutional provisions or enabling legislation.
- Unrestricted – the component of net position that does not meet the definitions above.

**MILE HIGH BUSINESS CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

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.

MILE HIGH BUSINESS CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2016, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 205,203
Cash and investments - Restricted	<u>451,277</u>
Total cash and investments	<u><u>\$ 656,480</u></u>

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

Deposits with Financial Institutions	\$ 1,157
Investments	<u>655,323</u>
Total cash and investments	<u><u>\$ 656,480</u></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, 2016, the District's cash deposits had a bank balance of \$32,844 and a carrying balance of \$1,157.

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.

**MILE HIGH BUSINESS CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

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
- . Certain international agency securities
- . 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

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 cost.

As of December 31, 2016, the District had the following investments:

Investment	Maturity	Fair Value
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	\$ 655,316
Federated Treasury Money Market Fund	Weighted average under 60 days	<u>7</u>
		<u>\$ 655,323</u>

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statutes for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing CSAFE. CSAFE 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.

**MILE HIGH BUSINESS CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Federated Treasury Money Market Fund

The debt service money that is included in the trust accounts at UMB Bank is invested in the Federated Treasury Obligations Fund. This portfolio is a money market mutual fund which invests primarily in short-term U.S. Treasury securities and includes repurchase agreements collateralized by U.S. Treasury securities. The Federated Treasury Obligations Fund is rated AAAM by Standard & Poor's.

NOTE 4 - CAPITAL ASSETS

Capital Assets

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

	Balance at December 31, 2015	Additions	Retirements	Balance at December 31, 2016
Governmental activities				
Fixed assets, not being depreciated:				
Construction in Progress	\$ 215,051	\$ -	\$ 215,051	\$ -
Total fixed assets, not being depreciated	215,051	-	215,051	-
Capital assets, being depreciated:				
Streets - East Shared Drive	100,225	215,051	-	315,276
Total capital assets, being depreciated	100,225	215,051	-	315,276
Less accumulated depreciation for:				
Streets - East Shared Drive	(2,923)	(9,491)	-	(12,414)
Total accumulated depreciation	(2,923)	(9,491)	-	(12,414)
Total capital assets, being depreciated, net	97,302	205,560	-	302,862
Total capital assets	<u>\$ 312,353</u>	<u>\$ 205,560</u>	<u>\$ 215,051</u>	<u>\$ 302,862</u>

Depreciation expense was charged to the governmental operations of the District for the year ended December 31, 2016.

**MILE HIGH BUSINESS CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 5 - LONG-TERM OBLIGATIONS

The District's outstanding long-term obligations at December 31, 2016, were as follows:

	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2016</u>	<u>Due Within One Year</u>
General Obligation Bonds:					
Series 2007	\$3,955,000	\$ -	\$ 110,000	\$3,845,000	\$ 115,000
Series 2010	2,780,000	-	75,000	2,705,000	75,000
	<u>6,735,000</u>	<u>-</u>	<u>185,000</u>	<u>6,550,000</u>	<u>190,000</u>
Premium on 2007 Bonds	23,530	-	1,735	21,795	-
Total bonds payable	<u>6,758,530</u>	<u>-</u>	<u>186,735</u>	<u>6,571,795</u>	<u>190,000</u>
Developer advance payable	1,024,689	-	-	1,024,689	-
Accrued interest on Developer advances	374,952	77,924	-	452,876	-
Total Developer advances	<u>1,399,641</u>	<u>77,924</u>	<u>-</u>	<u>1,477,565</u>	<u>-</u>
	<u>\$8,158,171</u>	<u>\$ 77,924</u>	<u>\$ 186,735</u>	<u>\$8,049,360</u>	<u>\$ 190,000</u>

The details of the District's long-term obligations are as follows:

\$5,000,000 General Obligation Bonds, Series 2007, were issued on August 1, 2007, in the original amount of \$5,000,000. The bonds are term bonds due on December 1, 2037, with mandatory redemption principal payments starting at \$80,000 on December 1, 2009, and increasing annually thereafter. The bonds have interest rates that vary from 4.50% to 5.25%. Interest is payable semiannually on June 1 and December 1.

The bonds are subject to redemption prior to maturity at the option of the District, in whole on any date, or in part on any date, beginning on December 1, 2017, at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest to the redemption date, if any, without premium.

\$2,985,000 General Obligation Bonds, Series 2010, were issued on September 1, 2010, in the original amount of \$2,985,000. The bonds are term bonds with final maturity on December 1, 2035. The interest rate on the bonds has been set at a rate of 2.75% to 6.00% based on maturity date with payments due June 1 and December 1.

The bonds are subject to redemption prior to maturity, at the option of the District, in whole on any date, or in part on any date, as determined by the District, at any time on and after December 1, 2020, at a redemption price equal to the outstanding principal amount of each bond or portion thereof redeemed, plus accrued interest thereon to the date of redemption.

**MILE HIGH BUSINESS CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

In conjunction with the issuance of the Series 2010 bonds, the District terminated the reserve requirement associated with the Series 2007 bonds. The Series 2007 reserve funds were used to redeem a portion of the Series 2007 bonds. There is no reserve requirement associated with the Series 2010 bonds.

There is no Required Mill Levy. The maximum Mill Levy is 50.000 mills, with no minimum Mill Levy. For collection year 2016, the District levied 25.048 mills for debt service.

The District's long-term obligations will mature as follows:

	Governmental Activities		
	Principal	Interest	Total
2017	\$ 190,000	\$ 349,120	\$ 539,120
2018	200,000	340,271	540,271
2019	210,000	332,271	542,271
2020	215,000	323,346	538,346
2021	230,000	310,876	540,876
2022-2026	1,350,000	1,356,724	2,706,724
2027-2031	1,755,000	952,540	2,707,540
2032-2036	2,080,000	416,382	2,496,382
2037	320,000	16,800	336,800
	<u>\$ 6,550,000</u>	<u>\$ 4,398,330</u>	<u>\$ 10,948,330</u>

Authorized Debt

On November 1, 2005, a majority of the qualified electors of the District who voted in the election authorized the issuance of indebtedness in an amount not to exceed \$65,000,000 at an interest rate not to exceed 18% per annum.

	Authorized November 1, 2005 Election	Series 2007 Authorization Used	Series 2010 Authorization Used	Remaining at December 31, 2016
Street improvement, traffic and safety controls	\$ 13,000,000	\$ 1,095,447	\$ 1,334,234	\$ 10,570,319
Water supply system	13,000,000	1,304,512	605,788	11,089,700
Storm and sanitary system	13,000,000	2,600,041	1,044,978	9,354,981
Parks and recreation facilities	13,000,000	-	-	13,000,000
Traffic and safety	13,000,000	-	-	13,000,000
	<u>\$ 65,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ 2,985,000</u>	<u>\$ 57,015,000</u>

**MILE HIGH BUSINESS CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Per the Service Plan, the District is limited to issuing \$13,000,000 in debt. In addition, the maximum debt service mill levy for the District is 50 mills, as adjusted for changes in the ratio of actual value to assessed value of property within the District.

No changes to the ratio have occurred and the maximum mill levy for the debt service remains 50 mills. A maximum of 15 mills may be levied for operation and maintenance costs for the first five years and 10 mills thereafter.

NOTE 6 - NET POSITION

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

Net investment in capital assets consists of capital assets, 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 improvement of those assets. As of December 31, 2016, the District had net investment in capital assets calculated as follows:

Net Investment in Capital Assets	
Capital assets, net	\$ 302,862
Current portion of outstanding long-term obligations	<u>(75,276)</u>
Net Investment in Capital Assets	<u><u>\$ 227,586</u></u>

Restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2016, as follows:

	Governmental
	Activites
Restricted net position:	
Emergency reserves	\$ 7,200
Debt service	<u>419,434</u>
Total restricted net position	<u><u>\$ 426,634</u></u>

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of bonds issued for public improvements, which were transferred to other governments for ownership and maintenance.

**MILE HIGH BUSINESS CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 7 - RELATED PARTY

The members of the Board of Directors are employees, owners or are otherwise associated with Panattoni Development Co., LLC (Developer) and may have conflicts of interest in dealing with the District.

The District has an agreement with the Developer to provide management services. During 2016, the District paid the Developer \$25,000 for management services.

NOTE 8 - AGREEMENTS

Advance and Reimbursement Agreement

On January 20, 2006, the District entered into an Advance and Reimbursement Agreement for construction, maintenance and operation costs with the Developer. The Agreement was amended March 5, 2007, and May 18, 2010 (effective November 13, 2009), to clarify certain provisions. Under the terms of this agreement, the Developer agreed to provide advances to the District for the purpose of funding construction, operations and maintenance costs of the District. The District will reimburse the Developer for the advances and interest at the rate of seven and a half percent (7.5%) per annum on such sums advanced subject to annual appropriation, when and if monies become available to do so.

Mutual Settlement and Release Agreement

In 2015, the District entered into a settlement and easement agreement in which the District agreed to accept \$315,276 of Developer constructed infrastructure improvements. In June 2015, \$240,000 was repaid, and the remaining \$75,276 will accrue interest. Per the terms of the agreement, \$22,456 will accrue interest at 7.0% from the agreement execution date until paid in full. The remaining \$52,820 will accrue interest at 7.0% commencing August 10, 2015.

NOTE 9 - RISK MANAGEMENT

The District is 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 the past fiscal year.

The District pays annual premiums to the Pool for liability, property and public officials' liability 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.

**MILE HIGH BUSINESS CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

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 that 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 1, 2005, District voters passed an election question to increase property taxes \$5,000,000 annually to pay the District's operational and maintenance costs, 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.

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

SUPPLEMENTARY INFORMATION

**MILE HIGH BUSINESS CENTER METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016**

	<u>Original & Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Property taxes	\$ 627,395	\$ 594,120	\$ (33,275)
Specific ownership taxes	87,670	58,038	(29,632)
Net investment income	700	3,457	2,757
Total revenues	<u>715,765</u>	<u>655,615</u>	<u>(60,150)</u>
EXPENDITURES			
County Treasurer's fees	6,274	5,941	333
Bond principal - Series 2007	110,000	110,000	-
Bond principal - Series 2010	75,000	75,000	-
Bond interest - Series 2007	205,318	205,318	-
Bond interest - Series 2010	152,203	152,203	-
Paying agent fees	3,000	1,450	1,550
Contingency	6,205	-	6,205
Total expenditures	<u>558,000</u>	<u>549,912</u>	<u>8,088</u>
NET CHANGE IN FUND BALANCES	157,765	105,703	(52,062)
FUND BALANCES - BEGINNING OF YEAR	<u>340,505</u>	<u>342,825</u>	<u>2,320</u>
FUND BALANCES - END OF YEAR	<u>\$ 498,270</u>	<u>\$ 448,528</u>	<u>\$ (49,742)</u>

**MILE HIGH BUSINESS CENTER METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016**

<u>Bonds and Interest Maturing in the Year Ending December 31,</u>	\$5,000,000 General Obligation Bonds, Series 2007 Dated August 7, 2007, Interest Rate varying from 4.50% to 5.25% Interest Due Semi-annually, Principal Due December 1		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 115,000	\$ 199,542	\$ 314,542
2018	-	193,506	193,506
2019	-	193,506	193,506
2020	-	193,506	193,506
2021	135,000	193,506	328,506
2022	150,000	186,688	336,688
2023	160,000	179,112	339,112
2024	165,000	171,032	336,032
2025	175,000	162,700	337,700
2026	185,000	153,862	338,862
2027	190,000	144,520	334,520
2028	200,000	134,926	334,926
2029	210,000	124,426	334,426
2030	225,000	113,400	338,400
2031	235,000	101,588	336,588
2032	250,000	89,250	339,250
2033	260,000	76,126	336,126
2034	275,000	62,476	337,476
2035	290,000	48,038	338,038
2036	305,000	32,812	337,812
2037	320,000	16,800	336,800
	<u>\$ 3,845,000</u>	<u>\$ 2,771,322</u>	<u>\$ 6,616,322</u>

**MILE HIGH BUSINESS CENTER METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016**

**\$2,985,000 General Obligation Bonds, Series 2010
Dated September 1, 2010, Interest Rate
Varying from 2.75% to 6.00%**

Bonds and Interest Maturing in the Year Ending December 31,	Interest Due Semi-annually, Principal Due December 1		
	Principal	Interest	Total
2017	\$ 75,000	\$ 149,578	\$ 224,578
2018	200,000	146,765	346,765
2019	210,000	138,765	348,765
2020	215,000	129,840	344,840
2021	95,000	117,370	212,370
2022	90,000	111,860	201,860
2023	95,000	106,640	201,640
2024	105,000	101,130	206,130
2025	110,000	95,040	205,040
2026	115,000	88,660	203,660
2027	125,000	81,990	206,990
2028	130,000	74,740	204,740
2029	140,000	67,200	207,200
2030	145,000	59,080	204,080
2031	155,000	50,670	205,670
2032	160,000	41,680	201,680
2033	170,000	32,400	202,400
2034	180,000	22,200	202,200
2035	190,000	11,400	201,400
	<u>\$ 2,705,000</u>	<u>\$ 1,627,008</u>	<u>\$ 4,332,008</u>

**MILE HIGH BUSINESS CENTER METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016**

Bonds and Interest Maturing in the Year Ending December 31,	Total Requirements		
	Interest due Semi-annually, Principal due December 1		
	Principal	Interest	Total
2017	190,000	349,120	539,120
2018	200,000	340,271	540,271
2019	210,000	332,271	542,271
2020	215,000	323,346	538,346
2021	230,000	310,876	540,876
2022	240,000	298,548	538,548
2023	255,000	285,752	540,752
2024	270,000	272,162	542,162
2025	285,000	257,740	542,740
2026	300,000	242,522	542,522
2027	315,000	226,510	541,510
2028	330,000	209,666	539,666
2029	350,000	191,626	541,626
2030	370,000	172,480	542,480
2031	390,000	152,258	542,258
2032	410,000	130,930	540,930
2033	430,000	108,526	538,526
2034	455,000	84,676	539,676
2035	480,000	59,438	539,438
2036	305,000	32,812	337,812
2037	320,000	16,800	336,800
	<u>\$ 6,550,000</u>	<u>\$ 4,398,330</u>	<u>\$ 10,948,330</u>

**MILE HIGH BUSINESS CENTER METROPOLITAN DISTRICT
SUMMARY OF ASSESSED VALUATION, MILL LEVY AND
PROPERTY TAXES COLLECTED
December 31, 2016**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied for</u>		<u>Property Taxes</u>		<u>Percent Collected to Levied</u>
		<u>General</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2012	\$ 18,265,500	6.000	29.000	\$ 639,293	\$ 617,156	96.5%
2013	\$ 21,224,980	9.952	25.048	\$ 742,874	\$ 713,866	96.1%
2014	\$ 20,056,510	9.952	25.048	\$ 701,977	\$ 711,785	101.4%
2015	\$ 20,253,580	9.952	25.048	\$ 708,875	\$ 708,879	100.0%
2016	\$ 25,047,710	9.952	25.048	\$ 876,670	\$ 830,174	94.7%
Estimated for year ending December 31, 2017	\$ 23,979,200	9.952	25.048	\$ 839,272		