

**CHERRY CREEK CORPORATE CENTER
METROPOLITAN DISTRICT
Arapahoe County, Colorado**

**FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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September 28, 2018

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	I
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements	
Statement of Net Position – Governmental Activities	1
Statement of Activities – Governmental Activities	2
Fund Financial Statements	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes In Fund Balances – Governmental Funds	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund	6
Notes to Financial Statements	7
SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Debt Service Fund	22
OTHER INFORMATION	
Schedule of Debt Service Requirements to Maturity	23



SCHILLING & COMPANY, INC.

Certified Public Accountants

P.O. Box 631579
HIGHLANDS RANCH, CO 80163

PHONE: 720.348.1086
FAX: 720.348.2920

Independent Auditor's Report

Board of Directors
Cherry Creek Corporate Center Metropolitan District
Arapahoe County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Cherry Creek Corporate Center Metropolitan District (District) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Cherry Creek Corporate Center Metropolitan District, as of December 31, 2017, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that governmental 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 financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 financial statements as a whole.

The other information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
September 26, 2018

BASIC FINANCIAL STATEMENTS

CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
December 31, 2017

ASSETS

Cash and investments - unrestricted	\$	115,761
Cash and investments - restricted		561,204
Due from other governments		209
Prepaid expense		3,508
Capital assets, not being depreciated		392,139
Total assets		1,072,821

LIABILITIES

Accounts payable		6,885
Accrued interest payable		207,933
Loan and advances payable:		
Due within one year		170,000
Due in more than one year		12,887,316
Total liabilities		13,272,134

NET POSITION

Restricted for debt service		353,480
Unrestricted		(12,552,793)
Total net position		\$ (12,199,313)

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

CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$ 32,924	\$ -	\$ -	\$ -	\$ (32,924)
Interest and fiscal charges	831,344	-	-	-	(831,344)
	<u>\$ 864,268</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(864,268)</u>

General revenues:	
Property tax incremental revenue	725,341
Net investment income	5,778
Total general revenues	<u>731,119</u>
Assets conveyed to other governmental entities	<u>(3,472,292)</u>
Change in net position	(3,605,441)
Net position - Beginning	<u>(8,593,872)</u>
Net position - Ending	<u>\$ (12,199,313)</u>

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

**CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2017**

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and investments - unrestricted	\$ 115,761	\$ -	\$ 115,761
Cash and investments - restricted	-	561,204	561,204
Due from other governments	-	209	209
Prepaid expense	2,258	1,250	3,508
TOTAL ASSETS	\$ 118,019	\$ 562,663	\$ 680,682
LIABILITIES			
Accounts payable	\$ 6,885	\$ -	\$ 6,885
Total liabilities	6,885	-	6,885
FUND BALANCES			
Nonspendable for prepaid expenses	2,258	1,250	3,508
Restricted for debt service	-	561,413	561,413
Assigned for subsequent year's expenditures	10,380	-	10,380
Unassigned	98,496	-	98,496
Total fund balances	111,134	562,663	673,797
TOTAL LIABILITIES AND FUND BALANCES			
BALANCES	\$ 118,019	\$ 562,663	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Some long-term assets used in governmental activities are not financial resources and, therefore, are not reported in the Balance Sheet - Governmental Funds.

Capital assets	392,139
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Some liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the Balance Sheet - Governmental Funds.

Bonds payable	(9,342,000)
Developer advances	(3,311,738)
Accrued interest payable - bonds	(207,933)
Accrued interest payable - developer advances	(403,578)
	(13,265,249)

Net position of governmental activities	\$ (12,199,313)
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These financial statements should be read only in connection with the accompanying notes to financial statements.

**CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2017**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES			
Property tax increment revenue	\$ -	\$ 725,341	\$ 725,341
Net investment income	235	5,543	5,778
Total revenues	<u>235</u>	<u>730,884</u>	<u>731,119</u>
EXPENDITURES			
Current			
Legal	15,180	-	15,180
Accounting	8,289	-	8,289
Audit	5,821	-	5,821
Insurance	2,724	-	2,724
TIF collection fees	-	14,452	14,452
Miscellaneous	317	593	910
Debt service			
Paying agent fees	-	4,750	4,750
Bond interest	-	471,529	471,529
Bond principal	-	150,000	150,000
Total expenditures	<u>32,331</u>	<u>641,324</u>	<u>673,655</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>(32,096)</u>	<u>89,560</u>	<u>57,464</u>
OTHER FINANCING SOURCES(USES)			
Transfers (to) from other funds	40,000	(40,000)	-
Total other financing sources (uses)	<u>40,000</u>	<u>(40,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	7,904	49,560	57,464
FUND BALANCES - BEGINNING OF YEAR	103,230	513,103	616,333
FUND BALANCES - END OF YEAR	<u>\$ 111,134</u>	<u>\$ 562,663</u>	<u>\$ 673,797</u>

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

**CHERRY CREEK CORPORATE 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, 2017**

A reconciliation reflecting the differences between the governmental funds net change in fund balances and change in net position reported for governmental activities in the Statement of Activities as follows:

Net change in fund balances - Total governmental funds	<u>\$ 57,464</u>
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Assets conveyed to other governmental entities	<u>(3,472,292)</u>
<p>Long-term debt (e.g. bonds, developer advances) provide 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. These amounts represent these differences in the treatment of long-term debt and related items.</p>	
Bond principal	<u>150,000</u>
	<u>150,000</u>
<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>	
Change in accrued interest payable - bonds	(75,674)
Change in accrued interest payable - developer advances	<u>(264,939)</u>
	<u>(340,613)</u>
Change in net position - Governmental activities	<u><u>\$ (3,605,441)</u></u>

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

**CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2017**

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Net investment income	\$ 120	\$ 235	\$ 115
Total Revenues	<u>120</u>	<u>235</u>	<u>115</u>
EXPENDITURES			
Legal	15,000	15,180	(180)
Accounting	10,700	8,289	2,411
Audit	5,500	5,821	(321)
Insurance	2,500	2,724	(224)
Miscellaneous	1,000	317	683
Contingency	13,037	-	13,037
Total Expenditures	<u>47,737</u>	<u>32,331</u>	<u>15,406</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(47,617)</u>	<u>(32,096)</u>	<u>15,521</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	40,000	40,000	-
Total other financing sources (uses)	<u>40,000</u>	<u>40,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(7,617)	7,904	15,521
FUND BALANCE - BEGINNING OF YEAR	7,617	103,230	95,613
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 111,134</u>	<u>\$ 111,134</u>

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

**CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 – DEFINITION OF REPORTING ENTITY

Cherry Creek Corporate Center Metropolitan District (District), a quasi-municipal corporation, is governed pursuant to the provisions of the Colorado Special District Act. The District's service area is located in Arapahoe County, Colorado. The District was established on November 15, 2012 to plan, design, acquire, construct, install, relocate, redevelop and finance portions of the public improvements and facilities within the District (the District Improvements). The District Improvements are to be dedicated to the City of Glendale or other appropriate entities.

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

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

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. For the most part, 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 assets and liabilities of the District being reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

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. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation paid. All other revenue items are considered to be measurable and available only when cash is received by the District.

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 general obligation debt of the governmental activities.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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 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.

For the year ended December 31, 2017, supplementary appropriations approved by the District's Board of Directors modified the appropriations from \$640,650 to \$780,000 in the Debt Service Fund.

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

CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 funds' average equity balance in total cash. Investments are carried at fair value.

Capital Assets

Capital assets, which include land and infrastructure improvements, are reported in the governmental activities column 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 estimated fair market value at the date of donation.

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

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 capital assets, as applicable. Any construction in process that will be dedicated to another entity is not depreciated. At December 31, 2017, the District had no depreciable assets.

Fund Balances – Governmental Funds

Fund balance for governmental funds are reported in the categories listed below to make the nature and extent of the constraints placed on a government's fund balances more transparent. 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 amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact.

Restricted fund balance—the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

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

Unassigned fund balance—amounts that are available for any purpose.

**CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Board of Directors has provided otherwise in its commitment or assignment actions.

NOTE 3 - CASH AND INVESTMENTS

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

Cash and investments – unrestricted	\$ 115,761
Cash and investments – restricted	<u>561,204</u>
	<u>\$ 676,965</u>

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

Deposits with financial institutions	\$ 172,790
Investments	<u>504,175</u>
	<u>\$ 676,965</u>

Cash Deposits

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 equal to 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2017, the District's cash deposits had a bank balance of \$173,794 and carrying balance of \$172,790.

Investments

The District has adopted a formal investment policy by which it follows state statutes regarding investments.

The District follows Colorado State Statutes which specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States and certain U.S. government agency securities and the World Bank
- . General obligation and revenue bonds of U.S. local government entities

**CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

- . Bankers' acceptances of certain banks
- . Commercial paper
- . Certain reverse repurchase agreements
- . Certain securities lending agreements
- . Certain corporate bonds
- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

At December 31, 2017, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Carrying Value</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 504,175</u>

COLOTRUST

At December 31, 2017, the District has invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreement collateralized by certain obligations of the U.S. government agencies. COLOTRUST is rated AAAM by Standard and Poor's.

Investment Valuation

Certain investments which are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District's investments are not required to be categorized within the fair value hierarchy. These investments are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments. The District held investments in COLOTRUST at yearend for which the investment valuations were determined as follows.

COLOTRUST determines the NAV of the shares of each portfolio as of the close of business of each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of COLOTRUST, are accrued

**CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

daily. The NAV is calculated at fair value using various inputs in determine value in accordance with FASB guidance. It is the goal of the Trust to maintain a NAV of \$1.00 per share, however changes in interest rates may affect the fair value of the securities held by COLOTRUST and there can be no assurance that the NAV will not vary from \$1.00 per share.

Restricted Cash and Investments

At December 31, 2017, cash and investments in the amount of \$561,204 are restricted for debt service in accordance with the bond agreement related to the Series 2015 Senior Lien Revenue Refunding Bonds and the Series 2016 Subordinate Lien Revenue Bonds (Note 5)

NOTE 4 – CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>Balance at December 31, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2017</u>
Capital assets, not being depreciated:				
Spanish Gate land	\$ 3,472,292	\$ -	\$ 3,472,292	\$ -
Birch Street land	392,139	-	-	392,139
Total capital assets, not being depreciated	<u>\$ 3,864,431</u>	<u>\$ -</u>	<u>\$ 3,472,292</u>	<u>\$ 392,139</u>

During 2017, the Spanish Gate land was conveyed to other governmental entities.

NOTE 5 – LONG-TERM OBLIGATIONS

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

	<u>Balance at December 31, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at December 31, 2017</u>	<u>Due Within One Year</u>
2015 Senior Lien Revenue Refunding Bonds	\$ 7,070,000	\$ -	\$ 150,000	\$ 6,920,000	\$ 170,000
2016 Subordinate Lien Revenue Bonds	2,422,000	-	-	2,422,000	-
Developer Advances :					
Principal					
Capital	3,311,738	-	-	3,311,738	-
Accrued interest					
Capital	138,639	264,939	-	403,578	-
	<u>\$ 12,942,377</u>	<u>\$ 264,939</u>	<u>\$ 150,000</u>	<u>\$ 13,057,316</u>	<u>\$ 170,000</u>

CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Senior Lien Revenue Refunding Bonds, Series 2015A

On December 23, 2015, the District issued the Senior Lien Revenue Refunding Bonds, Series 2015A in the amount of \$7,100,000 with interest of 5.0%. Proceeds of the Bonds were used for issuance costs and to repay the 2012 Tax-Exempt Loan principal and accrued interest. The Bonds mature on December 1, 2037 with mandatory sinking fund payments each year beginning on December 1, 2016. Interest is payable on June 1 and December 1 of each year, commencing on June 1, 2016.

The bonds are payable from pledged revenue, which includes the District's covenant to levy the required mill levy on all taxable property within the District to pay for debt scheduled payments, specific ownership taxes, tax increment revenue and recovered amounts received from the Glendale Economic Redevelopment Authority (Authority) under the Reimbursement Agreement with the Authority (Note 7) and any other revenues designated as such and pledged to the payment of the bonds by a resolution adopted by the board. The District is required to impose a mill levy sufficient to pay principal and interest on the bonds as they come due in an amount not to exceed 180 mills less the number of mills permitted to be imposed for payment of operations and maintenance expenses of the District and less the total overlapping mill levies.

Pursuant to the Bond Resolution, the District is required to establish a Reserve Fund for the Series 2015 bonds with bond proceeds in the amount of \$255,315. At December 31, 2017, the balance was \$256,049.

Pledged revenue not required for the payment of the bonds or the Reserve Fund shall be credited to the Surplus Fund in a maximum amount of \$200,000. The Surplus Fund was initially funded with bond proceeds in the amount of \$50,000. At December 31, 2017, the balance was \$200,206.

The District refunded the 2012 Tax-Exempt Loan to extend its debt service payments over the next 22 years.

Subordinate Lien Revenue Bonds, Series 2016B

On June 23, 2016, the District issued the Subordinate Lien Revenue Bonds, Series 2016B in the amount of \$2,422,000 with interest of 8.0%. Proceeds of the Bonds were used for issuance costs and to repay Developer Advance principal and accrued interest. The Bonds mature on June 1, 2037. Interest is payable on December 15 of each year, commencing on December 15, 2016. Unpaid interest shall compound annually on December 15 of each year.

The Series 2016B Bonds are only payable in any particular year to the extent that there are amounts available in the Subordinate Obligations Fund. The Subordinate Obligations Fund is to be funded by excess tax increment revenue and recovered amounts received from the Glendale Economic Redevelopment Authority (Authority) under the Reimbursement Agreement with the Authority (Note 7), after payment of principal and interest on the Series 2015 bonds, replenishment of the 2015 Reserve Fund and funding of the 2015 Surplus Fund up to the maximum of \$200,000. Amounts deposited into the Subordinate Obligations Fund are to be spent within 13 months from deposit. At December 31, 2017, the Surplus Fund balance was \$47.

**CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Operation Funding Agreement

The District and the Developer (defined below) entered into an Operation Funding Agreement on November 15, 2012. The agreement provides for the Developer to advance funds for ongoing operations expenses incurred by the District through December 31, 2015 in amount not to exceed \$72,495. The District agrees to repay any advances received from any funds available after the payment of its annual debt service obligations and annual operations and maintenance expenses, which repayment is subject to annual budget and appropriation. Interest shall accrue at 8% per annum.

On December 19, 2013 (effective as of December 3, 2013), the District entered into the First Amended and Restated Operation Funding Agreement (Amended Agreement) with the Developer and AA Cherry Creek, LLC (the Buyer). The Amended Agreement requires the District to provide its annual budget which indicates the total amount to be appropriated for operation and maintenance expenses (O&M Expenses) for the subsequent year to the Developer and the Buyer no later than November 1 of each year. If the budgeted O&M Expenses for the next fiscal year exceed 50% of the funds on deposit in the O&M Escrow Account, the Developer shall advance the difference to the District no later than December 1 of every year through the year of dissolution of the District.

The Developer shall fund the O&M Escrow Account to the O&M Escrow Requirement which is calculated annually as, a) in 2015, an amount equal to the average annualized O&M Expenses since the District's organization; and b) in 2015 and thereafter, an amount equal to the average of the O&M Expenses for the prior two full fiscal years. The Developer shall receive no funds from the District under the FFA Agreement or otherwise until the O&M Escrow Requirement has been fully satisfied in any fiscal year. The deposits into the O&M Escrow Account shall be pledged irrevocably for O & M Expenses for the subsequent fiscal year.

The O&M Escrow Account shall be used to fund the O&M Expenses in lieu of and prior to the District imposing an operations and maintenance mill levy or any other fees, rates or charges. No earlier than December 2 annually commencing in 2014, the District may impose an operations and maintenance mill levy (O&M Mill Levy), only if and only to the extent that the amount in the O&M Escrow Account is less than the allowable O&M Expenses for the following tax year. In no event shall the O&M Mill Levy exceed 10 mills or the rate necessary to generate, together with the amounts in the O&M Escrow Account together with any other amounts in the District's General Fund, a total of \$50,000 (subject to annual adjustments by the CPI for Denver-Boulder-Greeley beginning in budget year 2015). Other than refunding debt, the District shall not incur any obligations of any kind payable from the required mill levy or any other mill levy of the District. Any refunding debt is limited to certain terms as defined in the agreement.

The Developer waives its right to reimbursement of the O&M advances in 2012-2015 for operating and maintenance purposes made pursuant to the original agreement, as well as any developer advances used by the District for operating and maintenance purposes made pursuant to the First Amended and Restated Operation Funding Agreement. Cumulatively through December 31, 2017, \$175,533 has been advanced and forgiven under this agreement.

On December 1, 2015 (effective as of December 7, 2015), the District entered into the Second Amended and Restated Operation Funding Agreement (2nd Amended Agreement) with the

**CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Developer and AA Cherry Creek, LLC (the Buyer). The 2nd Amended Agreement requires the District to provide its annual budget which indicates the total amount to be appropriated for operation and maintenance expenses (O&M Expenses) for the subsequent year to the Developer and the Buyer no later than November 1 of each year. If the budgeted O&M Expenses for the next fiscal year exceed 50% of the funds on deposit in the O&M Escrow Account, the Developer shall advance the difference to the District no later than December 1 of every year through the year of dissolution of the District. The Parties expect that the O&M Expenses in 2017 shall not exceed \$50,000 and that the O&M Expense for any fiscal year thereafter shall not exceed an amount equal to \$50,000, plus 1%, compounding annually from January 1, 2016, and thus expect that Developer Advances shall not be necessary. However, the foregoing expectation is expressly not a limit on the amount of the Developer Advance required under the 2nd Amended Agreement; the Developer shall be responsible for replenishing the O&M Escrow Account.

The O&M Escrow Account will be initially funded with \$100,000 from the proceeds of the 2015 Bonds. The 2015 Bonds provide for any annual payment of principal and interest are made on the Bonds, \$50,000 of Property Tax Increment Revenue shall be deposited in the O&M Escrow Account in 2016 and for any fiscal year thereafter an amount shall be deposited equal to \$50,000, plus 1%, compounding annually from January 1, 2016.

The Developer waives its right to reimbursement of the O&M advances after December 7, 2015 for operating and maintenance purposes made pursuant to the original agreement, as well as any developer advances used by the District for operating and maintenance purposes made pursuant to the Second Amended and Restated Operation Funding Agreement.

Also on December 1, 2015, the District, ROC-SCCP Cherry Creek II (Developer), AA Cherry Creek, LLC (Buyer) and Core Cherry Limited Partnership (Core) entered into an Amendment to Acknowledgment Amendment and Agreement whereby Core consented to the 2nd Amended and Restated Operation Funding Agreement and the parties acknowledged Core's status as a third-party beneficiary.

Facilities Funding and Acquisition Agreement

The District and ROC-SCCP Cherry Creek II, LP (the Developer) entered into a Facilities Funding and Acquisition Agreement (FFA Agreement) effective on December 3, 2012. On December 2, 2014, the FFA was amended to extend the date for expense reimbursements to December 31, 2014.

Organization Costs

According to the terms of the FFA Agreement, the District shall reimburse the Developer for organization expenses incurred not to exceed \$35,000. Simple interest accrues on the organization expenses at a rate of 8% from the date the cost was incurred by the Developer. On December 3, 2013, the FFA was amended to increase the amount to reimburse the Developer for organization expenses up to \$80,000 and to clarify that organization expenses are to accrue simple interest from the organization date. As of December 31, 2017, all obligations under the agreement had been reimbursed to the Developer.

**CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Construction Costs

The parties to the FFA Agreement acknowledge that the District will incur construction related expenses in connection with the construction of certain public improvements in reliance upon the Developer's commitment to provide funding. In addition, the Developer has or will design, construct and complete certain improvements for District acquisition upon completion. To the extent that the public improvements are not designed, constructed and completed by the Developer for the District's acquisition upon completion, the Developer shall advance funds to the District necessary to fund the construction related expenses for the fiscal years 2012 through 2014 up to \$17,000,000 less the aggregate amount of verified construction costs incurred by the Developer. Simple interest accrues from the date the costs are incurred by the Developer at a rate of 8%. The District anticipates payment of the developer advances and/or verified costs to be from the proceeds of debt incurred by the District.

At December 31, 2017, the District owed a total of \$3,311,738 in principal and \$403,578 in accrued interest under the FFA Agreement.

The District's Senior Lien Revenue Refunding Bonds will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 170,000	\$ 346,000	\$ 516,000
2019	180,000	337,500	517,500
2020	200,000	328,500	528,500
2021	210,000	318,500	528,500
2022	230,000	308,000	538,000
2023-2027	1,395,000	1,352,250	2,747,250
2028-2032	1,940,000	952,250	2,892,250
2033-2037	2,595,000	387,000	2,982,000
	<u>\$ 6,920,000</u>	<u>\$ 4,330,000</u>	<u>\$11,250,000</u>

Annual debt service requirements of the District's Subordinate Lien Revenue Bonds are not currently determinable since they are payable only from funds available from the Subordinate Obligations Fund.

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**CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 6 – DEBT AUTHORIZATION

At December 31, 2017, the District had the following authorized by unissued indebtedness.

	Authorized November 6, 2012 Election	Authorization Used	Remaining at December 31, 2017
Streets	\$ 20,000,000	\$ 7,000,000	* \$ 13,000,000
Parks and recreation	20,000,000	-	20,000,000
Traffic and safety	20,000,000	-	20,000,000
Water	20,000,000	-	20,000,000
Sanitation	20,000,000	-	20,000,000
Transportation	20,000,000	2,422,000	17,578,000
Mosquito control	20,000,000	-	20,000,000
Fire Protection	20,000,000	-	20,000,000
TV Relay	20,000,000	-	20,000,000
Operations & maintenance	20,000,000	-	20,000,000
Refunding	20,000,000	7,100,000	12,900,000
IGA's	20,000,000	-	20,000,000
	<u>\$ 240,000,000</u>	<u>\$ 16,522,000</u>	<u>\$ 223,478,000</u>

* The District will allocate the authorization used to the appropriate functions upon

The District's service plan limits the total debt issued to \$20,000,000.

NOTE 7 – AGREEMENTS

Reimbursement Agreement

The Developer and Glendale Economic Redevelopment Authority (Authority) entered into a Reimbursement Agreement on July 20, 2012. The Authority acknowledged that the developer intended to form a metropolitan district and to assign certain of its obligations under the Reimbursement Agreement to the District. This agreement was assigned to the District by the Developer on December 18, 2012.

The Reimbursement Agreement contemplates that the District shall construct public improvements within the Authority's boundaries. The District is to finance and construct the public improvements through the issuance of bonds, notes or other financial obligations. In turn, the Authority has pledged the Property Tax Increment Revenue and the Recovered Amounts (to be used exclusively to re-pay the debt issued by the District). The Property Tax Increment Revenue consists of ad valorem property tax revenue received by the Authority in excess of the amount produced by the levy of taxing bodies that levy property taxes against the base assessed value of the taxable property within the Urban Renewal Area.

**CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Parking Structure Use, Operation and Maintenance and Funding Agreement

On December 19, 2013, the District entered into a Parking Structure Use, Operation and Maintenance and Funding Agreement (Parking Agreement) with ROC-SCCP Cherry Creek II, LP (the Developer) and the City of Glendale (City). On December 1, 2015, the Parking Agreement was assigned from the Developer to the Buyer. The Reimbursement Agreement discussed above provides for the design and construction of a 289,000 square foot multi-level parking structure located within the Cherry Creek Corporate Center Office Tower capable of parking approximately 972 cars. The Parking Agreement sets forth the rights, obligations and procedures for the use, operation, and maintenance of the parking structure.

The owner of the parking structure, shall serve as the operator of the parking structure and agrees to maintain the parking structure in good condition. The City has been allocated certain licensed spaces within the parking structure and is responsible for its proportionate share (12%) of operation and maintenance costs. If there is a failure by the City to pay any amount required pursuant to this Parking Agreement, the Developer will provide written notice to the City. The City will have thirty days to make payment. If not paid within the 30 days allowed, it will be considered an Event of Default. The Developer will then notify the District of the Event of Default by the City and the District will have 30 days in which to cure the Event of Default.

The District has no financial obligation under the Parking Agreement except in the Event of Default by the City as previously discussed.

NOTE 8 - FUND EQUITY

At December 31, 2017, the District reported the following classifications of fund equity.

Nonspendable Fund Balance

The nonspendable fund balances in the General Fund and Debt Service Fund in the amount of \$2,258 and \$1,250, respectively, is comprised of prepaid amounts which are not in spendable form.

Restricted Fund Balance

The restricted fund balance in the Debt Service Fund in the amount of \$562,663 is to be used exclusively for debt service requirements (see Note 5).

NOTE 9 - NET POSITION

The District has net position consisting of two components – restricted and unrestricted.

Restricted net position include amounts 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, 2017 as follows:

**CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Restricted net position:

Debt Service \$ 353,480

The District's unrestricted net position at December 31, 2017 totaled \$(12,552,793). This deficit amount was a result of the District being responsible for repayment of bonds/developer advances issued for public improvements not owned by the District.

NOTE 10 – RELATED PARTIES

The property with the District is being developed by the Developer. During 2017, all of the members of the Board of Directors were officers or employees for, or otherwise associated with the Developer or the Buyer, and may have conflicts of interest in matters involving the District.

NOTE 11 - 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) as of December 31, 2017. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials' liability and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 12 - 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

**CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

On November 6, 2012, the District's electors approved the following ballot issues, among others:

Ballot Issue 5A - Shall Cherry Creek Corporate Center Metropolitan District's taxes be increased \$2,000,000 annually or by lesser amount necessary to pay the District's administration, operations, maintenance and capital expenses by the imposition of ad valorem property taxes levied in any year, without limitation as to rate or amount or any other condition to pay such expenses and shall the proceeds of such taxes and any investment income thereon be collected, retained and spent by the District in fiscal year 2013 and in each fiscal year thereafter as voter-approved revenue change without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in property taxation by Section 29-1-301, C.R.S. in any year or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

Ballot Issue 5B – Shall Cherry Creek Corporate Center Metropolitan District's taxes be increased \$2,000,000 annually or by lesser amount necessary to pay the District's administration, operations, maintenance and capital expenses by the imposition of a fee or fees imposed, without limitation as to rate or amount or any other condition to pay such expenses and shall the proceeds of such taxes and any investment income thereon be collected, retained and spent by the District in fiscal year 2013 and in each fiscal year thereafter as voter-approved revenue change without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in property taxation by Section 29-1-301, C.R.S. in any year or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

Ballot Issue 5E - Shall Cherry Creek Corporate Center Metropolitan District be authorized to collect, receive, retain, and spend the full amount of all taxes, tax increment revenues, tap fees, park fees, facility fees, public improvement fees, service charges, inspection charges, administrative charges, grants or any other fee, rate, toll, penalty, or charge authorized by law or contract to be imposed, collected or received by the District during 2013 and each fiscal year thereafter, such amounts to constitute a voter-approved revenue change and be collected, retained and spent by the District without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in property taxation by Section 29-1-301, C.R.S. in any subsequent year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, and without limiting in any year the amount of other revenues that may be collected, received, retained and spent by the District?

**CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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.

SUPPLEMENTAL INFORMATION

**CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended December 31, 2017**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Property tax increment revenue	\$ 490,000	\$ 715,000	\$ 725,341	\$ 10,341
Net investment income	2,600	7,212	5,543	(1,669)
Total revenues	<u>492,600</u>	<u>722,212</u>	<u>730,884</u>	<u>8,672</u>
EXPENDITURES				
TIF collection fees	9,800	3,625	14,452	(10,827)
Miscellaneous	-	2,562	593	1,969
Paying agent fees	3,500	6,000	4,750	1,250
Bond interest	437,350	577,813	471,529	106,284
Bond principal	150,000	150,000	150,000	-
Total Expenditures	<u>600,650</u>	<u>740,000</u>	<u>641,324</u>	<u>98,676</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(108,050)</u>	<u>(17,788)</u>	<u>89,560</u>	<u>107,348</u>
OTHER FINANCING SOURCES (USES)				
Transfers in(out)	<u>(40,000)</u>	<u>(40,000)</u>	<u>(40,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(40,000)</u>	<u>(40,000)</u>	<u>(40,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(148,050)	(57,788)	49,560	107,348
FUND BALANCE - BEGINNING OF YEAR	<u>727,738</u>	<u>513,103</u>	<u>513,103</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 579,688</u>	<u>\$ 455,315</u>	<u>\$ 562,663</u>	<u>\$ 107,348</u>

OTHER INFORMATION

**CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2017**

**\$7,100,000 Senior Lien Revenue
Refunding Bonds, Series 2015A
Dated December 23, 2015
Interest Rate at 5.00%
Principal Due December 1**

Year Ending December 31,	Interest Due June 1 and December 1		
	Principal	Interest	Total
2018	\$ 170,000	\$ 346,000	\$ 516,000
2019	180,000	337,500	517,500
2020	200,000	328,500	528,500
2021	210,000	318,500	528,500
2022	230,000	308,000	538,000
2023	240,000	296,500	536,500
2024	265,000	284,500	549,500
2025	275,000	271,250	546,250
2026	300,000	257,500	557,500
2027	315,000	242,500	557,500
2028	340,000	226,750	566,750
2029	360,000	209,750	569,750
2030	390,000	191,750	581,750
2031	410,000	172,250	582,250
2032	440,000	151,750	591,750
2033	465,000	129,750	594,750
2034	500,000	106,500	606,500
2035	520,000	81,500	601,500
2036	560,000	55,500	615,500
2037	550,000	13,750	563,750
	<u>\$ 6,920,000</u>	<u>\$ 4,330,000</u>	<u>\$ 11,250,000</u>