

CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2018

with

Independent Auditors' Report

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SCHILLING & COMPANY, INC.

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Independent Auditor's Report

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

Report for the Financial Statements

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, 2018, 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, 2018, 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 25, 2019

CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS					
Cash and investments	\$ 129,819	\$ -	\$ 129,819	\$ -	\$ 129,819
Cash and investments - restricted	1,000	591,097	592,097	-	592,097
Prepaid expenses	2,358	-	2,358	-	2,358
Capital assets not being depreciated	-	-	-	392,139	392,139
	<u>-</u>	<u>-</u>	<u>-</u>	<u>392,139</u>	<u>392,139</u>
Total Assets	<u>\$ 133,177</u>	<u>\$ 591,097</u>	<u>\$ 724,274</u>	<u>392,139</u>	<u>1,116,413</u>
LIABILITIES					
Accounts payable	\$ 8,307	\$ -	\$ 8,307	-	8,307
Accrued interest on bonds	-	-	-	180,796	180,796
Long-term liabilities:					
Due within one year	-	-	-	180,000	180,000
Due in more than one year	-	-	-	12,972,255	12,972,255
	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,972,255</u>	<u>12,972,255</u>
Total Liabilities	<u>8,307</u>	<u>-</u>	<u>8,307</u>	<u>13,333,051</u>	<u>13,341,358</u>
FUND BALANCES/NET POSITION					
Fund Balances:					
Nonspendable:					
Prepays	2,358	-	2,358	(2,358)	-
Restricted:					
Emergencies	1,000	-	1,000	(1,000)	-
Debt service	-	591,097	591,097	(591,097)	-
Assigned:					
Assigned for subsequent year's expenditures	120,985	-	120,985	(120,985)	-
Unassigned	527	-	527	(527)	-
	<u>124,870</u>	<u>591,097</u>	<u>715,967</u>	<u>(715,967)</u>	<u>-</u>
Total Fund Balances	<u>124,870</u>	<u>591,097</u>	<u>715,967</u>	<u>(715,967)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 133,177</u>	<u>\$ 591,097</u>	<u>\$ 724,274</u>		
Net Position:					
Net investment in capital assets				392,139	392,139
Restricted for:					
Emergencies				1,000	1,000
Debt service				410,301	410,301
Unrestricted				<u>(13,028,385)</u>	<u>(13,028,385)</u>
Total Net Position				<u>\$ (12,224,945)</u>	<u>\$ (12,224,945)</u>

The notes to the financial statements are an integral part of these statements.

CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES					
Accounting	\$ 10,881	\$ -	\$ 10,881	\$ -	\$ 10,881
District management	14	-	14	-	14
Election expense	245	-	245	-	245
Audit	5,255	-	5,255	-	5,255
Insurance/SDA	2,559	-	2,559	-	2,559
Legal	19,925	-	19,925	-	19,925
Miscellaneous expenses	256	347	603	-	603
Treasurer's fees	-	4,157	4,157	-	4,157
Bond principal	-	170,000	170,000	(170,000)	-
Bond interest expense	-	585,411	585,411	(27,137)	558,274
Paying agent fees	-	7,250	7,250	-	7,250
Developer interest	-	-	-	264,939	264,939
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	39,135	767,165	806,300	67,802	874,102
GENERAL REVENUES					
Property tax increment revenue	-	831,379	831,379	-	831,379
Interest income	1,349	15,735	17,084	-	17,084
Miscellaneous income	7	-	7	-	7
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total General Revenues	1,356	847,114	848,470	-	848,470
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	(37,779)	79,949	42,170	(67,802)	(25,632)
OTHER FINANCING SOURCES (USES)					
Transfers to/from other funds	51,515	(51,515)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	51,515	(51,515)	-	-	-
NET CHANGES IN FUND BALANCES					
	13,736	28,434	42,170	(42,170)	
CHANGE IN NET POSITION					
				(25,632)	(25,632)
FUND BALANCES/NET POSITION:					
BEGINNING OF YEAR	111,134	562,663	673,797	(12,873,110)	(12,199,313)
END OF YEAR	<u>\$ 124,870</u>	<u>\$ 591,097</u>	<u>\$ 715,967</u>	<u>\$(12,940,912)</u>	<u>\$(12,224,945)</u>

The notes to the financial statements are an integral part of these statements.

CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2018

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Interest income	\$ 119	\$ 1,349	\$ 1,230
Miscellaneous income	<u>-</u>	<u>7</u>	<u>7</u>
Total Revenues	<u>119</u>	<u>1,356</u>	<u>1,237</u>
EXPENDITURES			
Accounting	7,100	10,881	(3,781)
District management	-	14	(14)
Election expense	1,000	245	755
Audit	6,000	5,255	745
Insurance/SDA	3,000	2,559	441
Legal	10,500	19,925	(9,425)
Miscellaneous expenses	1,000	256	744
Contingency	21,896	-	21,896
Emergency reserve	<u>4</u>	<u>-</u>	<u>4</u>
Total Expenditures	<u>50,500</u>	<u>39,135</u>	<u>11,365</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(50,381)	(37,779)	12,602
OTHER FINANCING SOURCES (USES)			
Transfers to/from other funds	<u>40,000</u>	<u>51,515</u>	<u>11,515</u>
Total Other Financing Sources (Uses)	<u>40,000</u>	<u>51,515</u>	<u>11,515</u>
NET CHANGE IN FUND BALANCE	(10,381)	13,736	24,117
FUND BALANCE:			
BEGINNING OF YEAR	<u>116,816</u>	<u>111,134</u>	<u>(5,682)</u>
END OF YEAR	<u>\$ 106,435</u>	<u>\$ 124,870</u>	<u>\$ 18,435</u>

The notes to the financial statements are an integral part of these statements.

CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2018

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Cherry Creek Corporate Center Metropolitan District (“the District”), located in the City of Glendale, Arapahoe County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized on November 15, 2012, as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established 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's primary revenues are TIF property tax increment revenues. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2018

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2018

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. 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 appropriation is at the total fund expenditures level and lapses at year end.

In December 2018, the District amended its total appropriations in the Debt Service Fund from \$730,000 to \$820,000 primarily due to increased principal and interest paid on outstanding debt.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2018, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

The District follows the practice of pooling cash 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 minimum number of bank accounts. 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.

CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2018

Interfund Balances

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. These amounts are eliminated in the Statement of Net Position.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report 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 District does not have any items that qualify for reporting in this category.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets 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 using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. At December 31, 2018, the District had no depreciable assets.

CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2018

Property Tax Increment Revenues

The District receives Property Tax Increment Revenue from the Glendale Urban Renewal Authority which result from the imposition of ad valorem property taxes by the District and other taxing jurisdictions.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

The nonspendable fund balance in the General Fund in the amount of \$2,358 represents prepaid expenditures.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$1,000 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$591,097 is restricted for the payment of the debt service costs associated with the Series 2015A Bonds and Series 2016B Bonds (see Note 4).

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a 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.

CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2018

Assigned Fund Balance

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

The assigned fund balance in the General Fund represents the amount appropriated for use in the budget for the year ending December 31, 2019.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all other funds can report negative amounts.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2018

Note 2: Cash and Investments

As of December 31, 2018, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 129,819
Cash and investments - Restricted	<u>592,097</u>
Total	<u>\$ 721,916</u>

Cash and investments as of December 31, 2018 consist of the following:

Deposits with financial institutions	\$ 260,257
Investments - COLOTRUST	<u>461,659</u>
	<u>\$ 721,916</u>

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, ("PDPA") requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District follows state statutes for deposits. None of the District's deposits were exposed to custodial credit risk.

Investments

Investment Valuation

Certain investments are measured at fair value 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; Level 3 inputs are significant unobservable inputs. The District's investment is not required to be categorized within the fair value hierarchy. This investment's value is calculated using the net asset value method (NAV) per share.

CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2018

Credit Risk

The District's investment policy requires that the District follow state statutes for investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

As of December 31, 2018, the District had the following investments:

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST") is rated AAAM by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint ventures established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. The trusts operate similarly to a money market fund with each share maintaining a value of \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes 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 agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. At December 31, 2018, the District had \$461,659 invested in COLOTRUST.

CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2018

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2018 follows:

<u>Governmental Type Activities:</u>	<u>Balance</u> <u>12/31/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2018</u>
<u>Capital assets not being depreciated:</u>				
Birch Street land	\$ 392,139	\$ -	\$ -	\$ 392,139
Total capital assets not being depreciated	<u>\$ 392,139</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 392,139</u>

Note 4: Long Term Debt

A description of the long-term obligations as of December 31, 2018, is as follows:

\$7,100,000 Senior Lien Revenue Refunding Bonds, Series 2015A

On December 23, 2015, the District issued the Senior Lien Revenue Refunding Bonds, Series 2015A (“Series 2015A Bonds”) in the amount of \$7,100,000 with interest of 5.0%. Proceeds of the Series 2015A Bonds were used for issuance costs and to repay the 2012 Tax-Exempt Loan principal and accrued interest. The Series 2015A 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 5) 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 2015A Bonds with bond proceeds in the amount of \$255,315. At December 31, 2018, the balance was \$256,745.

CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2018

Pledged revenue not required for the payment of the Series 2015A 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, 2018, the balance was \$204,009.

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

\$2,422,000 Subordinate Lien Revenue Bonds, Series 2016B

On June 23, 2016, the District issued the Subordinate Lien Revenue Bonds, Series 2016B (“Series 2016B Bonds”) in the amount of \$2,422,000 with interest of 8.0%. Proceeds of the Series 2016B Bonds were used for issuance costs and to repay Developer Advance principal and accrued interest. The Series 2016B 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 5), after payment of principal and interest on the Series 2015A 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, 2018, the Surplus Fund balance was \$307.

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 an 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.

CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2018

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 the 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 Expense 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, 2018, \$175,533 has been advanced and forgiven under this agreement.

CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2018

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 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 expense (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 Expense in 2017 shall not exceed \$50,000 and that the O&M Expenses 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 Series 2015A Bonds. The Series 2015A Bond Indenture flow of funds also provides that before any annual payment of principal and interest are made on Subordinate 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, LP (“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 the Developer entered into a Facilities Funding and Acquisition Agreement (“FFA”) effective on December 3, 2012. On December 2, 2014, the FFA was amended to extend the date for expense reimbursements to December 31, 2014.

CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2018

Organization Costs – According to the terms of the FFA, 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, 2018, all obligations under the FFA for organization costs had been reimbursed to the Developer.

Construction Costs – The parties to the FFA 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 expense 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, 2018, the District owed a total of \$3,311,738 in principal and \$668,517 in accrued interest under the FFA.

The following is a summary of the annual long-term debt principal and interest requirements of the 2015 Senior Lien Revenue Refunding Bonds.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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 - 2028	1,495,000	1,282,500	2,777,500
2029 - 2033	2,065,000	855,250	2,920,250
2034 - 2037	<u>2,130,000</u>	<u>257,250</u>	<u>2,387,250</u>
	<u>\$ 6,750,000</u>	<u>\$ 3,984,000</u>	<u>\$ 10,734,000</u>

Because of the uncertainty of timing of payments under 2016 Subordinate Lien Revenue Bonds, no related schedule of expected principal and interest payments is presented.

CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2018

The following is an analysis of changes in long-term debt for the period ending December 31, 2018:

	Balance 1/1/2018	Additions	Deletions	Balance 12/31/2018	Current Portion
2015 Senior Lien Revenue					
Refunding Bonds	\$ 6,920,000	\$ -	\$ 170,000	\$ 6,750,000	\$ 180,000
2016 Subordinate Lien					
Revenue Bonds	2,422,000	-	-	2,422,000	-
Developer Advances:					
Principal					
Capital	3,311,738	-	-	3,311,738	-
Accrued Interest					
Capital	403,578	264,939	-	668,517	-
Total	<u>\$13,057,316</u>	<u>\$ 264,939</u>	<u>\$ 170,000</u>	<u>\$ 13,152,255</u>	<u>\$ 180,000</u>

Debt Authorization

As of December 31, 2018, the District had remaining voted debt authorization of approximately \$223,478,000. The District has not budgeted to issue any new debt during 2019. Per the District's Service Plan, the District can not issue debt in excess of \$20,000,000.

Note 5: 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, 2018

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 the Developer and the City of Glendale (“the 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 for 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 6: Net Position Deficit

The District’s unrestricted net position at December 31, 2018 totaled \$13,028,385. The deficit amount was a result of the District being responsible for repayment of bonds issued for public improvements conveyed to other governmental entities.

Note 7: Related Party

All of the Board of Directors are employees, consultants, owners or are otherwise associated with the Developer, or other entities that own property within the District, and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed by the Board.

CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2018

Note 8: Tax, Spending and Debt Limitations

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

Spending and revenue limits are determined based on the prior year’s Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District’s management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

On November 6, 2012, a majority of the District’s electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

Note 9: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool (“Pool”) which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2018

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 10: Interfund and Operating Transfers

The transfer of \$51,515 from the Debt Service Fund to General Fund was transferred for the purpose of funding the O&M Escrow account which was established pursuant to the Operation Funding Agreement. (See Note 4)

Note 11: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

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

- 1) capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and
- 2) long-term liabilities such as bonds payable and accrued bond interest payable are not due and payable in the current period and, therefore, are not in the funds.

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

- 1) governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities or depreciated over their useful lives;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities; and,
- 3) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
DEBT SERVICE FUND

For the Year Ended December 31, 2018

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Property tax increment revenue	\$ 725,000	\$ 815,000	\$ 831,379	\$ 16,379
Interest income	<u>5,000</u>	<u>5,000</u>	<u>15,735</u>	<u>10,735</u>
Total Revenues	<u>730,000</u>	<u>820,000</u>	<u>847,114</u>	<u>27,114</u>
EXPENDITURES				
Bond principal	170,000	170,000	170,000	-
Bond interest expense	509,875	597,750	585,411	12,339
Paying agent fees	6,000	7,250	7,250	-
Treasurer's fees	3,625	4,500	4,157	343
Miscellaneous expenses	<u>500</u>	<u>500</u>	<u>347</u>	<u>153</u>
Total Expenditures	<u>690,000</u>	<u>780,000</u>	<u>767,165</u>	<u>12,835</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	40,000	40,000	79,949	39,949
OTHER FINANCING SOURCES (USES)				
Transfers to/from other funds	<u>(40,000)</u>	<u>(40,000)</u>	<u>(51,515)</u>	<u>(11,515)</u>
Total Other Financing Sources (Uses)	<u>(40,000)</u>	<u>(40,000)</u>	<u>(51,515)</u>	<u>(11,515)</u>
NET CHANGE IN FUND BALANCE				
	-	-	28,434	28,434
FUND BALANCE:				
BEGINNING OF YEAR	<u>455,315</u>	<u>455,315</u>	<u>562,663</u>	<u>107,348</u>
END OF YEAR	<u>\$ 455,315</u>	<u>\$ 455,315</u>	<u>\$ 591,097</u>	<u>\$ 135,782</u>

The notes to the financial statements are an integral part of these statements.

OTHER INFORMATION

CHERRY CREEK CORPORATE CENTER METROPOLITAN DISTRICT

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

December 31, 2018

\$7,100,000 Senior Lien Revenue

Refunding Bonds, Series 2015A

Dated December 23, 2015

Interest Rate at 5.00%

Principal Due December 1

Interest Due June 1 and December 1

Year Ending	Interest Due June 1 and December 1		
December 31,	Principal	Interest	Total
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>\$ 6,750,000</u>	<u>\$ 3,984,000</u>	<u>\$ 10,734,000</u>