

DENVER INTERNATIONAL BUSINESS CENTER
METROPOLITAN DISTRICT NO. 1

Financial Statements

Year Ended December 31, 2018

with

Independent Auditors' Report

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Board of Directors
Denver International Business Center Metropolitan District No. 1
Denver County, Colorado

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Denver International Business Center Metropolitan District No. 1 (the "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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards general 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 Denver International Business Center Metropolitan District No. 1 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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information as listed in the table of contents is presented for the purposes of legal compliance and 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 continuing disclosure annual financial information, as listed in the table of contents, has not been subject 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 them.

Stratagem PC
Certified Public Accountants
Lakewood, Colorado

September 30, 2019

**DENVER INTERNATIONAL BUSINESS CENTER
METROPOLITAN DISTRICT NO. 1**

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

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash and investments	\$ 722,731	\$ -	\$ -	\$ 722,731	\$ -	\$ 722,731
Cash and investments - restricted	2,908	581,857	330,065	914,830	-	914,830
Receivable - County Treasurer	5,772	-	-	5,772	-	5,772
Property taxes receivable	529,186	869,617	-	1,398,803	-	1,398,803
Prepaid expenses	350	-	-	350	-	350
Capital assets not being depreciated	-	-	-	-	9,471,657	9,471,657
Total Assets	<u>1,260,947</u>	<u>1,451,474</u>	<u>330,065</u>	<u>3,042,486</u>	<u>9,471,657</u>	<u>12,514,143</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred loss on refunding	-	-	-	-	252,689	252,689
Total Deferred Outflows of Resources	-	-	-	-	252,689	252,689
Total Assets and Deferred Outflows of Resources	<u>\$ 1,260,947</u>	<u>\$ 1,451,474</u>	<u>\$ 330,065</u>	<u>\$ 3,042,486</u>		
LIABILITIES						
Accounts payable	\$ 16,262	\$ -	\$ -	\$ 16,262	-	16,262
Accrued interest on bonds	-	-	-	-	48,216	48,216
Long-term liabilities:						
Due within one year	-	-	-	-	340,000	340,000
Due in more than one year	-	-	-	-	18,062,446	18,062,446
Total Liabilities	<u>16,262</u>	<u>-</u>	<u>-</u>	<u>16,262</u>	<u>18,450,662</u>	<u>18,466,924</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	529,186	869,617	-	1,398,803	-	1,398,803
Total Deferred Inflows of Resources	<u>529,186</u>	<u>869,617</u>	<u>-</u>	<u>1,398,803</u>	<u>-</u>	<u>1,398,803</u>
FUND BALANCES/NET POSITION						
Fund Balances:						
Nonspendable:						
Prepays	350	-	-	350	(350)	-
Restricted:						
Emergencies	2,908	-	-	2,908	(2,908)	-
Debt service	-	581,857	-	581,857	(581,857)	-
Capital projects	-	-	330,065	330,065	(330,065)	-
Unassigned	<u>712,241</u>	<u>-</u>	<u>-</u>	<u>712,241</u>	<u>(712,241)</u>	<u>-</u>
Total Fund Balances	<u>715,499</u>	<u>581,857</u>	<u>330,065</u>	<u>1,627,421</u>	<u>(1,627,421)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,260,947</u>	<u>\$ 1,451,474</u>	<u>\$ 330,065</u>	<u>\$ 3,042,486</u>		
Net Position:						
Net investment in capital assets					(8,678,100)	(8,678,100)
Restricted for:						
Emergencies					2,908	2,908
Debt service					533,641	533,641
Capital projects					330,065	330,065
Unrestricted					<u>712,591</u>	<u>712,591</u>
Total Net Position					<u>\$ (7,098,895)</u>	<u>\$ (7,098,895)</u>

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

**DENVER INTERNATIONAL BUSINESS CENTER
METROPOLITAN DISTRICT NO. 1**

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>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Accounting and audit	\$ 20,299	\$ -	\$ -	\$ 20,299	\$ -	\$ 20,299
Administration	16,339	-	-	16,339	-	16,339
Insurance	6,412	-	-	6,412	-	6,412
Landscape maintenance/snow removal	17,264	-	-	17,264	-	17,264
Legal	37,033	-	-	37,033	-	37,033
Engineering	-	-	6,404	6,404	(6,404)	-
Project Management	-	-	79,664	79,664	(79,664)	-
Capital Outlay Infrastructure	44,558	-	1,867,802	1,912,360	(1,867,802)	44,558
Land	-	-	3,315,000	3,315,000	(3,315,000)	-
Miscellaneous expenses	2,831	-	2,666	5,497	(2,666)	2,831
City and County of Denver Fee	3,000	-	-	3,000	-	3,000
Utilities	7,052	-	-	7,052	-	7,052
Treasurer's fees	5,080	8,348	-	13,428	-	13,428
Bond principal	-	325,000	-	325,000	(325,000)	-
Bond interest expense	-	591,588	-	591,588	26,896	618,484
Paying agent fees	-	222	-	222	-	222
Developer advances - interest	-	-	-	-	331,699	331,699
Total Expenditures	159,868	925,158	5,271,536	6,356,562	(5,237,941)	1,118,621
GENERAL REVENUES						
Property taxes	508,102	834,764	-	1,342,866	-	1,342,866
Specific ownership taxes	77,769	-	-	77,769	-	77,769
Payments in Lieu of Taxes	225,127	-	-	225,127	-	225,127
Interest income	21,581	9,517	2,962	34,060	-	34,060
Total General Revenues	832,579	844,281	2,962	1,679,822	-	1,679,822
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	672,711	(80,877)	(5,268,574)	(4,676,740)	5,237,941	561,201
OTHER FINANCING SOURCES (USES)						
Developer advances	-	-	5,598,639	5,598,639	(5,598,639)	-
Transfers (to) from other funds	(100,000)	100,000	-	-	-	-
Total Other Financing Sources (Uses)	(100,000)	100,000	5,598,639	5,598,639	(5,598,639)	-
NET CHANGES IN FUND BALANCES						
	572,711	19,123	330,065	921,899	(921,899)	
CHANGE IN NET POSITION						
					561,201	561,201
FUND BALANCES/NET POSITION:						
BEGINNING OF YEAR	142,788	562,734	-	705,522	(8,365,618)	(7,660,096)
END OF YEAR	\$ 715,499	\$ 581,857	\$ 330,065	\$ 1,627,421	\$ (8,726,316)	\$ (7,098,895)

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

**DENVER INTERNATIONAL BUSINESS CENTER
METROPOLITAN DISTRICT NO. 1**

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

For the Year Ended December 31, 2018

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 508,464	\$ 508,102	\$ (362)
Specific ownership taxes	75,000	77,769	2,769
Payments in Lieu of Taxes	225,128	225,127	(1)
Interest income	<u>2,600</u>	<u>21,581</u>	<u>18,981</u>
Total Revenues	<u>811,192</u>	<u>832,579</u>	<u>21,387</u>
EXPENDITURES			
Accounting and audit	19,775	20,299	(524)
Administration	18,275	16,339	1,936
Insurance	6,200	6,412	(212)
Landscape maintenance/snow removal	20,000	17,264	2,736
Legal	18,200	37,033	(18,833)
Capital Outlay Infrastructure	-	44,558	(44,558)
Miscellaneous expenses	2,500	2,831	(331)
City and County of Denver Fee	5,000	3,000	2,000
Utilities	8,500	7,052	1,448
Treasurer's fees	5,085	5,080	5
Contingency	52,334	-	52,334
Emergency reserve	<u>24,336</u>	<u>-</u>	<u>24,336</u>
Total Expenditures	<u>180,205</u>	<u>159,868</u>	<u>20,337</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	630,987	672,711	41,724
OTHER FINANCING SOURCES (USES)			
Transfers (to) from other funds	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	530,987	572,711	41,724
FUND BALANCE:			
BEGINNING OF YEAR	<u>141,658</u>	<u>142,788</u>	<u>1,130</u>
END OF YEAR	<u>\$ 672,645</u>	<u>\$ 715,499</u>	<u>\$ 42,854</u>

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

DENVER INTERNATIONAL BUSINESS CENTER METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2018

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Denver International Business Center Metropolitan District No. 1 (the “District”), located in City and County of Denver, 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 in 1994, as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to finance and construct certain public infrastructure improvements that benefit the citizens of the District. The District's primary revenues are developer advances, property taxes and payments in lieu of taxes. 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, Statement No. 61, *The Financial Reporting Entity: Omnibus, which amended GASB Statement No. 14, The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which provides 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.

DENVER INTERNATIONAL BUSINESS CENTER METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2018

Basis of Presentation

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

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (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. Property taxes are recognized as revenues in the year for which they are collected.

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

DENVER INTERNATIONAL BUSINESS CENTER METROPOLITAN DISTRICT NO. 1

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 except those required to be accounted for 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.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

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. Subsequent to year end the District amended its total appropriations in the Capital Projects Fund from \$3,500,000 to \$5,300,000.

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.

DENVER INTERNATIONAL BUSINESS CENTER METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2018

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.

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 only has one item that qualifies for reporting in this category, which is the deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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 has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

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.

Deferred Loss on Refunding and Original Issue Discount

Deferred loss on refunding and original issue discount from the Series 2010 Bonds are being amortized over the respective terms of the bonds using the interest method. Accumulated amortization of the deferred loss on refunding and original issue discount amounted to \$195,826 and \$40,246 respectively at December 31, 2018.

DENVER INTERNATIONAL BUSINESS CENTER METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2018

Capital Assets

Capital assets, which include landscaping and monument walls, 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 acquisition 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.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Monument Wall	15 years
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During 2017 the monument wall was fully depreciated therefore, no depreciation was taken in 2018.

Property Taxes

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

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

DENVER INTERNATIONAL BUSINESS CENTER METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements

December 31, 2018

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 \$350 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 \$2,908 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 \$581,857 is restricted for the payment of the debt service costs associated with the General Obligation Refunding Bonds Series 2010 (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.

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.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

DENVER INTERNATIONAL BUSINESS CENTER METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2018

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.

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	\$ 722,731
Cash and investments – Restricted	<u>914,830</u>
Total	\$ <u>1,637,561</u>

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

Deposits with financial institutions	\$ 147,454
Investments – COLOTRUST	<u>1,490,107</u>
	\$ <u>1,637,561</u>

DENVER INTERNATIONAL BUSINESS CENTER METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2018

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 does not have a formal policy for deposits. None of the District’s deposits were exposed to custodial credit risk.

Investments

Credit Risk

The District 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.

DENVER INTERNATIONAL BUSINESS CENTER METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2018

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 venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. COLOTRUST 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 COLOTRUST. Substantially all securities owned by COLOTRUST 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 \$1,490,107 invested in COLOTRUST.

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> 1/1/2018	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 12/31/2018
<u>Capital assets not being depreciated:</u>				
Landscaping	\$ 506,865	\$ -	\$ -	\$ 506,865
Land	-	3,315,000	-	3,315,000
Construction in Progress	<u>3,693,256</u>	<u>1,956,536</u>	-	<u>\$ 5,649,792</u>
Total capital assets not being depreciated	<u>4,200,121</u>	<u>5,271,536</u>	-	<u>9,471,657</u>
<u>Capital assets being depreciated:</u>				
Monument wall	<u>184,061</u>	-	-	<u>184,061</u>
Total capital assets being depreciated	<u>184,061</u>	-	-	<u>184,061</u>
<u>Accumulated Depreciation:</u>				
Monument wall	<u>(184,061)</u>	-	-	<u>(184,061)</u>
Total accumulated depreciation	<u>(184,061)</u>	-	-	<u>(184,061)</u>
Net capital assets being depreciated	-	-	-	-
Government type assets, net	<u>\$ 4,200,121</u>	<u>\$ 5,271,536</u>	<u>\$ -</u>	<u>\$ 9,471,657</u>

DENVER INTERNATIONAL BUSINESS CENTER METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2018

Upon completion and acceptance, all fixed assets except for the landscaping and the monument wall will be conveyed by the District to other local governments. The District will not be responsible for maintenance.

Note 4: Long Term Debt

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

General Obligation Refunding Bonds, Series 2010

On November 16, 2010, the District authorized the issuance of \$12,465,000 General Obligation (Limited Tax Convertible to Unlimited Tax) Refunding Bonds Series 2010 (the "Bonds") dated November 16, 2010, for defeasing the outstanding Series 2002 and Series 2006 Bonds. The Bonds are term bonds due on December 1, 2035. The Bonds bear interest at rates between 3% and 5.375%, payable semiannually on each June 1 and December 1, commencing on June 1, 2011.

The Bonds are subject to mandatory sinking fund redemption commencing on December 1, 2013. The Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$5,000, in any order of maturity and in whole or partial maturities, on December 1, 2020, and on any date thereafter, upon payment of par and accrued interest, without redemption premium.

The Bonds are secured by Pledged Revenues including moneys derived from the Required Mill Levy, as described in the bond indenture, after payment of any costs of collection and any other legally available moneys which the Board determines in its sole discretion to apply. The Bonds are further secured by a Reserve Fund in the amount of \$547,860.

Developer Advance

Reimbursement Agreement

On July 10, 2006, the District entered into a Reimbursement Agreement (the "Agreement") with Fully's Bonds, LLC ("Fully's"). Pursuant to the Agreement, the District acknowledged that Fully's had previously advanced the District \$212,952. According to the Agreement, the District agrees to reimburse Fully's for the total advances, plus interest at 7% per annum from the date the funds were advanced to the District. The District's obligation to repay Fully's shall be contingent on the District having revenue available after payment of all of its obligations and responsibilities. Any payments made by the District shall first be applied to accrued interest and then to principal. The term for repayment of this agreement shall extend from the date of the Agreement through and including December 31, 2046.

Notes to Financial Statements
December 31, 2018

Facilities Funding and Acquisition Agreement

On September 13, 2017, the District entered into a Facilities Funding and Acquisition Agreement (the “Agreement”) with L.C. Fulenwider, Inc. (“Fulenwider”). According to the Agreement Fulenwider agrees to advance funds to the District for Construction Related Expenses (as defined in the Agreement) up to a shortfall amount of \$2,000,000 and the District agrees to reimburse Fulenwider for the total advances, plus interest at 7% per annum from the date the funds were advanced to the District. The District’s obligation to repay Fulenwider shall be contingent on the District having revenue available after payment of all of its obligations and responsibilities. Any payments made by the District shall first be applied to accrued interest and then to principal. On September 13, 2017, Fulenwider entered into a Collateral Assignment of Right to Reimbursement under the Agreement with MidFirst Bank. On December 5, 2018, the District and Fulenwider entered into a First Amendment to the Agreement to increase the shortfall amount to \$10,000,000 and to extend the term of the Agreement through 2018. Subsequently, on May 6, 2019, the District and Fulenwider entered into a Second Amendment to the Agreement to delete any limitation on date by which the shortfall amount is required to be advanced.

Facilities Acquisition Agreement

On December 6, 2017, the District, DIBC Commercial, LLC (“Commercial”) and DIBC Hotel Conference, LLC (“Hotel” and together with Commercial, collectively, the “Owner”) entered into a Facilities Acquisition Agreement (“Acquisition Agreement”). The Acquisition Agreement sets forth the respective rights, obligations and procedures with respect to the District’s acquisition of Owner-constructed Improvements and real property and reimbursement of the Owner as provided therein. On May 24, 2018, the District and Owner entered into a First Amendment to Acquisition Agreement (“First Amendment”), to reflect that the District shall incur a reimbursement obligation thereunder to Owner in the amount of Three Million Three Hundred Fifteen Thousand Dollars (\$3,315,000) which represents the appraised value of the Property (as defined in the First Amendment).

Intercreditor Agreement

On December 6, 2017, the District, Fulenwider, Commercial, Hotel and Fully’s entered into an Intercreditor Agreement, to establish certain understandings and agreements with respect to the priority of reimbursements that the District will be paying to Fulenwider, Commercial, Hotel and Fully’s pursuant to various agreements that have been entered into by and among the District and each of the aforementioned entities.

DENVER INTERNATIONAL BUSINESS CENTER METROPOLITAN DISTRICT NO. 1

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
General Obligation Bonds - Series 2010	\$ 11,600,000	\$ -	\$ 325,000	\$ 11,275,000	\$ 340,000
Developer Advance - Capital (Fully's)	212,952	-	-	212,952	-
Developer Advance - Interest (Fully's)	247,213	12,902	-	260,115	-
Developer Advance - Capital (L.C. Fulenwider)	621,611	5,746,452	-	6,368,063	-
Developer Advance - Interest (L.C. Fulenwider)	19,451	318,797	-	338,248	-
Total	<u>12,701,227</u>	<u>6,078,151</u>	<u>325,000</u>	<u>18,454,378</u>	<u>340,000</u>
Original issue discount	(56,702)	(4,770)	-	(51,932)	-
	<u>\$ 12,644,525</u>	<u>\$ 6,073,381</u>	<u>\$ 325,000</u>	<u>\$ 18,402,446</u>	<u>\$ 340,000</u>

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2010 Bonds.

	Principal	Interest	Total
2019	\$ 340,000	\$ 578,587	\$ 918,587
2020	360,000	564,987	924,987
2021	380,000	550,588	930,588
2022	415,000	531,113	946,113
2023	440,000	509,844	949,844
2024-2028	2,790,000	2,176,206	4,966,206
2029-2033	4,025,000	1,346,156	5,371,156
2034-2035	<u>2,525,000</u>	<u>219,838</u>	<u>2,744,838</u>
	<u>\$ 11,275,000</u>	<u>\$ 6,477,318</u>	<u>\$ 17,752,318</u>

Debt Authorization

As of December 31, 2018, the District had remaining voted debt authorization of approximately \$1,105,007,027 for public improvements, \$140,000,000 for operations and maintenance, \$144,827,973 for refunding debt and \$140,000,000 for intergovernmental agreement debt. The District anticipates issuing additional bonded indebtedness in 2019.

DENVER INTERNATIONAL BUSINESS CENTER METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2018

Note 5: Related Party

The majority landowners of undeveloped land within the District are entities related to Fulenwider. The Board members of the District are employees, officers or consultants to Fulenwider. Fully's, an entity related to Fulenwider, has advanced cash to the District (see Note 4). The District has entered into the following agreements with Fulenwider:

Operational Advance

Fulenwider has advanced funds for operations. These advances were recorded as prepaid facility fees when they were received. As of December 31, 2018, the District has not determined a development fee methodology or policy to charge builders/developers in the future. It is the intention of the Board to credit Fulenwider for the amount paid when the fee is determined.

Project Management Agreement

On June 4, 2008, Fulenwider and the District entered into a Project Management Agreement under which Fulenwider agreed to provide project management services for the construction and installation of certain public infrastructure improvements ("Project Management Agreement"). The District shall pay Fulenwider 4% of the actual costs of the improvements. Fulenwider shall submit a monthly statement for all fees payable. The term of the Project Management Agreement is for 1 year and shall renew annually thereafter for a period of 20 years, unless either Party gives written notice of termination 90 days in advance of the end of the current term. During the year ending December 31, 2018, the District paid Fulenwider \$79,664 in project management fees under the Project Management Agreement.

Agreement Regarding Payments in Lieu of Taxes

The District and FlightSafety International Inc. (FlightSafety), entered into an Agreement Regarding Payments in Lieu of Taxes, effective July 9, 2015 (the PILOT Agreement). The Pilot Agreement sets forth the terms under which the District will design and construct certain off-site improvements (as defined in the PILOT Agreement) and the District's agreement that the Property owned by FlightSafety (as defined in the PILOT Agreement) will not be included into the District's boundaries or subject to tax or assessment by the District. In turn, FlightSafety (and future owners of the property) agree to pay an annual fee to the District, in lieu of the annual taxes and assessments that the District would impose on the Property if the District were to include the Property into the District Boundaries.

Note 6: Tax, Spending and Debt Limitations

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

DENVER INTERNATIONAL BUSINESS CENTER METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2018

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.

Note 7: Risk Management

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

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

Note 8: Interfund and Operating Transfers

The transfer of \$100,000 from the General Fund to the Debt Service Fund was to transfer funds for the purpose of paying the interest and principal on the Bonds.

DENVER INTERNATIONAL BUSINESS CENTER METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2018

Note 9: Commitments and Contingencies

Sewage Lift Station

The District has entered into agreements with two contiguous landowners and/or developers not within the District boundaries to design a sewage lift station to benefit all three parties. One participant agreed to pay the District when development commences on its property plus 8% interest from November 21, 1995, for its Phase 1 share, and from funding date for its Phase 2 share (cost participation receivable/deferred construction reimbursements). During the year ended December 31, 2002, a final accounting was completed with the other participant. On September 15, 2017, the District, ACM High Point VI LLC (“ACM”), Hotel and Van Schaack Holdings, Ltd. (“VSH” and collectively with the District, ACM and Hotel, the “Parties”) entered into a Settlement Agreement (“Settlement Agreement”). The Settlement Agreement resolves a dispute under several agreements, including: i) a Cost Sharing Agreement by and between the District and VSH, dated November 21, 1995 (“Cost Sharing Agreement”); ii) an agreement by and between the District and VSH, dated January 24, 2000 regarding cooperation to fund the construction of certain improvements (“Phase II Sharing Agreement”); iii) an agreement by and between the District and Corinthian Properties, Inc. (“Corinthian”), a subsidiary of Polydyne International, Inc. (“Polydyne”), predecessor in interest to ACM, regarding Polydyne’s reimbursement to the District for Polydyne’s share of the cost of certain improvements (“1996 Agreement”); and iv) an agreement by and between Hotel and VSH regarding the District’s agreement to construct certain improvements and related items (“2000 Agreement”). The Settlement Agreement provides the terms and conditions under which any and all claims of the Parties are settled and for the payment by ACM of Fifty-Four Thousand Five Hundred Sixty Dollars (\$54,560) to ACM and Two Hundred Ninety-Five Thousand Four Hundred Forty Dollars (\$295,440) to the District. The Settlement Agreement further provided for the Termination of the 1996 Agreement and the 2000 Agreement (collectively, the “Termination Agreements”) and the recordation of the Termination Agreements, which the Parties agree is the full and final settlement of the dispute.

Note 10: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Balance Sheet/Statement of Net Position – Governmental Funds 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;
- 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; and,
- 3) Deferred loss on bond refunding is reported as deferred charge and amortized over the term of the related debt in the government-wide financial statements.

DENVER INTERNATIONAL BUSINESS CENTER METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2018

The Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities – Governmental Funds 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;
- 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.

Note 11: Subsequent Event

On May 22, 2019, the District issued \$4,620,000 in General Obligation Bonds, Series 2019A (“Series 2019A Bonds”) and \$32,015,000 Subordinate Limited Tax General Obligation Bonds, Series 2019B (“Series 2019B Bonds”) for the purpose of funding the costs of, and reimbursing the Developer and its affiliates for advances made to the District to fund the costs of, acquiring, constructing, and/or installing certain public infrastructure to serve the Development and reimbursing the Developer for an advance made to purchase certain land within the Development for open space purposes. A portion of the proceeds of the Series 2019A Bonds will also be used to fund: (a) the Senior Reserve Fund, and (b) the costs of issuing the Bonds. A portion of the proceeds of the Series 2019B Bonds will also be used to fund: (a) the Subordinate Reserve Fund, and (b) a portion of the interest to accrue on the Series 2019B Bonds, financing paying or reimbursing public improvements and paying the cost of issuance of the Bonds, and, with respect to the Series 2019A Bonds only, funding a reserve fund and funding capitalized interest. The Series 2019A Bonds bear interest at rates ranging from 3% and 4%, payable semiannually on each June 1 and December 1, commencing on December 1, 2019. The Series 2019B Bonds bear interest at the rate of 6.0%, payable annually on December 1, commencing on December 1, 2019, to the extent that Subordinate Pledged Revenue is available.

The Series 2019A Bonds are subject to a mandatory sinking fund redemption commencing on December 1, 2023 and are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, commencing on June 1, 2024, upon payment of par, accrued interest, and no redemption premium.

The Series 2019A Bonds are secured by the Senior Required Mill Levy and any other legally available moneys as determined by the District. The Series 2019A Bonds are also secured by the Senior Reserve Fund. The Series 2019B Bonds are secured by the Subordinate Required Mill Levy, all of the Specific Ownership Tax, all PILOT revenue and any other legally available moneys as determined by the District.

SUPPLEMENTAL INFORMATION

**DENVER INTERNATIONAL BUSINESS CENTER
METROPOLITAN DISTRICT NO. 1**

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

For the Year Ended December 31, 2018

	Original and Final		Variance
	<u>Budget</u>	<u>Actual</u>	Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 835,564	\$ 834,764	\$ (800)
Interest income	<u>3,500</u>	<u>9,517</u>	<u>6,017</u>
Total Revenues	<u>839,064</u>	<u>844,281</u>	<u>5,217</u>
EXPENDITURES			
Bond principal	325,000	325,000	-
Bond interest expense	591,588	591,588	-
Paying agent fees	250	222	28
Treasurer's fees	<u>8,356</u>	<u>8,348</u>	<u>8</u>
Total Expenditures	<u>925,194</u>	<u>925,158</u>	<u>36</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(86,130)	(80,877)	5,253
OTHER FINANCING SOURCES (USES)			
Transfers (to) from other funds	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>100,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	13,870	19,123	5,253
FUND BALANCE:			
BEGINNING OF YEAR	<u>562,340</u>	<u>562,734</u>	<u>394</u>
END OF YEAR	<u>\$ 576,210</u>	<u>\$ 581,857</u>	<u>\$ 5,647</u>

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

**DENVER INTERNATIONAL BUSINESS CENTER
METROPOLITAN DISTRICT NO. 1**

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
CAPITAL PROJECTS 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				
Interest income	\$ -	\$ -	\$ 2,962	\$ 2,962
Total Revenues	<u>-</u>	<u>-</u>	<u>2,962</u>	<u>2,962</u>
EXPENDITURES				
Capital Outlay Infrastructure	3,500,000	5,300,000	1,867,802	3,432,198
Land	-	-	3,315,000	(3,315,000)
Engineering	-	-	6,404	(6,404)
Miscellaneous expenses	-	-	2,666	(2,666)
Project Management	<u>-</u>	<u>-</u>	<u>79,664</u>	<u>(79,664)</u>
Total Expenditures	<u>3,500,000</u>	<u>5,300,000</u>	<u>5,271,536</u>	<u>28,464</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,500,000)	(5,300,000)	(5,268,574)	31,426
OTHER FINANCING SOURCES (USES)				
Developer advances	3,308,996	5,600,000	5,598,639	(1,361)
Transfers (to) from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>3,308,996</u>	<u>5,600,000</u>	<u>5,598,639</u>	<u>(1,361)</u>
NET CHANGE IN FUND BALANCE	(191,004)	300,000	330,065	30,065
FUND BALANCE:				
BEGINNING OF YEAR	<u>191,004</u>	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 330,065</u>	<u>\$ 30,065</u>

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