

**DUS METROPOLITAN DISTRICT NO. 2
City and County of Denver, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2018

**DUS METROPOLITAN DISTRICT NO. 2
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2018**

INDEPENDENT AUDITOR’S REPORT	1
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	1
STATEMENT OF ACTIVITIES	2
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	4
GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS) – BUDGET AND ACTUAL	5
NOTES TO BASIC FINANCIAL STATEMENTS	6
SUPPLEMENTARY INFORMATION	
DEBT SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL	15
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED	16

Board of Directors
DUS Metropolitan District No. 2
City and County of Denver, Colorado

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities and each major fund of the DUS Metropolitan District No. 2, 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 of 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 the DUS Metropolitan District No. 2 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

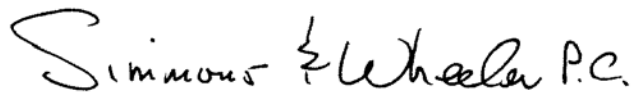
Required Supplementary Information

Management has omitted the management's discussion and analysis that 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 DUS Metropolitan District No. 2's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

 Simmons & Wheeler P.C.

Englewood, CO
April 30, 2019

BASIC FINANCIAL STATEMENTS

**DUS METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2018**

	Governmental Activities
ASSETS	
Accounts Receivable - County Treasurer	\$ 10,285
Property Taxes Receivable	401,324
Total Assets	411,609
LIABILITIES	
Due to DUS Metro District No. 1	10,285
Total Liabilities	10,285
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax Revenue	401,324
Total Deferred Inflows of Resources	401,324
NET POSITION	
Unrestricted	-
Total Net Position	\$ -

See accompanying Notes to Basic Financial Statements.

**DUS METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net Revenues (Expenses) and Change in Net Position
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Primary Government:					
Governmental Activities:					
General Government	\$ 314,841	\$ -	\$ -	\$ -	\$ (314,841)
Interest and Related Costs on Long-Term Debt	291,015	-	-	-	(291,015)
Total Governmental Activities	\$ 605,856	\$ -	\$ -	\$ -	(605,856)
 GENERAL REVENUES					
Property Taxes					484,950
Specific Ownership Taxes					128,044
Interest income					45
Other Revenue					30
Total General Revenues					613,069
 CHANGE IN NET POSITION					7,213
Net Position - Beginning of Year					(7,213)
 NET POSITION - END OF YEAR					\$ -

See accompanying Notes to Basic Financial Statements.

**DUS METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	General	Debt Service	Total Governmental Funds
ASSETS			
Accounts Receivable - County Treasurer	\$ 10,285	\$ -	\$ 10,285
Property Taxes Receivable	160,530	240,794	401,324
Total Assets	\$ 170,815	\$ 240,794	\$ 411,609
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Due to DUS Metro District No. 1	\$ 10,285	\$ -	\$ 10,285
Total Liabilities	10,285	-	10,285
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Tax Revenue	160,530	240,794	401,324
Total Deferred Inflows of Resources	160,530	240,794	401,324
FUND BALANCES			
Unassigned	-	-	-
Total Fund Balances	-	-	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 170,815	\$ 240,794	\$ 411,609

Amounts reported for governmental activities in the statement of net position are the same as above.

**DUS METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES			
Property Taxes	\$ 193,980	\$ 290,970	\$ 484,950
Specific Ownership Tax	128,044	-	128,044
Interest income	-	45	45
Other Income	30	-	30
Total Revenues	<u>322,054</u>	<u>291,015</u>	<u>613,069</u>
EXPENDITURES			
Current			
County Treasurer's Fees	1,940	2,910	4,850
Intergovernmental Expense -			
Transfer to DUS Metro District No. 1	312,901	-	312,901
Transfer to DDA	-	288,105	288,105
Total Expenditures	<u>314,841</u>	<u>291,015</u>	<u>605,856</u>
NET CHANGE IN FUND BALANCES	7,213	-	7,213
Fund Balances (Deficits) - Beginning of Year	<u>(7,213)</u>	<u>-</u>	<u>(7,213)</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Amounts reported for governmental activities in the statement of activities are the same as above.

**DUS METROPOLITAN DISTRICT NO. 2
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 177,436	\$ 193,980	\$ 16,544
Specific Ownership Tax	154,000	128,044	(25,956)
Other Income	3,000	30	(2,970)
Total Revenues	<u>334,436</u>	<u>322,054</u>	<u>(12,382)</u>
EXPENDITURES			
Current			
Contingency	3,000	-	3,000
County Treasurer's Fees	1,770	1,940	(170)
Intergovernmental Expense -			
Transfer to DUS Metro District No. 1	<u>329,666</u>	<u>312,901</u>	<u>16,765</u>
Total Expenditures	<u>334,436</u>	<u>314,841</u>	<u>19,595</u>
NET CHANGE IN FUND BALANCES	-	7,213	7,213
Fund Balances (Deficits) - Beginning of Year	<u>-</u>	<u>(7,213)</u>	<u>(7,213)</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

DUS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 DEFINITION OF REPORTING ENTITY

DUS Metropolitan District No. 2 (the District), a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by order and decree of the District Court of the City and County of Denver on February 5, 2009, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in the City and County of Denver, Colorado (the City).

The District was organized in conjunction with four other metropolitan districts: DUS Metropolitan District No. 1 and Nos. 3-5. The Districts were organized to finance, construct, own, manage, and operate public improvements, including streets, traffic and safety protection, water, sewer and storm drainage, transportation, mosquito control, and park and recreation improvements for the use and benefit of the inhabitants and taxpayers of the District in a mixed-use development project that includes redevelopment of the City's historic Denver Union Station and an adjacent property known as Market Street Station. The Service Plans for the Districts anticipated that DUS Metropolitan District No. 1 would serve as the Management District and that District Nos. 2-5 (the Taxing Districts) would generate revenue to pay the costs of the District improvements. Additionally, the Service Plans of the Districts anticipated that District Nos. 2 and 3 would contribute a portion of their debt service mill levy revenues to assist in the financing of the Denver Union Station redevelopment project (the DUS Project) and that District Nos. 4 and 5 would finance the redevelopment of Market Street Station. In 2017, District Nos. 4 and 5 withdrew from the current structure and will not be associated with District Nos. 1-3.

On November 4, 2008, the District's voters authorized general obligation indebtedness of \$3,100,000,000 for the above listed facilities and powers, but the District's Service Plan limits the total debt issuance to \$300,000,000, with a maximum debt mill levy of 50.000 mills. The District's Service Plan was amended in 2017. Under the Amended Service Plan, it was recognized that the original authorization of \$300,000,000 has been used by the DUS Project (see Note 7). An additional \$50,000,000 of authorization has been provided to finance District improvements.

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

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

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

DUS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows of resources and the sum of liabilities and deferred inflows of resources is reported as net position.

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

DUS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government.

The Debt Service Fund accounts for the resources accumulated and payments made for the DUS Project Mill Levy Pledge Agreement. (See Note 7).

Budgets

In accordance with the State Budget Law, 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 appropriation is at the total fund expenditures level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The District amended its annual budget for the year ended December 31, 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 taxpayer's election, in February and June. Delinquent taxpayers are notified in August, and generally, sale of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period 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. Accordingly, the item, deferred property tax revenue, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

DUS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned.

Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Nonspendable Fund Balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

Restricted Fund Balance – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

Committed Fund Balance – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's practice to use the most restrictive classification first.

**DUS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 CASH AND INVESTMENTS

At December 31, 2018, the District had no cash or investments. All applicable property tax payments were deposited directly to the Management District or to the Downtown Denver Development Authority (see Note 7).

NOTE 4 LONG-TERM OBLIGATIONS

Authorized Debt

On November 4, 2008, the District's electors authorized the incurrence of general obligation debt totaling \$3,100,000,000 in principal at a rate not to exceed 14%. At December 31, 2018, the District has authorized but unissued indebtedness for the following purposes:

	Authorized November 4, 2008 Election	Authorization Used for DUS Project	Remaining at December 31, 2018
Streets	\$ 300,000,000	\$ -	\$ 300,000,000
Parks and Recreation	300,000,000	-	300,000,000
Water Supply System	300,000,000	-	300,000,000
Sanitation System	300,000,000	-	300,000,000
Public Transportation	300,000,000	-	300,000,000
Mosquito Control	300,000,000	-	300,000,000
Traffic Safety	300,000,000	-	300,000,000
Fire Protection	300,000,000	-	300,000,000
Operations and Maintenance	100,000,000	-	100,000,000
Bond Refunding	300,000,000	-	300,000,000
Intergovernmental Agreements	300,000,000	300,000,000	-
Total	<u>\$ 3,100,000,000</u>	<u>\$ 300,000,000</u>	<u>\$ 2,800,000,000</u>

The Original Service Plan of the District authorized \$300,000,000 of total aggregate debt for the DUS Project. The Amended Service Plan allows for an aggregate debt of \$50,000,000 for District Improvements.

NOTE 5 NET POSITION

The District has net position consisting of one component - unrestricted.

The unrestricted component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

NOTE 6 RELATED PARTIES

The members of the Board of Directors of the District are employees of, owners of, or associated with the Developer and may have conflicts of interest in dealing with the District.

**DUS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 7 AGREEMENTS

Background

The City and County of Denver (the City) created and organized the Downtown Denver Development Authority (the DDA) to transact business as a development authority. In November of 2008, the City approved that certain Denver Union Station Plan of Development (the DUS Plan) which authorizes the DDA to undertake development and redevelopment projects and activities within the DUS Plan Area (as defined in the 2010 Cooperation Agreement) and to finance such projects and activities with certain incremental property tax revenues.

In 2008, the City created the Denver Union Station Project Authority (DUSPA), for the purpose of financing, designing, constructing, operating, and maintaining certain public improvements within the boundaries of the District and District Nos. 1 and 3, i.e., the DUS Project. To accomplish this purpose, DUSPA issued loans to finance the DUS Project (the DUSPA Loans). Pursuant to certain agreements described below, the District and District No. 3 made certain pledges to assist with the payment of the DUSPA Loans.

DDA/DUS District Nos. 1-3 Cooperation and Pledge Agreement

On June 9, 2010, the District, District No. 1, District No. 3 and the DDA entered into that certain DDA/DUS District Nos. 1-3 Cooperation and Pledge Agreement (the 2010 Cooperation Agreement) whereby the DDA agreed to remit to the District the incremental property tax revenue (TIF) derived from the District and District No. 3's imposition of any mill levies not pledged under the 2010 Pledge Agreement (defined below), including those revenues required to be transferred by the District to the Regional Transportation District (RTD) as discussed under the RTD Agreement (defined below).

In 2017, the City, in order to achieve interest rate savings and other economies, entered into a loan agreement to refund the DUSPA Loans (the 2017 Loan). Concurrent with the 2017 Loan, the 2010 Cooperation Agreement was amended and restated and the 2010 Pledge Agreement was terminated. The District, District No. 1 and District No. 3 entered into the DUS Project Mill Levy Pledge Agreement with the City on February 3, 2017 (the 2017 Pledge Agreement) to replace the 2010 Pledge Agreement.

As a result of the 2017 Loans, the District, District No. 1, District No. 3, DUS Metropolitan District No. 4 (District No. 4) and DUS Metropolitan District No. 5 (District No. 5) (collectively, the Districts) amended their respective Service Plans (Amended Service Plans) to increase the debt authorization for each of the Districts and to redefine DUS Project Mill Levy. The Amended Service Plans acknowledge that the DUS Project fully utilized the aggregate debt of \$300,000,000 authorized under the original Service Plans (the Service Plans), the result of which is that no debt authorization remains for financing the construction of District Improvements (as defined in the Service Plans). The Amended Service Plans provide each of the Districts with an additional debt authorization of \$50,000,000 to finance the District Improvements.

**DUS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 7 AGREEMENTS (CONTINUED)

DUS Project Mill Levy Pledge Agreement

On February 3, 2017, the District, District No. 1, and District No. 3 entered into the DUS Project Mill Levy Pledge Agreement with the City and certain lenders (the 2017 Pledge Agreement), which replaces the 2010 DUS Project Mill Levy Agreement. Pursuant to the 2017 Pledge Agreement, all revenues derived from the imposition of a mill levy of fifteen (15) mills (the DUS Project Mill Levy) on property within the District and District No. 3 are pledged to the 2017 Loan until the earlier of (i) the 2017 Loan being defeased or repaid, or (ii) December 31, 2049 (the Termination Date). The 2017 Pledge Agreement acknowledges that until December 23, 2038 (the TIF Term), all property tax increment revenues derived from the imposition of the DUS Project Mill Levy (the DUS Project TIF Revenue) are pledged to the repayment of the 2017 Loan and that, pursuant to a pledge agreement between the City and the DDA, the DDA pledges such revenues to the City for the repayment of the 2017 Loan. Until the expiration of the TIF Term, to the extent the District receives any DUS Project TIF Revenue, the District agrees to transfer the same to the City. After the expiration of the TIF Term, the District will transfer all DUS Project TIF Revenue to the City until the Termination Date.

RTD Agreement

The District, District No. 1 and District No. 3 entered into the Intergovernmental Agreement for Denver Union Station Historic Station Zone At-Grade Public Improvement Operation and Maintenance with RTD dated February 11, 2010, as amended (the RTD Agreement), pursuant to which the District and District No. 3 agreed to impose a levy of ten (10) mills (the O&M Mill Levy). District No. 1 agreed to remit the revenues from the O&M Mill Levy to RTD for the payment of operation and maintenance of certain Historic Station Zone Improvements upon their completion. The revenues received under the RTD Agreement which are to be remitted to RTD total \$409,235 as of December 31, 2018, which reside with District No. 1.

District Nos. 1-3: Facilities Funding, Construction, and Operations Agreement

The District, District No. 1 and District No. 3 entered into the District Nos. 1-3 Facilities Funding, Construction and Operations Agreement dated November 12, 2013 (the FFCOA), whereby District No. 1, as the Management District, agrees to provide administrative services, as well as coordinating, construction and management of certain improvements to the District and District No. 3. The Management District agrees to own (subject to transfer to other governmental entities or authorities), operate, maintain, fund and construct certain District Improvements (as defined in the FFCOA) and manage, operate and maintain the Public Space Improvements (as defined in the FFCOA), and the District and District No. 3 agree to contribute to the cost of the same through the imposition of a mill levy.

DUS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 8 RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations 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.

On November 4, 2008, the District's voters approved election questions allowing the District to levy annual taxes and fees of up to \$10,000,000 for operations and maintenance costs and allow the District to collect and spend additional revenue without regard to any spending, revenue raising, or other limitation contained within TABOR.

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 transfers all of its revenue in excess of expenses to the Management District. Therefore, no Emergency Reserve has been provided.

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.

SUPPLEMENTARY INFORMATION

**DUS METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

	Budgets		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 266,155	\$ 288,106	\$ 290,970	\$ 2,864
Interest income	-	27	45	18
Other Revenue	-	11,867	-	(11,867)
Total Revenues	<u>266,155</u>	<u>300,000</u>	<u>291,015</u>	<u>(8,985)</u>
EXPENDITURES				
Debt service				
County Treasurer's Fees	2,662	2,908	2,910	(2)
Intergovernmental Expense - Transfer to DDA	263,493	285,225	288,105	(2,880)
Contingency	-	11,867	-	11,867
Total Expenditures	<u>266,155</u>	<u>300,000</u>	<u>291,015</u>	<u>8,985</u>
NET CHANGE IN FUND BALANCES	-	-	-	-
Fund Balances - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**DUS METROPOLITAN DISTRICT NO. 2
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2018**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Total Mill Levy		Total Property Taxes		Percent Collected to Levied
		General	Debt Service	Levied	Collected	
2014	\$ 3,772,234	10.000	20.000	\$ 113,167	\$ 96,863	85.59 %
2015	4,914,524	10.000	20.000	147,435	142,537	96.68
2016	17,061,246	10.000	20.000	511,837	473,377	92.49
2017	15,513,907	10.000	20.000	465,417	457,188	98.23
2018	17,743,649	10.000	15.000	443,591	484,950	109.32
Estimated for Year Ending December 31, 2019	\$ 16,052,959	10.000	15.000	\$ 401,324		

NOTE: Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the County Treasurer does not permit identification of specific year of assessment.