

BNC METROPOLITAN DISTRICT NO. 1
City of Commerce City, Colorado

FINANCIAL STATEMENTS
December 31, 2016



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Certified Public Accountants (a professional corporation)

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Independent Auditor's Report

Members of the Board of Directors
BNC Metropolitan District No. 1
City of Commerce City, Colorado

We have audited the accompanying financial statements of the governmental activities and the major funds of BNC Metropolitan District No. 1 as of and for the year ended December 31, 2016 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 the major funds of BNC Metropolitan District No. 1, as of December 31, 2016 and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 an opinion on the financial statements that collectively comprise BNC Metropolitan District No. 1's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information as listed in the table of contents 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 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.



Littleton, Colorado
July 19, 2017

BASIC FINANCIAL STATEMENTS

BNC METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
December 31, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 23,844
Cash and investments - Restricted	82,302
Property taxes receivable	389,147
Prepaid expense	3,301
Capital assets, net	
Parks and recreation	<u>1,629,994</u>
Total assets	<u>2,128,588</u>
LIABILITIES	
Accounts payable	2,486
Due to County	13,938
Accrued interest payable	11,186
Noncurrent liabilities	
Due within one year	179,000
Due in more than one year	<u>8,232,239</u>
Total liabilities	<u>8,438,849</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenue	<u>389,147</u>
Total deferred inflows of resources	<u>389,147</u>
NET POSITION	
Net investment in capital assets	(2,149,504)
Restricted for:	
Emergency reserve	2,300
Unrestricted	<u>(4,552,204)</u>
Total net position	<u>\$ (6,699,408)</u>

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

BNC METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
					<u>Governmental Activities</u>
Primary government:					
Government activities:					
General government	\$ 158,123	\$ -	\$ -	\$ -	\$ (158,123)
Interest on long-term debt	354,087	-	-	-	(354,087)
	<u>\$ 512,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(512,210)</u>
General revenues:					
Property taxes					367,704
Specific ownership taxes					32,124
Net investment income					201
Total general revenues					<u>400,029</u>
Change in net position					(112,181)
Net position - Beginning					<u>(6,587,227)</u>
Net position - Ending					<u>\$ (6,699,408)</u>

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

**BNC METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016**

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and investments	\$ 23,844	\$ -	\$ 23,844
Cash and investments - Restricted	2,300	80,002	82,302
Prepaid expenses	3,301	-	3,301
Property taxes receivable	80,300	308,847	389,147
TOTAL ASSETS	\$ 109,745	\$ 388,849	\$ 498,594
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 2,486	\$ -	\$ 2,486
Due to County	4,501	9,437	13,938
Total liabilities	6,987	9,437	16,424
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	80,300	308,847	389,147
Total deferred inflows of resources	80,300	308,847	389,147
FUND BALANCES			
Nonspendable:			
Prepaid amounts	3,301	-	3,301
Restricted for:			
Emergencies (TABOR)	2,300	-	2,300
Debt service	-	70,565	70,565
Unassigned:			
General government	16,857	-	16,857
Total fund balance	22,458	70,565	93,023
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 109,745	\$ 388,849	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,629,994
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Loan payable	(4,917,000)
Subordinate bond payable	(2,192,000)
Accrued interest payable - 2013A loan	(11,186)
Accrued interest payable - 2013B subordinate bonds	(387,042)
Developer advance payable	(485,132)
Accrued interest payable - Developer advances	(430,065)
Net position of governmental activities	\$ (6,699,408)

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

BNC METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 75,876	\$ 291,828	\$ 367,704
Specific ownership taxes	-	32,124	32,124
Interest income	39	162	201
Total revenues	<u>75,915</u>	<u>324,114</u>	<u>400,029</u>
EXPENDITURES			
Current			
Accounting	12,513	-	12,513
Audit	4,200	-	4,200
County Treasurer's fees	1,150	4,422	5,572
District management	14,478	-	14,478
Election	631	-	631
Insurance and bonds	3,644	-	3,644
Repayment of developer advances	31,000	-	31,000
Legal services	7,312	-	7,312
Miscellaneous	1,842	-	1,842
Debt service			
Loan/bond principal	-	170,000	170,000
Loan/bond interest	-	229,193	229,193
Paying agent fees	-	2,300	2,300
Total expenditures	<u>76,770</u>	<u>405,915</u>	<u>482,685</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(855)</u>	<u>(81,801)</u>	<u>(82,656)</u>
OTHER FINANCING SOURCES (USES)			
Transfer from (to) other funds	<u>(1,024)</u>	<u>1,024</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,024)</u>	<u>1,024</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(1,879)	(80,777)	(82,656)
FUND BALANCES - BEGINNING OF YEAR	<u>24,337</u>	<u>151,342</u>	<u>175,679</u>
FUND BALANCES - END OF YEAR	<u>\$ 22,458</u>	<u>\$ 70,565</u>	<u>\$ 93,023</u>

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

**BNC METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

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

Net change in fund balances - Total governmental funds	\$	(82,656)
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Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is reported as an asset. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the net capital outlay activity for the year:

Depreciation expense		(112,353)
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Loan principal payment		170,000
Developer advance principal payment		31,000

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest on Developer advance - Change in liability		(40,475)
Accrued interest on long-term debt - Change in liability		(77,697)

Changes in net position of governmental activities	\$	<u>(112,181)</u>
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These financial statements should be read only in connection with the accompanying notes to financial statements.

**BNC METROPOLITAN DISTRICT NO. 1
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016**

	<u>Original & Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Property taxes	\$ 80,432	\$ 75,876	\$ (4,556)
Interest income	7	39	32
Total revenues	<u>80,439</u>	<u>75,915</u>	<u>(4,524)</u>
EXPENDITURES			
Accounting	15,000	12,513	2,487
Audit	4,200	4,200	-
County Treasurer's fees	1,206	1,150	56
District management	12,000	14,478	(2,478)
Dues and memberships	400	-	400
Election	1,000	631	369
Insurance and bonds	3,120	3,644	(524)
Repayment of developer advances - interest	31,000	-	31,000
Repayment of developer advances	-	31,000	(31,000)
Legal services	7,000	7,312	(312)
Miscellaneous	500	1,842	(1,342)
Mosquito control	1,600	-	1,600
Pool Lift	10,000	-	10,000
Contingency	974	-	974
Total expenditures	<u>88,000</u>	<u>76,770</u>	<u>11,230</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(7,561)</u>	<u>(855)</u>	<u>6,706</u>
OTHER FINANCING SOURCES (USES)			
Transfer from (to) other funds	-	(1,024)	(1,024)
Total other financing sources (uses)	<u>-</u>	<u>(1,024)</u>	<u>(1,024)</u>
NET CHANGE IN FUND BALANCES	(7,561)	(1,879)	5,682
FUND BALANCES - BEGINNING OF YEAR	<u>10,235</u>	<u>24,337</u>	<u>14,102</u>
FUND BALANCES - END OF YEAR	<u>\$ 2,674</u>	<u>\$ 22,458</u>	<u>\$ 19,784</u>

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

BNC METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - DEFINITION OF REPORTING ENTITY

BNC Metropolitan District No. 1 (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court for Adams County issued on November 30, 2000, and recorded on December 27, 2000, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Service Plan approved by the City of Commerce City (City) on September 15, 2003. The District's service area is located in Adams County, Colorado, entirely within the City. The District was established to provide financing for the acquisition, construction and installation of water, sanitation, street improvements, parks and recreational facilities, television relay and translation, and mosquito control.

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, including Adams County and the City.

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

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 inter-governmental revenues.

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

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

BNC METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 after the end of the current fiscal period. The major sources of revenue susceptible to accrual are property 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.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

Budgets

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

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

BNC METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Investments are carried at fair value.

Property Taxes

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

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

Capital Assets

Capital assets, which include property and 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of net investment in capital assets.

BNC METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the following estimated economic useful life:

Parks and recreation	25 years
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Facilities Fees

Facilities fees of \$2,000 per residential unit are charged against properties within the District. The facility fee is due at the time of issuance of a building permit. The District records the facilities fees as revenue when received.

Deferred Inflows of Resources

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

Equity

Net Position

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

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

- Net investment in capital assets – this component of net position consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any debt that is attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in this component.

BNC METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Restricted – this component of net position consists of assets that are restricted for use as imposed by external parties such as creditors, grantors, or contributors, or as imposed by laws or regulations of other governments, or as imposed through constitutional provisions or enabling legislation.
- Unrestricted – the component of net position that does not meet the definitions above.

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.

BNC METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - CASH AND INVESTMENTS

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

Statement of net position:

Cash and investments	\$ 23,844
Cash and investments - Restricted	<u>82,302</u>
Total cash and investments	<u>\$ 106,146</u>

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

Deposits with financial institutions	\$ 26,144
Investments	<u>80,002</u>
Total cash and investments	<u>\$ 106,146</u>

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be 102% of the aggregate uninsured deposits.

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

At December 31, 2016, the District's cash deposits had a bank balance of \$31,666 and a carrying balance of \$26,144.

Investments

The District adopted a formal investment policy on December 20, 2005, which states the District shall follow State statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado Revised Statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

**BNC METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- * Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

Fair Value Measurement and Application

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized cost.

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

Investment	Maturity	Fair Value
First American Government Obligation Fund	Average of 60 days or less	<u>\$ 80,002</u>

First American Government Obligation Fund

The debt service money that is included in the trust accounts at U.S. Bank is invested in the First American Government Obligation Fund. This portfolio is a money market mutual fund which invests in U.S. Government Securities, which are fully guaranteed as to principal and interest by the United States, with maturities of 43 days or less and repurchase agreements collateralized by U.S. Government Securities. The Fund is rated AAAM by Standard & Poor's.

BNC METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in property for the period ended December 31, 2016, follows:

	<u>Balance at December 31, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31 2016</u>
Capital assets, being depreciated:				
Parks and recreation	\$ 2,810,929	\$ -	\$ -	\$2,810,929
Total capital assets, being depreciated	<u>2,810,929</u>	<u>-</u>	<u>-</u>	<u>2,810,929</u>
Less accumulated depreciation for:				
Parks and recreation	(1,068,582)	(112,353)	-	(1,180,935)
Total accumulated depreciation	<u>(1,068,582)</u>	<u>(112,353)</u>	<u>-</u>	<u>(1,180,935)</u>
Total capital assets, being depreciated, net	<u>\$ 1,742,347</u>	<u>\$ (112,353)</u>	<u>\$ -</u>	<u>\$1,629,994</u>

Water and sanitary sewer facilities have been completed and transferred to South Adams Water and Sanitation District. Additionally, streets and storm drainage improvements were completed and transferred to the City. The District owns the parks and recreation facilities which are operated, maintained, and managed by the HOA (see Note 8).

NOTE 5 - LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term obligations for the year ended December 31, 2016:

	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2016</u>	<u>Due Within One Year</u>
G.O. Refunding loan payable					
Series 2013A	\$ 5,087,000	\$ -	\$ 170,000	\$ 4,917,000	\$ 179,000
Refunding subordinate bonds payable					
Series 2013B	2,192,000	-	-	2,192,000	-
Accrued interest on subordinate bonds	308,926	168,053	89,937	387,042	-
Developer advance					
Principal	516,132	-	31,000	485,132	-
Accrued interest	389,590	40,475	-	430,065	-
	<u>\$ 8,493,648</u>	<u>\$ 208,528</u>	<u>\$ 290,937</u>	<u>\$ 8,411,239</u>	<u>\$ 179,000</u>

BNC METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Tax-Free Loan Refunding Issue, Series 2013A

On June 20, 2013, the District advance-refunded and defeased \$3,107,000 of its General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds, Series 2004 dated July 1, 2004, with an average interest rate of 8.0289% by the issuance of a \$5,500,000 Tax-Free Refunding Loan Issue - Series 2013A (Loan) with U.S. Bank N.A. (Bank). The defeased bonds are not considered a liability of the District since sufficient funds in the amount of \$3,165,309, together with \$340,207 of surplus funds held by a trustee, were deposited with the trustee and invested in U.S. government securities for the purpose of paying the principal and interest until the call date, at which point the bonds will be repaid in their entirety from the remaining funds in the escrow account. The defeased bonds were redeemed on December 1, 2014.

The Loan bears interest at a fixed rate of 2.73% per annum, payable semi-annually on June 1 and December 1, with principal payments due on December 1 annually, beginning on December 1, 2013, with final maturity on June 20, 2020. The District may, at its option, prepay the Loan in whole or in part in principal amounts of not less than \$100,000 on any date upon payment to the Bank of the principal amount so prepaid and accrued interest thereon, plus any prepayment fee. The prepayment fee shall be applicable only to any prepayments made prior to June 20, 2016.

The Loan is secured by Pledged Revenue consisting of: (i) the Required Mill Levy (see below); (ii) that portion of the specific ownership taxes allocable to the District's debt service mill levy; and (iii) any other legally available money which the Board determines in its sole discretion to apply as Pledged Revenue.

Proceeds of the Loan were used to: 1) advance-refund the Series 2004 bonds (see above); 2) fund the Reserve Fund in the reserve requirement of \$80,000; 3) provide capitalized interest for the payment of the Loan; 4) pay the costs of issuance; and 5) provide a Project Fund used to reimburse BNC Metropolitan District No. 2 for a portion of the District's obligation in connection with the Cost Sharing and Recovery of Construction Costs Agreement (see Note 8).

Subordinate General Obligation Limited Tax Bonds, Series 2013B

On June 20, 2013, the District issued \$2,210,000 of Subordinate General Obligation Limited Tax Bonds, Series 2013B (Subordinate Bonds). The Bonds bear interest at the rate of 8.00% per annum. Interest is due annually beginning on December 15, 2013, with principal due at maturity on December 15, 2042. The Subordinate Bonds are subordinate, limited tax bonds, payable solely from the Pledged Revenue. In the event the Pledged Revenue is sufficient to pay only the Series 2013A Loan in any year, no Pledged Revenue will be available for payment of the Subordinate Bonds in that year. Based upon a projection of Pledged Revenue prepared at the time of issuance of the Subordinate Bonds, it is not expected that the District will be able to pay current interest on the Subordinate Bonds initially, and that the Subordinate Bonds are expected to accrue interest for a period of time until the assessed valuation of the District has increased by the amount necessary to produce Pledged Revenue in amounts sufficient to pay accrued and current interest. The District has not obligated itself to impose an unlimited mill levy for the payment of the Subordinate Bonds, and failure to pay the principal of or interest on the Subordinate Bonds when due, in and of itself, does not constitute a default or an Event of Default.

BNC METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Proceeds of the Subordinate Bonds were used, in conjunction with the project fund revenues from the Series 2013A Loan, to reimburse BNC Metropolitan District No. 2 for a portion of the District's obligation in connection with the Cost Sharing and Recovery of Construction Costs Agreement (see Note 8).

Required Mill Levy

The Required Mill Levy is an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed upon all taxable property of the District each year in an amount sufficient, when combined with monies held in the Loan Payment Fund (not including moneys in the Project Fund or the Reserve Fund), to pay the debt requirements of the Loan and to fund the Reserve Fund up to the Reserve Requirement. As long as the Debt to Assessed Ratio is greater than 50%, the Required Mill Levy for debt service shall be no more than 50.000 mills and not less than 32.280 mills. These mill levies can be adjusted in the event the method of calculating assessed valuation is changed after the date of the approval of the Service Plan (August 21, 2000) so that actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such change. As of December 31, 2016, the maximum Required Mill Levy was 61.181 and the minimum Required Mill Levy was 39.498. For collection year 2016, the District levied 50.000 mills for debt service.

Once the Debt to Assessed Ratio is 50% or less, the Required Mill Levy shall be unlimited and a mill levy should be assessed that will generate property taxes sufficient to pay principal, premium, if any, and interest on the Bonds as they become due. At December 31, 2016, the debt to assessed ratio for the senior debt was 79.60%.

Surplus Fund

The District is required to maintain a Surplus Fund until the District's Debt to Assessed Ratio is 50% or less. At such time, any monies in the Surplus Fund shall be released by the Trustee to the District and used by the District for any lawful purpose.

While the Surplus Fund is being maintained, the amounts in the account shall only be used for the payment of principal and interest on the Loan to the extent that monies in the Loan Fund are insufficient for that purpose. The balance of the surplus fund at December 31, 2016, was \$-0-.

BNC METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

The District's 2013A Loan matures as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
December 1,			
2017	\$ 179,000	\$ 134,234	\$ 313,234
2018	183,000	129,347	312,347
2019	188,000	124,352	312,352
2020	4,367,000	65,979	4,432,979
	<u>\$ 4,917,000</u>	<u>\$ 453,912</u>	<u>\$ 5,370,912</u>

Debt Authorization

On November 7, 2000, the District's electors authorized the issuance of indebtedness in an amount not to exceed \$180,000,000 at an interest rate not to exceed 15%, allocated for the following purposes:

	<u>Amount Authorized November 7, 2000</u>	<u>Authorization Used Series 2004 Bonds</u>	<u>Authorization Used Series 2013A Loan</u>	<u>Authorization Used Series 2013B Bonds</u>	<u>Authorized But Unissued 12/31/16</u>
Street improvements	\$ 21,000,000	\$ 3,395,000	\$ 389,582	\$ 177,433	\$ 17,037,985
Park and recreation	16,000,000	1,870,000	686,405	1,276,367	12,167,228
Water supply	11,000,000	184,000	315,376	132,033	10,368,591
Sanitation	9,500,000	371,000	463,787	624,167	8,041,046
Television relay	1,000,000	181,000	-	-	819,000
Mosquito control	1,000,000	19,000	-	-	981,000
Operations and maintenance	500,000	-	-	-	500,000
Debt refunding	60,000,000	-	3,644,850	-	56,355,150
IGA debt	60,000,000	-	-	-	60,000,000
	<u>\$ 180,000,000</u>	<u>\$ 6,020,000</u>	<u>\$ 5,500,000</u>	<u>\$ 2,210,000</u>	<u>\$ 166,270,000</u>

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area; however, as of the date of this audit, the amount and timing of any debt issuances is not determinable. Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$60,000,000.

BNC METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Developer Advances

To date, the Developer has advanced funds for the costs of the District's operations, organizational and capital expenditures. The claim for reimbursement of advances made for capital expenditures, including organizational expenses, is acknowledged by the District under the Reimbursement Agreement dated July 1, 2003, between the Developer and the District, and for operations expenses, under the Amended and Restated Operation Funding Agreement dated May 18, 2004, as amended March 21, 2006, May 15, 2007, October 16, 2007, and November 18, 2008, between the Developer and the District.

Additional advances for capital projects are made subject to the Reimbursement Agreement. The Reimbursement Agreement provides that the District will reimburse the Developer for advances made plus accrued interest from the date each advance is made at the rate of 8% (or from the date of execution of the Reimbursement Agreement for Prior Advances) subject to annual appropriation at the sole determination of the District's Board of Directors. During 2016, the District repaid \$40,000 of the outstanding principal balance to the Developer. At December 31, 2016, the amount owing to the Developer was \$915,197, which included \$430,065 of accrued interest.

NOTE 6 - NET POSITION

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

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2016, the District had net investment in capital assets calculated as follows:

	Governmental Activities
Net investment in capital assets:	
Capital assets, net of accumulated depreciation	\$ 1,629,994
Less: long-term obligations	
Current portion of long-term obligations	(91,495)
Noncurrent portion of long-term obligations	(3,688,003)
Net investment in capital assets	\$ (2,149,504)

BNC METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 6 - NET POSITION (CONTINUED)

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

	Governmental Activities
Restricted net position:	
Emergency reserve	\$ 2,300
	<u>\$ 2,300</u>

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows 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.

The District has a deficit in unrestricted net position. This deficit amount is the result of the District being responsible for the financing and repayment of debt issued for the construction of public improvements, a portion of which were dedicated to other entities for ownership and maintenance.

NOTE 7 - RELATED PARTIES

The majority of the Board of Directors of the District are employees of, owners of, or associated with 104th Avenue Investment Partners, LLC (Developer) and/or BCX Development Partners, Inc. (Construction Manager) and may have conflicts of interest in dealing with the District. During 2016, the District did not incur any construction management fees payable to the Construction Manager. A majority of the Board of Directors are also members of the HOA (defined below).

NOTE 8 - AGREEMENTS

On May 16, 2006, the District entered into a management agreement with Turnberry Meadows Homeowners Association, Inc., (HOA) whereby the District will construct and own the swimming pool and related facilities while the HOA will operate and maintain the facilities. The HOA has the authority to charge and collect fees for the use of the swimming pool and related facilities to residents of the Districts, members of the HOA, and the general public. The fees are to be set at an amount that will cover the costs associated with the operation and maintenance of the swimming pool and related facilities as well as provide for any necessary capital reserves.

BNC METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

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

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

NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, referred to 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 7, 2000, the District voters passed an election question to increase property taxes \$500,000 annually, without limitation of rate, to pay the District's operations, maintenance, and other expenses. Additionally, the District's electors authorized the District to collect, retain and spend all revenue, other than ad valorem taxes, without regard to any limitations under 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's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation.

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

SUPPLEMENTARY INFORMATION

**BNC METROPOLITAN DISTRICT NO. 1
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 309,354	\$ 309,354	\$ 291,828	\$ (17,526)
Specific ownership taxes	24,748	24,748	32,124	7,376
Interest income	20	20	162	142
Total revenues	<u>334,122</u>	<u>334,122</u>	<u>324,114</u>	<u>(10,008)</u>
EXPENDITURES				
County Treasurer's fees	4,640	4,640	4,422	218
Loan principal	170,000	170,000	170,000	-
Loan interest	139,256	139,256	139,256	-
Subordinate bond interest	23,487	96,316	89,937	6,379
Paying agent fees	1,500	2,300	2,300	-
Contingency	1,000	7,488	-	7,488
Total expenditures	<u>339,883</u>	<u>420,000</u>	<u>405,915</u>	<u>14,085</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(5,761)</u>	<u>(85,878)</u>	<u>(81,801)</u>	<u>4,077</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	1,024	1,024
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,024</u>	<u>1,024</u>
NET CHANGE IN FUND BALANCES	(5,761)	(85,878)	(80,777)	5,101
FUND BALANCES - BEGINNING OF YEAR	<u>85,761</u>	<u>151,342</u>	<u>151,342</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 80,000</u>	<u>\$ 65,464</u>	<u>\$ 70,565</u>	<u>\$ 5,101</u>

BNC METROPOLITAN DISTRICT NO. 1
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016

\$5,500,000
Tax-Free Refunding Loan - Series 2013A
Dated June 20, 2013
Interest Rate of 2.73% for 7 years
Payable June 1 and December 1
Principal Due December 1

<u>December 1,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 179,000	\$ 134,234	\$ 313,234
2018	183,000	129,347	312,347
2019	188,000	124,352	312,352
2020	4,367,000	65,979	4,432,979
	<u>\$ 4,917,000</u>	<u>\$ 453,912</u>	<u>\$ 5,370,912</u>

NOTE: No annual debt service schedule has been provided for the Series 2013B Bonds because amounts are payable from subordinate pledged revenues, which may or may not be sufficient to make debt service payments when due.

**BNC METROPOLITAN DISTRICT NO. 1
SCHEDULE OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
December 31, 2016**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mill Levy</u>		<u>Total Property Taxes</u>		<u>Percent Collected to Levied</u>
		<u>General</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2012	\$ 5,771,250	12.500	45.500	\$ 334,733	\$ 324,604	96.97%
2013	\$ 5,812,400	15.500	47.500	\$ 366,181	\$ 345,406	94.33%
2014	\$ 5,604,330	15.500	47.500	\$ 353,073	\$ 347,811	98.51%
2015	\$ 5,610,690	13.000	50.000	\$ 353,473	\$ 402,348	113.83%
2016	\$ 6,187,070	13.000	50.000	\$ 389,786	\$ 367,704	94.33%
Estimated for year ending December 31, 2017	\$ 6,176,940	13.000	50.000	\$ 389,147		

NOTE: Property taxes shown as collected in any one year may include collection of delinquent property taxes assessed in prior years. This presentation does not attempt to identify specific years of assessment.