

BROADWAY STATION METROPOLITAN DISTRICT NO. 1

Financial Statements

Year Ended December 31, 2016

with

Independent Auditors' Report



RECEIVED

By the Office of the State Auditor at 3:53 pm, Sep 28, 2017

C O N T E N T S

	<u>Page</u>
<u>Independent Auditors' Report</u>	I
<u>Basic Financial Statements</u>	
Balance Sheet/Statement of Net Position - Governmental Funds	1
Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities - Governmental Fund	2
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	3
Notes to Financial Statements	4
<u>Supplemental Information</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Capital Projects Fund	15

Independent Auditor's Report

Board of Directors
Broadway Station Metropolitan District No. 1

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Broadway Station Metropolitan District No. 1 as of and for the year ended December 31, 2016, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District.

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 generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe 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 the Broadway Station Metropolitan District No. 1 as of December 31, 2016, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity 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 are 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 supplementary information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the 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 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.

L. Paul Goedecke P.C.

L. Paul Goedecke, P.C.
September 19, 2017

BROADWAY STATION METROPOLITAN DISTRICT NO. 1

BALANCE SHEET/STATEMENT OF NET POSITION GOVERNMENTAL FUNDS December 31, 2016

	<u>General</u>	<u>Capital Project</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS					
Cash and investments	\$ 25,115	\$ -	\$ 25,115	\$ -	\$ 25,115
Cash and investments - restricted	1,350	-	1,350	-	1,350
Developer receivable	51,529	629,405	680,934	(680,934)	-
Prepaid insurance	4,686	-	4,686	-	4,686
Capital assets - net	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,376,846</u>	<u>14,376,846</u>
 Total Assets	 <u>\$ 82,680</u>	 <u>\$ 629,405</u>	 <u>\$ 712,085</u>	 <u>13,695,912</u>	 <u>14,407,997</u>
 LIABILITIES					
Accounts payable	\$ 4,939	\$ 629,405	\$ 634,344	-	634,344
Payable to Broadway Station Metro Dist. #3	45,185	-	45,185	-	45,185
Long-term liabilities:					
Due in more than one year	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,940,823</u>	<u>22,940,823</u>
 Total Liabilities	 <u>50,124</u>	 <u>629,405</u>	 <u>679,529</u>	 <u>22,940,823</u>	 <u>23,620,352</u>
 FUND BALANCE					
Nonspendable:					
Prepays	4,686	-	4,686	(4,686)	-
Restricted for:					
Emergencies	1,350	-	1,350	(1,350)	-
Unassigned	<u>31,206</u>	<u>-</u>	<u>31,206</u>	<u>(31,206)</u>	<u>-</u>
 Total Fund Balances	 <u>32,556</u>	 <u>-</u>	 <u>32,556</u>	 <u>(32,556)</u>	 <u>-</u>
 Total Liabilities and Fund Balance	 <u>\$ 82,680</u>	 <u>\$ 629,405</u>	 <u>\$ 712,085</u>		
 NET POSITION					
Restricted for:					
Emergencies				1,350	1,350
Unrestricted:				<u>(9,213,705)</u>	<u>(9,213,705)</u>
 Total Net Position(Deficit)				 <u>\$ (9,212,355)</u>	 <u>\$ (9,212,355)</u>

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

BROADWAY STATION METROPOLITAN DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES GOVERNMENTAL FUNDS

For the Year Ended December 31, 2016

	<u>General</u>	<u>Capital Project</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES					
Accounting and audit	\$ 4,032	\$ 4,032	\$ 8,064	\$ -	\$ 8,064
Insurance	6,169	-	6,169	-	6,169
Legal	7,452	117,195	124,647	-	124,647
Miscellaneous expenses	200	-	200	-	200
Permits and fees	10,000	-	10,000	-	10,000
Interest on developer advance	-	-	-	1,840,710	1,840,710
Capital improvements	<u>-</u>	<u>3,199,512</u>	<u>3,199,512</u>	<u>(3,199,512)</u>	<u>-</u>
 Total Expenditures	 <u>27,853</u>	 <u>3,320,739</u>	 <u>3,348,592</u>	 <u>(1,358,802)</u>	 <u>1,989,790</u>
 GENERAL REVENUES					
Interest and other income	111	-	111	-	111
Transfer from District No. 3	<u>43,761</u>	<u>-</u>	<u>43,761</u>	<u>-</u>	<u>43,761</u>
 Total General Revenues	 <u>43,872</u>	 <u>-</u>	 <u>43,872</u>	 <u>-</u>	 <u>43,872</u>
 CHANGE IN FUND BALANCE	 16,019	 (3,320,739)	 (3,304,720)	 3,304,720	
 OTHER FINANCING SOURCES (USES)					
Developer advance	<u>-</u>	<u>3,320,739</u>	<u>3,320,739</u>	<u>(3,320,739)</u>	<u>-</u>
 Total Other Financing Sources (Uses)	 <u>-</u>	 <u>3,320,739</u>	 <u>3,320,739</u>	 <u>(3,320,739)</u>	 <u>-</u>
 CHANGE IN FUND BALANCE	 16,019	 -	 16,019	 (16,019)	 -
 CHANGE IN NET POSITION				 (105,208)	 (1,945,918)
 FUND BALANCE/NET POSITION					
BEGINNING OF YEAR	<u>16,537</u>	<u>-</u>	<u>16,537</u>	<u>(7,282,974)</u>	<u>(7,266,437)</u>
 END OF YEAR	 <u>\$ 32,556</u>	 <u>\$ -</u>	 <u>\$ 32,556</u>	 <u>\$ (7,404,201)</u>	 <u>\$ (9,212,355)</u>

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

BROADWAY STATION METROPOLITAN DISTRICT NO. 1

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

For the Year Ended December 31, 2016

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Transfer from District No. 3	\$ 39,903	\$ 43,761	\$ 3,858
Interest income	<u>-</u>	<u>111</u>	<u>111</u>
 Total Revenues	 <u>39,903</u>	 <u>43,872</u>	 <u>3,969</u>
 EXPENDITURES			
Accounting and audit	7,500	4,032	3,468
Insurance	6,500	6,169	331
Legal	17,500	7,452	10,048
Miscellaneous expenses	-	200	(200)
Permits and fees	15,000	10,000	5,000
Contingency	4,080	-	4,080
Emergency reserve	<u>1,395</u>	<u>-</u>	<u>1,395</u>
 Total Expenditures	 <u>51,975</u>	 <u>27,853</u>	 <u>24,122</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 <u>(12,072)</u>	 <u>16,019</u>	 <u>28,091</u>
 OTHER FINANCING SOURCES			
Developer advance	<u>7,289</u>	<u>-</u>	<u>(7,289)</u>
 Total Other Financing Sources	 <u>7,289</u>	 <u>-</u>	 <u>(7,289)</u>
 CHANGE IN FUND BALANCE	 (4,783)	 16,019	 20,802
 FUND BALANCE - BEGINNING OF YEAR	 <u>4,783</u>	 <u>16,537</u>	 <u>11,754</u>
 FUND BALANCE - END OF YEAR	 <u>\$ -</u>	 <u>\$ 32,556</u>	 <u>\$ 32,556</u>

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

BROADWAY STATION METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2016

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Broadway Station Metropolitan District No. 1, located in Denver County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized on February 6, 2006, as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to manage and coordinate the financing, acquisition, construction, operation and maintenance of all public infrastructure and services within the service area. The District's primary revenues are developer advances. The District is governed by an elected Board of Directors.

The District will operate in conjunction with two other districts, Broadway Station Metropolitan District No. 2, which is expected to contain the commercial property within the service area and Broadway Station Metropolitan District No. 3, which is expected to contain the residential property within the service area. The structures within the service area are expected to be built for mixed uses, and such structures are expected to be condominiumized such that the commercial portion of a building will be included in District No. 2 and the residential portion of a building will be included in District No. 3.

Broadway Station Metropolitan District No. 1 is intended to serve as the management and control district. Upon completion of public improvements, the District will dedicate and transfer the improvements to the City of Denver or another governmental entity as appropriate.

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.

BROADWAY STATION METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2016

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

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

Basis of Presentation

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

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.

BROADWAY STATION METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2016

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 is interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The District reports the following major governmental funds:

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

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.

Assets, Liabilities and Net Position

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, 2016, 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.

BROADWAY STATION METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2016

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 does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any items that qualify for reporting in this category.

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.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

BROADWAY STATION METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2016

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. No depreciation is provided as the District intends to transfer all improvements to the City of Denver or another governmental entity.

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 \$4,686 represents prepaid expenditures.

Restricted Fund Balance

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

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$1,350 of the General Fund balance has been restricted in compliance with this requirement.

Unassigned Fund Balance

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

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

BROADWAY STATION METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2016

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District can report 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, 2016, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 25,115
Cash and investments – restricted	<u>1,350</u>
	\$ <u>26,465</u>

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

Deposits with financial institutions	\$ 9,212
Investments – COLOTRUST PLUS+	<u>17,253</u>
	\$ <u>26,465</u>

BROADWAY STATION METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2016

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% 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

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.

Credit Risk

The District has not adopted a formal investment policy, however the District follows state statutes regarding 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.

Investment Valuation

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; 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.

BROADWAY STATION METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2016

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

<u>Investments</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	\$17,253

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”) is rated AAAM by Standard & Poor’s, a Level 2 investment under the fair value hierarchy. COLOTRUST is an investment trust/joint ventures established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The trusts operate similarly to a money market fund with each share maintaining a value of \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians’ internal records identify the investments owned by COLOTRUST. At December 31, 2016, the District had \$17,253 invested in COLOTRUST.

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2016 follows:

	<u>Balance 1/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2016</u>
<u>Governmental Type Activities:</u>				
<u>Capital assets not being depreciated:</u>				
Road and improvements	<u>\$ 11,177,334</u>	<u>\$ 3,199,512</u>	<u>\$ -</u>	<u>\$ 14,376,846</u>

Upon completion and acceptance, all fixed assets will be conveyed by the District to other local governments. The District will not be responsible for maintenance. No depreciation is provided as all assets will be transferred to other entities.

BROADWAY STATION METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2016

Note 4: Long Term Debt

During 2006, the District entered a Funding Agreement with the Developer. Under the Funding Agreement the Developer agreed to fund the construction and installation of the District Improvements, plus negotiation and administration costs. The District agreed to repay the Developer for advances plus interest at 8% per annum. The Funding Agreement was assigned to Broadway Mississippi Development, LLC on March 31, 2010. On September 2, 2014, the District consented to the assignment from Broadway Mississippi Development, LLC to Broadway Station Partners, LLC.

Interim Funding Agreement

On August 12, 2015, the District entered into an Interim Funding Agreement with Broadway Station Partners, LLC (“Company”) whereby Company agreed to advance up to \$80,000 to pay the costs of improvements, and operating and administrative expenses. The Company's obligation to make Advances (i) shall be reduced by the amount of any available proceeds of bonds issued by the District for funding the costs of the Improvements and (ii) shall be subject to the Maximum Funding Obligation (as defined in the agreement). The District agreed to reimburse the Company for funds advanced with interest at 8% per annum compounded annually accrued from the actual date of each advance. On November 18, 2015, the parties entered into a First Amendment to the Interim Funding Agreement whereby the Company agreed to increase the amount to be advanced to \$4,885,000.

The following is an analysis of changes in long-term debt for the period ending December 31, 2016.

	Balance			Balance	Current
	1/1/2016	Additions	Deletions	12/31/2016	Portion
Developer advance - capital	\$ 10,512,100	\$ 2,639,805	\$ -	\$ 13,151,905	\$ -
Developer advance - operations	167,804	-	-	167,804	-
Interest - capital advances	7,701,014	1,824,718	-	9,525,732	-
Interest - operating advance	79,390	15,992	-	95,382	-
	<u>\$ 18,460,308</u>	<u>\$ 4,480,515</u>	<u>\$ -</u>	<u>\$ 22,940,823</u>	<u>\$ -</u>

As of December 31, 2016, the District had remaining voted debt authorization of approximately \$378,000,000. The District has not budgeted to issue any debt during 2017.

BROADWAY STATION METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2016

Note 5: Agreements with Other Governments

District IGA

The District entered into an Intergovernmental Agreement for Funding of Operations and Maintenance Expenses with the City and County of Denver during 2006. The IGA provides that the District will be responsible for financing and providing certain public infrastructure.

The District shall make all determinations relating to the expenditure of proceeds of bonds for the construction of public improvements. The IGA provides that the District shall cause each of the Broadway Station districts to levy on all taxable property the regional mill levy defined as one mill from 2007 through 2016, and a mill rate not to exceed five mills from 2017 through 2046. The Regional Mill Levy shall be adjusted if necessary, to satisfy the development costs determined by the City, or to take into account imposed adjustments on assessed values. The District shall own, operate, maintain, repair and replace eligible improvements in accordance with the provisions of the IGA. The District shall transfer improvements to the City or another governmental entity for future ownership, operation, maintenance, repair and replacement in accordance with the provisions of the IGA.

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.

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.

BROADWAY STATION METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2016

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 Colorado Special Districts Property and Liability Pool (the Pool) 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 official's 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: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Government Funds Balance Sheet/Statement of Net Assets 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 developer advances payable, accrued developer advance interest payable, are not due and payable in the current period and, therefore, are not in the funds.

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

- 1) governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities.
- 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.

SUPPLEMENTAL INFORMATION

BROADWAY STATION 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, 2016

	Original & Final		Variance
	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)
REVENUES			
Interest and other income	\$ -	\$ -	\$ -
Total Revenues	-	-	-
EXPENDITURES			
Capital improvements	4,000,000	3,199,512	800,488
Total Expenditures	4,000,000	3,320,739	679,261
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,000,000)	(3,320,739)	679,261
OTHER FINANCING SOURCES			
Developer advance	4,000,000	3,320,739	(679,261)
Total Other Financing Sources	4,000,000	3,320,739	(679,261)
CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING OF YEAR	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ -

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