

FITZSIMONS VILLAGE METROPOLITAN DISTRICT NO. 1
Arapahoe County, Colorado

FINANCIAL STATEMENTS
December 31, 2016



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Independent Auditor's Report

Board of Directors
Fitzsimons Village Metropolitan District No. 1
Arapahoe County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Fitzsimons Village 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 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 Fitzsimons Village 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 opinions on the basic financial statements are not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The 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.

A handwritten signature in cursive script that reads "L. Paul Goedecke P.C.".

L. Paul Goedecke, P.C.
July 11, 2017

BASIC FINANCIAL STATEMENTS

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

| | <u>Governmental Activities</u> |
|---------------------------------------|---|
| ASSETS | |
| Cash and investments | \$ 12,441 |
| Cash and investments - Restricted | 2,412,251 |
| Receivable - County Treasurer | 450 |
| Receivable - Other | 1,332 |
| Due from Fitzsimons PIC | 26,393 |
| Due from Fitzsimons No. 2 | 2,710 |
| Property taxes receivable | 36,731 |
| Capital assets, not being depreciated | 12,330,726 |
| Capital assets, net | <u>3,169,819</u> |
| Total assets | <u><u>17,992,853</u></u> |
| LIABILITIES | |
| Accounts payable | 160,179 |
| Due to ARTA | 659 |
| Due to Fitzsimons No. 2 | 4,027 |
| Due to Fitzsimons No. 3 | 966 |
| Accrued interest payable | 2,599,286 |
| Noncurrent liabilities | |
| Due within one year | 510,000 |
| Due in more than one year | <u>22,996,593</u> |
| Total liabilities | <u><u>26,271,710</u></u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred property taxes | <u>36,731</u> |
| | <u><u>36,731</u></u> |
| NET POSITION | |
| Net investment in capital assets | (2,057,467) |
| Restricted | |
| Emergency reserves | 8,300 |
| Unrestricted | <u>(6,266,421)</u> |
| Total net position | <u><u>\$ (8,315,588)</u></u> |

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

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

| <u>Functions/Programs</u> | <u>Program Revenues</u> | | | <u>Net (Expenses)</u> | |
|---|-------------------------|-------------------------------------|---|---|---|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Revenues and Changes in Net Position</u> |
| Governmental activities: | | | | | |
| General government | \$ 605,953 | \$ 87,955 | \$ 201,484 | \$ - | \$ (316,514) |
| Interest and related costs on long-term debt | 1,987,493 | - | - | 1,487,858 | (499,635) |
| | <u>\$ 2,593,446</u> | <u>\$ 87,955</u> | <u>\$ 201,484</u> | <u>\$ 1,487,858</u> | <u>(816,149)</u> |
| General revenues: | | | | | |
| Property taxes | | | | | 36,690 |
| Specific ownership taxes | | | | | 6,158 |
| Net investment income | | | | | 14,236 |
| Reimbursed expenditures | | | | | 1,332 |
| Total general revenues | | | | | <u>58,416</u> |
| Change in net position | | | | | (757,733) |
| Net position - Beginning | | | | | (7,557,855) |
| Net position - Ending | | | | | <u>\$ (8,315,588)</u> |

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

FITZSIMONS VILLAGE METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016

| | <u>General</u> | <u>Debt Service 2010 Bonds</u> | <u>Debt Service 2014 Bonds</u> | <u>Total Governmental Funds</u> |
|---|------------------|--|--|---|
| ASSETS | | | | |
| Cash and investments | \$ 12,441 | \$ - | \$ - | \$ 12,441 |
| Cash and investments - Restricted | 8,300 | 2,403,435 | 516 | 2,412,251 |
| Receivable - County Treasurer | - | - | 450 | 450 |
| Receivable - Other | 1,332 | - | - | 1,332 |
| Due from Fitzsimons PIC | 24,392 | 2,001 | - | 26,393 |
| Due from Fitzsimons No. 2 | 339 | 2,371 | - | 2,710 |
| Property taxes receivable | 720 | - | 36,011 | 36,731 |
| TOTAL ASSETS | <u>\$ 47,524</u> | <u>\$ 2,407,807</u> | <u>\$ 36,977</u> | <u>\$ 2,492,308</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ 160,179 | \$ - | \$ - | \$ 160,179 |
| Due to ARTA | 659 | - | - | 659 |
| Due to Fitzsimons No. 2 | 4,027 | - | - | 4,027 |
| Due to Fitzsimons No. 3 | - | - | 966 | 966 |
| Total liabilities | <u>164,865</u> | <u>-</u> | <u>966</u> | <u>165,831</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred property taxes | 720 | - | 36,011 | 36,731 |
| Total deferred inflows of resources | <u>720</u> | <u>-</u> | <u>36,011</u> | <u>36,731</u> |
| FUND BALANCES | | | | |
| Restricted | | | | |
| Emergency reserves | 8,300 | - | - | 8,300 |
| Debt service | - | 2,407,807 | - | 2,407,807 |
| Unassigned | (126,361) | - | - | (126,361) |
| Total fund balances | <u>(118,061)</u> | <u>2,407,807</u> | <u>-</u> | <u>2,289,746</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 47,524</u> | <u>\$ 2,407,807</u> | <u>\$ 36,977</u> | |

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.

| | |
|---------------------------------------|------------|
| Capital assets, not being depreciated | 12,330,726 |
| Capital assets, net | 3,169,819 |

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

| | |
|---|-----------------------|
| Bonds payable | (18,655,000) |
| Accrued interest payable - Bonds | (2,599,286) |
| Developer advance payable | (3,362,115) |
| Accrued interest payable - Developer advances | (1,489,478) |
| | <u>\$ (8,315,588)</u> |

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

FITZSIMONS VILLAGE 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 2010 Bonds</u> | <u>Debt Service 2014 Bonds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|--|--|---|
| REVENUES | | | | |
| AURA funding - Lodger tax | \$ - | \$ 314,763 | \$ - | \$ 314,763 |
| AURA funding - Sales tax | - | 50,045 | - | 50,045 |
| AURA funding - Use tax | - | 3,583 | - | 3,583 |
| AURA funding - Property tax | - | 889,241 | - | 889,241 |
| Net investment income | 174 | 14,062 | - | 14,236 |
| Operations and maintenance fees | 76,988 | - | - | 76,988 |
| Public improvement fees - Operations and maintenance | 100,000 | - | - | 100,000 |
| Public improvement fees - Excess collection fee | 34,448 | - | - | 34,448 |
| Public improvement fees - Debt service | - | 56,750 | - | 56,750 |
| Parking revenue | 10,967 | - | - | 10,967 |
| Reimbursed expenditures | 1,332 | - | - | 1,332 |
| Transfer from Fitzsimons No. 2 - Taxes | 24,782 | 173,476 | - | 198,258 |
| Transfer from Fitzsimons No. 3 | 25,000 | - | - | 25,000 |
| Property taxes | 720 | - | 35,970 | 36,690 |
| Specific ownership taxes | - | - | 6,158 | 6,158 |
| TIF property taxes outside Fitzsimons No. 2 | 31 | - | - | 31 |
| Total revenues | <u>274,442</u> | <u>1,501,920</u> | <u>42,128</u> | <u>1,818,490</u> |
| EXPENDITURES | | | | |
| General and administrative | | | | |
| Accounting | 56,500 | - | - | 56,500 |
| Accounting - unbudgeted (Sub Bonds/TIF) | 11,922 | - | - | 11,922 |
| Audit | 4,000 | - | - | 4,000 |
| ARI payment | 709 | - | - | 709 |
| County Treasurer's fees | 11 | - | 539 | 550 |
| District management | 12,000 | - | - | 12,000 |
| District management - unbudgeted (sub bonds/TIF) | 4,000 | - | - | 4,000 |
| Dues, memberships and insurance | 11,800 | - | - | 11,800 |
| Election | 1,037 | - | - | 1,037 |
| Legal - District Counsel | 18,860 | - | - | 18,860 |
| Legal - District Counsel - unbudgeted | 22,240 | - | - | 22,240 |
| Legal - Special Counsel - TIF | 45,642 | - | - | 45,642 |
| Legal - Sub Bonds | 59,445 | - | - | 59,445 |
| Miscellaneous | 373 | - | - | 373 |
| Transfer to Fitzsimons No. 3 - O&M Fees | 46,199 | - | - | 46,199 |
| Transfer to Fitzsimons No. 3 - Taxes | - | - | 41,589 | 41,589 |
| Operations and maintenance | | | | |
| Property management | 15,936 | - | - | 15,936 |
| Parking enforcement | 35,001 | - | - | 35,001 |
| Repairs and maintenance | 49,113 | - | - | 49,113 |
| Snow removal | 53,520 | - | - | 53,520 |
| Utilities | 22,673 | - | - | 22,673 |
| Debt service | | | | |
| Bond principal | - | 445,000 | - | 445,000 |
| Bond interest | - | 1,190,813 | - | 1,190,813 |
| Paying agent/trustee fees | - | 4,000 | - | 4,000 |
| Total expenditures | <u>470,981</u> | <u>1,639,813</u> | <u>42,128</u> | <u>2,152,922</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(196,539)</u> | <u>(137,893)</u> | <u>-</u> | <u>(334,432)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Developer advances - O&M | 14,262 | - | - | 14,262 |
| Developer advances - TIF | 12,281 | - | - | 12,281 |
| Other advances - CPX/Citywide | 17,223 | - | - | 17,223 |
| Total other financing sources (uses) | <u>43,766</u> | <u>-</u> | <u>-</u> | <u>43,766</u> |
| NET CHANGE IN FUND BALANCES | <u>(152,773)</u> | <u>(137,893)</u> | <u>-</u> | <u>(290,666)</u> |
| FUND BALANCES - BEGINNING OF YEAR | <u>34,712</u> | <u>2,545,700</u> | <u>-</u> | <u>2,580,412</u> |
| FUND BALANCES - END OF YEAR | <u>\$ (118,061)</u> | <u>\$ 2,407,807</u> | <u>\$ -</u> | <u>\$ 2,289,746</u> |

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

**FITZSIMONS VILLAGE 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 | \$ (290,666) |
|--|--------------|

Governmental funds report capital outlay as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. 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.

| | |
|--------------|-----------|
| Depreciation | (134,972) |
|--------------|-----------|

Long-term debt (e.g., bonds, Developer advances) 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.

| | |
|------------------------|----------|
| Bond principal payment | 445,000 |
| Developer advances | (26,543) |

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 advances - Change in liability | (267,014) |
| Accrued interest on Bonds - Change in liability | (483,538) |

| | |
|---|---------------------|
| Change in net position of governmental activities | <u>\$ (757,733)</u> |
|---|---------------------|

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

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

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|-----------------------|------------------|---------------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Net investment income | \$ 250 | \$ 230 | \$ 174 | \$ (56) |
| Operations and maintenance fees | 76,988 | 76,988 | 76,988 | - |
| Public improvement fees - Operation and maintenance | 100,000 | 100,000 | 100,000 | - |
| Public improvement fees - Excess collection fee | 33,000 | 30,000 | 34,448 | 4,448 |
| Parking revenue | 13,000 | 10,000 | 10,967 | 967 |
| Reimbursed expenditures | 1,972 | 1,332 | 1,332 | - |
| Transfer from Fitzsimons No. 2 - Taxes | 22,158 | 24,881 | 24,782 | (99) |
| Transfer from Fitzsimons No. 3 | - | 25,000 | 25,000 | - |
| Property taxes | 722 | 722 | 720 | (2) |
| TIF property taxes outside Fitzsimons No. 2 | 50,000 | 31 | 31 | - |
| Total revenues | <u>298,090</u> | <u>269,184</u> | <u>274,442</u> | <u>5,258</u> |
| EXPENDITURES | | | | |
| General and administrative | | | | |
| Accounting | 56,500 | 56,500 | 56,500 | - |
| Accounting - unbudgeted (Sub Bonds/TIF) | - | 12,000 | 11,922 | 78 |
| Audit | 4,000 | 4,000 | 4,000 | - |
| ARI payment | 711 | 711 | 709 | 2 |
| County Treasurer's fees | 11 | 11 | 11 | - |
| District management | 12,000 | 12,000 | 12,000 | - |
| District management - unbudgeted (sub bonds/TIF) | - | 5,000 | 4,000 | 1,000 |
| Dues, memberships and insurance | 13,000 | 11,800 | 11,800 | - |
| Election | 1,000 | 1,037 | 1,037 | - |
| Legal - District Counsel | 18,860 | 18,860 | 18,860 | - |
| Legal - District Counsel - unbudgeted | - | 20,000 | 22,240 | (2,240) |
| Legal - Special Counsel - TIF | - | 30,000 | 45,642 | (15,642) |
| Legal - Sub Bonds | - | 59,445 | 59,445 | - |
| Miscellaneous | 2,719 | 5,437 | 373 | 5,064 |
| Transfer to Fitzsimons No. 3 - O&M Fee Pledge | 46,199 | 46,199 | 46,199 | - |
| Operations and maintenance | | | | |
| Property management | 15,936 | 15,936 | 15,936 | - |
| Parking enforcement | 32,000 | 36,000 | 35,001 | 999 |
| Repairs and maintenance | 52,137 | 58,107 | 49,113 | 8,994 |
| Snow removal | 75,000 | 55,000 | 53,520 | 1,480 |
| Utilities | 15,000 | 22,000 | 22,673 | (673) |
| Contingency | 2,927 | 1,957 | - | 1,957 |
| Total expenditures | <u>348,000</u> | <u>472,000</u> | <u>470,981</u> | <u>1,019</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(49,910)</u> | <u>(202,816)</u> | <u>(196,539)</u> | <u>6,277</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Developer advances - O&M | 50,000 | 114,000 | 14,262 | (99,738) |
| Developer advances - TIF | - | 30,000 | 12,281 | (17,719) |
| Other advances - CPX/Citywide | - | 34,445 | 17,223 | (17,222) |
| Total other financing sources (uses) | <u>50,000</u> | <u>178,445</u> | <u>43,766</u> | <u>(134,679)</u> |
| NET CHANGE IN FUND BALANCES | 90 | (24,371) | (152,773) | (128,402) |
| FUND BALANCES - BEGINNING OF YEAR | <u>10,269</u> | <u>34,712</u> | <u>34,712</u> | <u>-</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 10,359</u> | <u>\$ 10,341</u> | <u>\$ (118,061)</u> | <u>\$ (128,402)</u> |

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

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

NOTE 1 - DEFINITION OF REPORTING ENTITY

Fitzsimons Village Metropolitan District No. 1 (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized in July 2006 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 within the City of Aurora, Arapahoe County, Colorado. The District was organized to provide financing for the design, acquisition, construction and installation of public improvements and related operation and maintenance services within and outside of the boundaries of the District. The public improvements include streets, safety protection, park and recreation facilities, water, sewer, transportation, mosquito control, limited fire protection, and television relay and translation facilities and services. When appropriate, these improvements will be dedicated to the City of Aurora, Arapahoe County, or other such entities as appropriate for the use and benefit of the District taxpayers and service users. The District (the Operating District) was organized in conjunction with two other related districts, Fitzsimons Village Metropolitan District No. 2 and Fitzsimons Village Metropolitan District No. 3 (the Taxing Districts).

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.

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 and the sum of liabilities and deferred inflows is reported as net position.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The statement of activities demonstrates the degree to which the direct 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 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, specific ownership taxes, public improvement fees, and intergovernmental revenues. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. 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 – 2010 Bonds accounts for the resources accumulated and payments made for principal and interest on the Series 2010 Bonds issued by the District.

The Debt Service Fund – 2014 Bonds accounts for the resources accumulated and transferred to Fitzsimons Village Metropolitan District No. 3 (District No. 3) pursuant to a certain Capital Pledge Agreement, to pay for principal and interest on the Series 2014 Bonds issued by District No. 3.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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 appropriation is at the total fund expenditures and financing uses 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.

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 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 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.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported 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. 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.

Capital assets which are anticipated to be conveyed to other governmental entities are not included in the calculation of net investment in capital assets.

Depreciation expense has been computed on the Colfax Avenue pedestrian bridge and improvements using the straight-line method over an estimated useful life of 30 years. Parking meters are being depreciated using the straight-line method over an estimated useful life of 8 years.

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 District has only one type of 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.

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.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 balances is available for use when an expenditure is incurred, it is the District's practice to use the most restrictive classification first.

Deficits

The General Fund reported a deficit in the fund financial statements as of December 31, 2016. The deficit will be eliminated with the receipt of funds advanced by the Developer in 2017.

FITZSIMONS VILLAGE 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 | \$ 12,441 |
| Cash and investments – Restricted | <u>2,412,251</u> |
| Total cash and investments | <u>\$ 2,424,692</u> |

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

| | |
|--------------------------------------|---------------------|
| Deposits with financial institutions | \$ 17,472 |
| Investments | <u>2,407,220</u> |
| Total cash and investments | <u>\$ 2,424,692</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 at least 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 \$20,606 and a carrying balance of \$17,472.

Investments

The District has adopted a policy authorizing investments in accordance with state statutes.

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.

FITZSIMONS VILLAGE 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.

The District had invested in COLOTRUST, an external investment pool that records its investments at fair value and measures fair value using Level 2 inputs.

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

| Investment | Maturity | Fair Value |
|---|-----------------------------------|---------------------|
| Colorado Local Government Liquid Asset Trust (COLOTRUST) | Weighted average under 60 days | <u>\$ 2,407,220</u> |

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle 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 Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities 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 any

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

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's.

NOTE 4 - CAPITAL ASSETS

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

| | Balance at December 31, 2015 | Additions | Reductions | Balance at December 31, 2016 |
|---|---|---------------------|-------------------|---|
| Capital assets, not being depreciated: | | | | |
| Capital assets to be conveyed to other governmental entities | \$ 12,330,726 | \$ - | \$ - | \$ 12,330,726 |
| Total capital assets, not being depreciated | <u>12,330,726</u> | <u>-</u> | <u>-</u> | <u>12,330,726</u> |
| Capital assets, being depreciated: | | | | |
| Colfax Avenue pedestrian bridge and improvements | 3,828,388 | - | - | 3,828,388 |
| Equipment (parking meters) | 58,876 | - | - | 58,876 |
| Total capital assets, being depreciated | <u>3,887,264</u> | <u>-</u> | <u>-</u> | <u>3,887,264</u> |
| Less accumulated depreciation for: | | | | |
| Colfax Avenue pedestrian bridge and improvements | (567,754) | (127,613) | - | (695,367) |
| Equipment (parking meters) | (14,719) | (7,359) | - | (22,078) |
| Total accumulated depreciation | <u>(582,473)</u> | <u>(134,972)</u> | <u>-</u> | <u>(717,445)</u> |
| Total capital assets, net | <u>3,304,791</u> | <u>(134,972)</u> | <u>-</u> | <u>3,169,819</u> |
| Governmental activities capital assets, net | <u>\$ 15,635,517</u> | <u>\$ (134,972)</u> | <u>\$ -</u> | <u>\$ 15,500,545</u> |

Depreciation expense of \$134,972 was charged to general government function of the District for the year ended December 31, 2016.

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

NOTE 5 - LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's 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> |
|--|---|------------------|-------------------|---|------------------------------------|
| Tax Increment/PIF Supported | | | | | |
| Revenue Bonds, Series 2010A | \$ 16,100,000 | \$ - | \$ 445,000 | \$ 15,655,000 | \$510,000 |
| Junior Bonds (fill-up), Series 2010B | 3,000,000 | - | - | 3,000,000 | - |
| Developer advances - Operating | 208,939 | 26,543 | - | 235,482 | - |
| Developer advances - Capital | 3,126,633 | - | - | 3,126,633 | - |
| Accrued interest on Developer advances - Operating | 77,938 | 16,884 | - | 94,822 | - |
| Accrued interest on Developer advances - Capital | 1,144,526 | 250,130 | - | 1,394,656 | - |
| | <u>\$ 23,658,036</u> | <u>\$293,557</u> | <u>\$ 445,000</u> | <u>\$ 23,506,593</u> | <u>\$510,000</u> |

The details of the District's long-term obligations are as follows:

\$16,820,000 Tax Increment/Public Improvement Fee Supported Revenue Bonds, Series 2010A

On April 29, 2010, the District issued \$16,820,000 in Tax Increment/Public Improvement Fee Supported Revenue Bonds, Series 2010A (Bonds). The Bonds are special limited revenue obligations of the District, payable solely from Pledged Revenues consisting of: (a) all Pledged PIF Revenue, (b) during the Pledged TIF Revenue Term, all Pledged TIF Revenue, (c) all Facilities Fees, (d) during the Pledged TIF Revenue Term, the base Capital Levy Revenue, and after the Term, all Capital Levy Revenue, (e) Specific Ownership Taxes, (f) payments in lieu of taxes, if any, (g) Use Tax Payments in Lieu, if any, (h) Completion Guaranty Payments, if any, (i) Extension Payments, if any, (j) Redemption Payments on deposit with the Trustee, if any, (k) any other legally available monies, and (l) investment income derived from all Pledged Revenue. The Bonds are also secured by amounts on deposit in the Reserve Fund which is to be funded from proceeds of the Bonds in the amount of the Reserve Requirement amounting to \$1,597,773.69. The Bonds are due March 1, 2040, with an interest rate of 7.50%, paid semiannually on March 1 and September 1, commencing on September 1, 2010. To the extent principal is not paid when due, such principal shall remain outstanding until paid. To the extent interest is not paid when due, such interest shall compound semiannually on each September 1 and March 1. The Bonds are subject to redemption prior to maturity at the option of the District on and after March 1, 2020, on any date, in whole or in part, at a redemption price equal to 100% of the principal amount so redeemed, plus interest accrued to the redemption date. The Bonds are subject to mandatory sinking fund redemption at a price equal to the principal amount plus accrued interest to the redemption date.

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

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

The proceeds from the Bonds were used to finance certain public improvements, fund the Reserve Fund, fund capitalized interest for payment of a portion of the bond interest, and pay the costs of issuing the Bonds.

The District's long-term obligations will mature as follows:

| | Governmental Activities | | |
|-----------|--------------------------------|----------------------|----------------------|
| | Principal | Interest | Total |
| 2017 | \$ 510,000 | \$ 1,155,000 | \$ 1,665,000 |
| 2018 | 560,000 | 1,114,875 | 1,674,875 |
| 2019 | 630,000 | 1,070,250 | 1,700,250 |
| 2020 | 680,000 | 1,021,125 | 1,701,125 |
| 2021 | 755,000 | 967,313 | 1,722,313 |
| 2022-2026 | 4,915,000 | 3,837,187 | 8,752,187 |
| 2027-2031 | 2,385,000 | 2,298,563 | 4,683,563 |
| 2032-2036 | 2,405,000 | 1,537,687 | 3,942,687 |
| 2037-2040 | 2,815,000 | 443,813 | 3,258,813 |
| | <u>\$ 15,655,000</u> | <u>\$ 13,445,813</u> | <u>\$ 29,100,813</u> |

Up to \$3,000,000 Tax Increment/Public Improvement Fee Supported Junior Revenue Bonds, Series 2010B

On April 29, 2010, the District also issued Series 2010B or Junior Revenue Bonds as "fill-up" bonds (Junior Bonds, and together with the Bonds, the Series 2010 Bonds) for the purpose of representing the District's obligation to reimburse advances made by CPX Aurora, as later defined, to the District to pay the costs of certain capital improvements. The initial principal amount of the Junior Bonds was zero with a maximum principal amount permitted of \$3,000,000.

CPX Aurora submitted requests for reimbursement and the District accepted and approved the requests, thereby increasing the outstanding balance of the Junior Bonds. Interest on the Junior Bonds accrues at a rate of 10.5% payable annually on March 1, beginning on March 1, 2011. To the extent interest is not paid when due, such interest will compound annually on each March 1. Principal and interest on the Junior Bonds are payable annually on March 1 to the extent of Pledged Revenues available after the payment of principal and interest on the Bonds. The Junior Bonds mature on March 1, 2040. As of December 31, 2016, the outstanding balances of the Junior Bonds are principal in the amount of \$3,000,000 and accrued interest totaling \$2,214,286.

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

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Pursuant to the Capital Pledge Agreement (Agreement) among the District, Fitzsimons Village Metropolitan District No. 2 (District No. 2) and UMB Bank, n.a. (Trustee), the District, as the Operating District, is required to determine the rate of District No. 2's debt service mill levy in order to generate property tax revenues that, when combined with other Pledged Revenues, will be sufficient to pay amounts owing on the Bonds and Junior Bonds, but at a rate not exceeding the mill levy limitations set forth in the Agreement. For tax collection year 2016, the District directed District No. 2 to not increase its debt service mill levy, which resulted in the District's inability to make payments on the Junior Bonds. The current holder of the Junior Bonds consented to the District's determination to direct District No. 2 to not increase its debt service mill levy and further represented that it shall not deem the District's inability to pay amounts owing on the Junior Bonds to be a default.

Authorized Debt

On May 2, 2006, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$4,211,840,000. At December 31, 2016, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

| | Amount Authorized on May 2, 2006 | Authorization Used for Series 2010A Bonds | Authorization Used for Series 2010B Bonds | Authorization Used for Capital Pledge Agreement with District No. 3 | Authorized But Unissued |
|----------------------------------|---|--|--|--|--|
| Streets | \$ 382,440,000 | \$ 11,003,209 | \$ 2,197,672 | \$ - | \$ 369,239,119 |
| Water | 382,440,000 | 527,275 | 96,077 | - | 381,816,648 |
| Sanitary sewer | 382,440,000 | 4,291,336 | 706,251 | - | 377,442,413 |
| Parks and recreation | 382,440,000 | 998,180 | - | - | 381,441,820 |
| Traffic and safety | 382,440,000 | - | - | - | 382,440,000 |
| Mosquito control | 382,440,000 | - | - | - | 382,440,000 |
| Public transportation | 382,440,000 | - | - | - | 382,440,000 |
| Fire protection | 382,440,000 | - | - | - | 382,440,000 |
| Television relay and translation | 382,440,000 | - | - | - | 382,440,000 |
| Operations and maintenance | 5,000,000 | - | - | - | 5,000,000 |
| Debt refunding | 382,440,000 | - | - | - | 382,440,000 |
| Intergovernmental contracts | 382,440,000 | - | - | 7,155,000 | 375,285,000 |
| | <u>\$ 4,211,840,000</u> | <u>\$ 16,820,000</u> | <u>\$ 3,000,000</u> | <u>\$ 7,155,000</u> | <u>\$ 4,184,865,000</u> |

The District's Service Plan limits total debt issuance to not exceed \$382,440,000. 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 services area, however, as of the date of this audit, the amount and timing of any future debt issuances are not determinable.

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

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Developer Advances

The District has entered into the following Funding Agreements:

2008 Facilities Funding and Reimbursement Agreement dated December 10, 2007 (2008 FFA) – The 2008 FFA is between the District and BWAB-Fitzsimmons LLC (General Developer). Subject to certain provisions in the 2010 FAA, the District is obligated to reimburse the General Developer under the 2008 FFA for costs of public improvements, as verified by the District's Engineer, in an amount not to exceed \$2,735,000 plus accrued interest. Interest will continue to accrue on all unpaid amounts at the rate of 8.0% per annum. The obligation to reimburse the General Developer under the 2008 FFA is fully subordinate to, among other things, the obligation to reimburse the Office Developer and the Hotel Developer under the 2010 FAA. In 2011, the District acquired and recorded a total of \$2,718,948 of public improvements under the 2008 FFA. As of December 31, 2016, outstanding advances under the 2008 FFA totaled \$2,767,209 (comprised of \$48,261 cash advances and \$2,718,948 public improvements) and accrued interest totaled \$1,259,494.

2010 Facilities Acquisition Agreement dated April 29, 2010 (2010 FAA) – The 2010 FAA is between the District and the General Developer, CPX Aurora Hotel, LLC (Hotel Developer) and CPX Aurora Office, LLC (Office Developer). Under the 2010 FAA, the Hotel Developer and the Office Developer (collectively CPX Aurora) will provide the District Engineer with copies of contracts related to the construction of District Development Work. The District Engineer will issue a Cost Verification Letter or Engineer's Certificate confirming that the costs are both reasonable and subject to reimbursement. Upon receipt of the Engineer's Certificate by the District, CPX Aurora has the right to draw on the funds maintained in escrow accounts, subject to the provisions of the Escrow Agreement with UMB Bank, n.a. (the Escrow Agent). To the extent advances made are not reimbursed from bond proceeds, interest shall accrue from the date the costs were incurred by CPX Aurora until paid at a rate of 8% per annum. On June 9, 2011, the District entered into the First Amendment to Facilities Acquisition Agreement to modify certain payment obligation priorities and document the amount due and owing to the General Developer. As of December 31, 2016, outstanding advances under the 2010 FAA totaled \$300,548 and accrued interest totaled \$116,154.

2010 Operation Funding Agreement and Termination of Prior Operation Funding Agreements dated April 29, 2010 (2010 OFA), 2013 Operation Funding Agreement (2013 OFA), 2014 Operation Funding Agreement (2014 OFA), and 2016 Operation Funding Agreement (2016 OFA) - The 2010 OFA is between the District, the General Developer and CPX Aurora. The 2010 OFA terminates the District's Prior Operation Funding Agreements with the General Developer and replaces those Prior Operation Funding Agreements with the 2010 OFA. The parties agree that Prior Advances made by the General Developer under the Prior Operation Funding Agreements, including accrued interest, will remain outstanding and continue to accrue interest at the rate of 8% per annum until paid. CPX Aurora shall advance funds if needed going forward under annual Operation Funding Agreements. Interest on advances under such agreements shall be 8% per annum. In 2011 and 2012, the District and CPX Aurora entered into Operation Funding Agreements effective January 1, 2011 and 2012 (the 2011 OFA and the 2012 OFA), respectively, setting forth substantially the same terms set forth in the 2010 OFA with respect to providing funds to cover certain shortfalls.

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

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

On November 8, 2012 (effective January 1, 2013), the District entered into the 2013 OFA with CPX Aurora. The 2013 OFA prioritizes the repayment of the Prior Advances, the outstanding funds advanced under the 2010 OFA, the 2011 OFA, the 2012 OFA, and the 2013 OFA as well as setting forth the rights, obligations and procedures for CPX Aurora to advance funds and for the District to reimburse CPX Aurora for the advances made. The 2013 OFA expires on December 31, 2053, unless terminated earlier by mutual agreement of all parties. Any obligation of CPX Aurora to advance funds under the 2013 OFA expired on March 31, 2014. Any obligation of the District to reimburse CPX Aurora expires on December 31, 2053. In the event the District has not reimbursed CPX Aurora for any Developer Advance made pursuant to the 2013 OFA on or before December 31, 2053, any amount of principal and accrued interest outstanding on such date shall be deemed to be forever discharged and satisfied in full. Any obligation of the District to reimburse the General Developer expires on December 31, 2046.

On November 27, 2013 (effective January 1, 2014), the District entered into the 2014 OFA with CPX Aurora. The 2014 OFA prioritizes the repayment of the Prior Advances, the outstanding funds advanced under the 2010 OFA, the 2011 OFA, the 2012 OFA, the 2013 OFA, and the 2014 OFA as well as setting forth the rights, obligations and procedures for CPX Aurora to advance funds and for the District to reimburse CPX Aurora for the advances made. The 2014 OFA expires on December 31, 2054, unless terminated earlier by mutual agreement of all parties. Any obligation of CPX Aurora to advance funds under the 2014 OFA expired on March 31, 2015. Any obligation of the District to reimburse CPX Aurora expires on December 31, 2054. In the event the District has not reimbursed CPX Aurora for any Developer Advance made pursuant to the 2014 OFA on or before December 31, 2054, any amount of principal and accrued interest outstanding on such date shall be deemed to be forever discharged and satisfied in full. Any obligation of the District to reimburse the General Developer expires on December 31, 2046.

On December 7, 2015 (effective January 1, 2016), the District entered into the 2016 OFA with CPX Aurora. The 2016 OFA prioritizes the repayment of the Prior Advances, the outstanding funds advanced under the 2010 OFA, the 2012 OFA, the 2013 OFA, the 2014 OFA, and the 2016 OFA as well as setting forth the rights, obligations and procedures for CPX Aurora to advance funds and for the District to reimburse CPX Aurora for the advances made. The 2016 OFA expires on December 31, 2056, unless terminated earlier by the mutual agreement of all parties. Any obligations of CPX Aurora to advance funds under the 2016 OFA expires on March 31, 2017. Any obligation of the District to reimburse CPX Aurora expires on December 31, 2056. In the event the District has not reimbursed CPX Aurora for any Developer Advance made pursuant to the 2016 OFA on or before December 31, 2056, any amount of principal and accrued interest outstanding on such date shall be deemed to be forever discharged and satisfied in full. Any obligation of the District to reimburse the General Developer expires on December 31, 2046. As of December 31, 2016, outstanding advances for operations totaled \$235,482 and accrued interest totaled \$94,822.

In 2014, the District recorded an additional liability to Developer for parking meters installed by the Developer in 2012 on behalf of the District. As of December 31, 2016, outstanding advances totaled \$58,576 and accrued interest totaled \$19,008.

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

NOTE 6 - NET POSITION

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

Net investment in capital assets 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, as follows:

| | Governmental Activities |
|--|------------------------------------|
| Capital assets, net | \$ 3,169,819 |
| Outstanding long-term debt applicable to capital assets | (5,372,004) |
| Unspent bond proceeds applicable to capital assets | 460,104 |
| Outstanding Developer advances related to capital assets | (315,386) |
| Net investment in capital assets | \$ (2,057,467) |

The restricted component of net position consists of 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 reserves | \$ 8,300 |
| Total restricted net position | \$ 8,300 |

The District has a deficit in unrestricted net position. This deficit amount is primarily a result of the District being responsible for the repayment of bonds issued and accrued interest for the construction of public improvements.

NOTE 7 - AGREEMENTS

City IGA

On June 30, 2008, the District, District No. 2 and Fitzsimons Village Metropolitan District No. 3 (collectively, the Districts) executed intergovernmental agreements with the City (collectively, the City IGA), pursuant to which the Districts agreed to retain ownership or dedicate public improvements to the City or other appropriate jurisdiction or owners association. The City IGA also reaffirms certain requirements and restrictions set forth in the Service Plan, including District No. 2's obligation to impose the ARI Mill Levy and convey the revenue from the ARI Mill Levy to the Aurora Regional Transportation Authority for the provision of regional improvements which includes the planning, design, acquisition, construction, installation and redevelopment of street and transportation related improvements.

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

NOTE 7 – AGREEMENTS (CONTINUED)

FFCO Agreement

On April 29, 2010, the Districts entered into the Facilities Funding, Construction and Operations Agreement, as amended on August 21, 2014, by a First Amendment to Facilities Funding, Construction and Operations Agreement (as so amended, the FFCO Agreement). The FFCO Agreement establishes certain expectations as to the financing, construction, operation and maintenance of improvements contemplated in the Service Plan for the purpose of providing, in a timely and coordinated manner, essential services in the community to be served by the Districts. The FFCO Agreement anticipates that the Districts will, from time to time, enter into intergovernmental agreements whereby one or more of the Districts will act as an issuing district and/or an operating district to finance certain public improvements and one or more of the Districts will act as a taxing district to pledge revenues for the financing, operations and maintenance of the public improvements.

As anticipated by the FFCO Agreement, the District (as Issuing District) entered into the 2010 Pledge Agreement with District No. 2 related to the Series 2010 Bonds. The District (as Taxing District) also entered into the 2014 Pledge Agreement with District No. 3 related to the Series 2014 Bonds.

Capital Pledge Agreements

As contemplated in the FFCO Agreement, on April 1, 2010, the District (Issuing District), District No. 2 (Taxing District) and UMB Bank, n.a. (Trustee) entered into a Capital Pledge Agreement (the 2010 Pledge Agreement) to secure a portion of the payment of the Series 2010 Bonds issued by the District on April 29, 2010, to finance public infrastructure. Pursuant to the Agreement, the Taxing District has made certain covenants and pledged certain revenues to the District for payment of the Series 2010 Bonds. The portions of the Pledged Revenue pledged to the District under the 2010 Pledge Agreement include the following revenues generated within the boundaries of the Taxing District: Taxing District Base Tax Revenues and TIF Revenues (prior to termination of the Public Finance and Redevelopment Agreement), revenues generated from imposition of the Capital Levy (on and after the date of termination of the Public Finance and Redevelopment Agreement), Specific Ownership Taxes attributable to the Capital Levy, Facilities Fees and, to the extent received by the Taxing District, all PILOTs and Use Tax Payments in Lieu. The “Capital Levy” is defined as the ad valorem debt service mill levy imposed on all taxable properties within the Taxing District’s boundaries. In no event shall the Capital Levy be less than 35 mills prior to termination of the Public Finance and Redevelopment Agreement or, until the debt to assessed value ratio is equal to or less than 50%, more than 50 mills. Such minimum and maximum mill levies are subject to adjustment due to changes in the method of calculating assessed valuation.

Also, as contemplated in the FFCO Agreement, on August 1, 2014, the District (Taxing District), Fitzsimons Village District No. 3 (Issuing District), and UMB Bank, n.a. (Trustee) entered into a Capital Pledge Agreement (the 2014 Pledge Agreement) to secure a portion of the payment of the Series 2014 Bonds issued by the Issuing District on August 21, 2014, to finance certain public infrastructure. Pursuant to the 2014 Pledge Agreement, the District has made certain

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

NOTE 7 – AGREEMENTS (CONTINUED)

covenants and pledged certain revenues to the Issuing District for payment of the Series 2014 Bonds. The portions of the Pledged Revenue pledged to the Issuing District under the 2014 Pledge Agreement include the following revenues generated within the boundaries of the Taxing District: Taxing District Base Tax Revenues and TIF Revenues (prior to termination of the AURA Intergovernmental Agreement), revenues generated by imposition of the Capital Levy (after the date of termination of the AURA Intergovernmental Agreement), Specific Ownership Taxes attributable to the Capital Levy, and the Facilities Fee. The “Capital Levy” is defined as the ad valorem mill levy imposed on all taxable properties within the Taxing District’s boundaries. Commencing in levy year 2014 for collection in 2015, the Capital Levy shall be no less than 15 mills. Commencing in levy year 2039 for collection in 2040, the Capital Levy shall be no less than 50 mills. The maximum Capital Levy shall be the maximum mill levy the Taxing District is authorized to impose pursuant to its Service Plan less the number of mills certified in connection with its Mill Levy Pledged to AURA. Such minimum and maximum mill levies are subject to adjustment due to changes in the method of calculating assessed valuation.

Operations Financing IGAs

As contemplated in the FFCO Agreement, on April 29, 2010, the District (as Operating District) entered into an Operations Financing IGA (Agreement) with District No. 2 (as Taxing District). Pursuant to the Agreement, District No. 2 agrees to pledge revenues received from the imposition of its O&M Mill Levy, along with certain specific ownership taxes associated with such mill levy, for payment of administration expenditures and the operation and maintenance of District-owned improvements.

As contemplated in the FFCO Agreement, on August 21, 2014, the District (as Taxing District) entered into an Operations Financing IGA (Agreement) with District No. 2 (as Taxing District) and Fitzsimons Village Metropolitan District No. 3 (as Operating District). Pursuant to the Agreement, the District agreed to pledge revenues received from the imposition of its O&M Fee and its Operations Mill Levy, along with certain specific ownership taxes associated with such mill levy, for payment of operation and maintenance costs associated with District No. 3 Improvements (as defined in the Agreement).

Use Restrictions Agreement

On April 29, 2010, the District entered into the Use Restrictions Agreement (Agreement) with the Office Developer, the General Developer and The Children’s Hospital Association (Children’s). The Agreement sets forth certain payment obligations which will arise if Children’s elects to exercise one or more of its purchase options granted in the Children’s Office Lease and in the Amended and Restated Purchase Rights Agreement between the Office Developer and Children’s dated as of March 30, 2010. Pursuant to the Children’s Office Lease, Children’s has certain rights and options to acquire the office building and the parking garage to be constructed and owned by the Office Developer during Phase 1 of the development. Further, the Purchase Rights Agreement provides that Children’s has an option to acquire Lot 1, Block 1, Fitzsimons Village Subdivision Filing No. 2. The public infrastructure on the properties by which Children’s has options to acquire were financed with bonds issued by the District on April 29, 2010. Accordingly, the parties have agreed that in the event that Children’s acquires any or all of the properties, various payments in lieu of taxes which would otherwise be due from Children’s but for its tax-exempt status are to be paid to the District or the Trustee and will applied to the payment of the bonds and to payment of operations and maintenance expenses.

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

NOTE 7 – AGREEMENTS (CONTINUED)

Maintenance Agreement

On April 29, 2010, the District entered into the Maintenance Agreement (Agreement) with Children's, the General Developer and CPX Aurora. The Agreement provides for the coordinated and cost effective management and maintenance of certain public infrastructure within the District, either by the District or by a third-party commercial management company (Manager). The Manager will provide maintenance and repair services, enforce the Rules and Regulations and perform additional services, if needed. The Manager is entitled to charge a management fee.

Fee Assignment and Servicing Agreement

On April 29, 2010, the District entered into the Fee Assignment and Servicing Agreement (Agreement) with Fitzsimons Village Public Improvement Corporation (PIC), a Colorado nonprofit corporation, and UMB Bank, n.a. (Trustee). The Agreement sets forth the terms and conditions for the PIC, either directly or through the engagement of a PIF Collecting Agent, to administer the collection of Sales PIF and Lodging PIF and distribution of such revenue. The parties to this Agreement have also entered into an Agreement for PIF Collection with Special District Management Services, a Colorado corporation, to act as the PIF Collecting Agent. Effective January 1, 2012, CliftonLarsonAllen LLP is the PIF collecting Agent for Fitzsimons Village PIC.

On October 31, 2013, the District entered into the First Amendment to Fee Assignment and Servicing Agreement with the PIC. The amendment provides for PIF revenues to be received by the District on a time schedule that is more closely tied to incurrence of costs by each entity.

Aurora Urban Renewal Authority IGA

On August 21, 2014, the District and District No. 3 entered into an intergovernmental agreement with the Aurora Urban Renewal Authority (AURA) (the AURA IGA). Pursuant to the AURA IGA, the parties agree to cooperate to assure that ad valorem property taxes levied by the District and District No. 3 and other Pledged Revenues are made available to the District and District No. 3 by AURA for purposes of financing public improvements necessary to develop a hotel, conference center, structured parking facility, and related amenities within the 3.822 acre Project Area (Project). Prior to District No. 3's issuance of the Series 2014 Bonds, AURA agreed to make a one-time deposit of \$800,000 in immediately available funds with District No. 3. Following District No. 3's issuance of the Series 2014 Bonds, AURA agreed to make annual disbursements of Pledged Revenues from the Pledged Revenue Fund to District No. 3 or its designee, which revenues consist of the following: 1/3 of the Excess Revenues available for the fiscal year, 100% of the Tax Increment generated by the imposition of the District's Debt Service Mill Levy within the Project Area in excess of 35 mills, and 100% of the Tax Increment generated by the District's Operating Mill Levy and ARI Mill Levy within the Project Area.

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

NOTE 7 - AGREEMENTS (CONTINUED)

Aurora Regional Transportation Authority Establishment Agreement

On February 20, 2008, the District and the Taxing Districts, along with other metropolitan districts within Aurora, entered into the Aurora Regional Transportation Authority (ARTA) Establishment Agreement. This Agreement, originally dated August 22, 2006, was amended on August 14, 2007, February 20, 2008, July 21, 2008, June 11, 2009, and June 6, 2013, to add additional metropolitan district members. ARTA will plan, design, acquire, construct, relocate, redevelop and finance regional improvements within the boundaries of the metropolitan districts which are parties to the Agreement using the revenue from the ARI Mill Levy of each of the districts. In accordance with the Agreement, the City has been offered the right to appoint no less than 30% and no more than 49% of the ARTA Board, but as of December 31, 2014, had not exercised this right. For collection year 2016, District No. 2 imposed 1.000 mill as required by its Service Plan for Aurora Regional Improvements (ARI Mill Levy).

Joint Facilities Fee Resolutions

On April 19, 2010, the Boards of Directors of the District and District No. 2 adopted a Joint Resolution of Fitzsimons Village Metropolitan District Nos. 1 and 2 Regarding the Imposition of Facilities Fees (District Nos. 1 & 2 Facilities Fee Resolution), which Resolution was recorded on April 28, 2010. The District Nos. 1 & 2 Facilities Fee Resolution imposes a one-time facilities fee in the amount of \$1.00 per gross square foot on commercial property located within the boundaries of the District and District No. 2 (Commercial Facilities Fee). The Commercial Facilities Fee is imposed on any building intended for non-residential use and for which a building permit is required by the City, which includes buildings used as office, retail, hotel and other commercial uses, but excludes parking structures associated with buildings for which a separate building permit is obtained. The District Nos. 1 & 2 Facilities Fee Resolution also imposes a one-time facilities fee in the amount of \$1,500 per residential unit for any residential building consisting of one self-contained living unit, whether attached or detached (Residential Facilities Fee). Non-profit homeowners' associations, governmental entities and utility providers are exempt from the obligation to pay facilities fees. Facilities fees are due and payable on or before the date of issuance of a building permit for the applicable building or unit. The District Nos. 1 & 2 Facilities Fee Resolution provides that interest will accrue on facilities fees not paid when due at the rate of 12.0% per annum until paid. Revenues derived from the imposition of the Commercial Facilities Fee and Residential Facilities Fee by the District and by District No. 2 are pledged to the payment of the District's Bonds or any other indebtedness issued by the District.

On August 13, 2014, the Boards of Directors of the District and District No. 3 adopted a Joint Resolution of Fitzsimons Village Metropolitan District Nos. 1 and 3 Regarding the Imposition of Facilities Fees (District Nos. 1 & 3 Facilities Fee Resolution), which Resolution was recorded on August 21, 2014. The District Nos. 1 & 3 Facilities Fee Resolution imposes a one-time fee in the amount of \$1.00 per gross square foot on property located within the boundaries of the District or District No. 3 and intended for non-residential use (Commercial Facilities Fee). The Commercial Facilities Fee is imposed on any building intended for non-residential use and for which a building permit is required by the City, excluding parking structures and any land owned by non-profit homeowners' associations, governmental entities, or utility providers. The

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

NOTE 7 – AGREEMENTS (CONTINUED)

Commercial Facilities Fee is due and payable on or before the date of issuance of a building permit for the applicable building. The District Nos. 1 & 3 Facilities Fee Resolution provides that interest will accrue on facilities fees not paid when due at the rate of 12% per annum until paid. Revenues derived from the imposition of the Commercial Facilities Fee by the District and by District No. 3 are pledged to the payment of District No. 3's Bonds or any other indebtedness issued by District No. 3.

Joint Operations and Maintenance Fee Resolution

On September 8, 2011, the Board of Directors of the District, District No. 2, and District No. 3 adopted a Joint Operations and Maintenance Fee Resolution (O&M Fee Resolution). The O&M Fee Resolution imposes a monthly operations and maintenance fee on structures within the Districts' boundaries for which a certificate of occupancy has been issued, excluding any parking garages or real property actually conveyed or dedicated to non-profit owners' associations, governmental entities or utility providers. The fee will be invoiced and payable in advance on an annual basis. For commercial property, the fee will initially be set as a rate of \$0.01002 per square foot per month. For residential property, the fee will initially be set at a rate of \$1.12 per residential unit per month. The fee rates will increase on January 1 annually thereafter. The O&M Fee Resolution provides that interest will accrue on operations and maintenance fees at the rate of 18% per annum until paid. If the owner does not make payment on all past due amounts, including interest, within 60 days from the Bill Date, the District may deliver to the owner a Notice of Intent to File a Lien Statement. If the delinquent balance is not paid within 30 days after the Notice of Intent to File a Lien Statement is served upon the owner by certified mail, the District may perfect the lien against the property by recording the Lien Statement in the office of the Arapahoe County Clerk and Recorder. The lien of any of the Districts may be foreclosed by the applicable District in the same manner as provided by the laws of Colorado for the foreclosure of mechanics' liens.

The O&M Fee Resolution was amended in 2014 to increase the O&M Fee to \$0.025 per square foot per month for the commercial property, effective January 1, 2015, and inflated 0.50% per year, thereafter. The amendment to the O&M Fee Resolution will also allow the O&M Fee to be imposed on property owned by governmental entities. The O&M Fee on 255,299 square feet of commercial property in Phase 1 will be collected by the District, with a portion of the O&M Fee (\$0.015 per square foot per month) being transferred by the District to District No. 3 to support operation and maintenance of the Phase 2 Infrastructure. The remaining \$0.01 per square foot per month of the O&M Fee imposed on Phase 1 commercial property will remain with the District to support operation and maintenance of Phase 1 infrastructure.

Operations and Maintenance Fee Payment Agreement

On August 21, 2014, the District entered into the Agreement Regarding Payment of Operations and Maintenance Fee with District Nos. 2 and 3 (collectively the Districts) and the Aurora Urban Renewal Authority (AURA) (O&M Fee Agreement). Under the O&M Fee Agreement, AURA acknowledges the Districts' adoption of the O&M Fee Resolution, pursuant to which the Districts are authorized to impose a monthly Operations and Maintenance Fee (O&M Fee) on property within the Districts' boundaries for the payment of operations and maintenance costs related to certain public improvements. Pursuant to the O&M Fee Agreement, AURA consents to payment

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

NOTE 7 – AGREEMENTS (CONTINUED)

of the O&M Fee to the Districts from its Available Revenues (as defined in that certain Public Finance and Redevelopment Agreement, dated July 8, 2013 (2013 PFRA)). Likewise, the Districts acknowledge their intent to apply all, or a portion, of the Available Revenues allocated to each by AURA to the payment of operations and maintenance-related expenditures and agree that the rate of the O&M payable by AURA will not be increased without AURA's prior written consent. The O&M Fee is currently imposed at a rate of \$0.025 per commercial square foot per month, and \$1.12 per residential unit per month.

Public Finance and Redevelopment Agreement

On July 28, 2008, the Districts, the General Developer and the AURA entered into the Public Finance and Redevelopment Agreement (2008 PFRA), pursuant to which the parties set forth their respective obligations regarding, among other things, the redevelopment of the Districts' service area and the financing of public infrastructure necessary for such redevelopment. Under the 2008 PFRA, AURA is obligated to pay certain of its tax increment revenues derived from the following sources to any of the Districts that issue bonds: ad valorem property tax, sales tax, lodger's tax, use tax, and any interest earned on such tax revenues (Pledged Revenues). AURA further agrees to irrevocably pledge such Pledged Revenues (net of any Pledged Revenues generated from the Districts' Operations Mill Levies or the Districts' ARI Mill Levies) to the payment of bonds issued by any of the Districts to the extent such amounts are pledged under any applicable bond documents. The total principal amount of the funding obligation under terms of the 2008 PFRA is \$42,000,000 plus interest at 7% compounded annually on February 1st.

On August 21, 2014, the Districts, AURA and Corporex Colorado, LLC (as successor-in-interest to the General Developer) entered into the First Amendment to the Public Finance and Redevelopment Agreement (Amended 2008 PFRA). The Amended 2008 PFRA acknowledges the exclusion of a certain portion of property from the redevelopment area described in the 2008 PFRA (Excluded Area), and establishes that only the Pledged Revenues generated from within the remaining property (Phase I Parcel) may be used to pay the Districts' financial obligations incurred to finance or refinance development to benefit the Phase I Parcel. Likewise, revenues generated from or attributable to the Excluded Area may be used to pay the Districts' financial obligations incurred to finance or refinance development to benefit the Excluded Area.

NOTE 8 - RELATED PARTY

The Developer of the property which constitutes the District is collectively BWAB-Fitzsimmons LLC (General Developer), a Colorado limited liability company, CPX Aurora Office, LLC (Office Developer), a Colorado limited liability company, and CPX Aurora Hotel, LLC (Hotel Developer), a Colorado limited liability company. Both the Office Developer and the Hotel Developer are affiliates of Corporex Realty & Investment Corporation, a Kentucky corporation (the Guarantor), as is Corporex Colorado, LLC, which is also involved with the development of the property. The majority of the members of the Board of Directors are officers or employees of the Developer or of an entity affiliated with either the General Developer, the Office Developer or the Hotel Developer, and may have conflicts of interest in dealing with the District (see Notes 5 and 7).

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

NOTE 9 - RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, §24-10-101, et seq., C.R.S., 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 was 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 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.

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.

On May 2, 2006, the District voters passed an election question allowing the District to increase property taxes up to \$5,000,000 annually, without limitation of rate, to pay the District's operations, maintenance and other expenses. Additionally, the District's voters authorized the District to collect, retain and spend all revenues in excess of TABOR spending, revenue raising or other limitations.

The District's management has taken steps it believes are necessary to comply 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

**FITZSIMONS VILLAGE METROPOLITAN DISTRICT NO. 1
DEBT SERVICE FUND - 2010 BONDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016**

| | Original and Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|--|----------------------------|---|
| REVENUES | | | |
| Public improvement fees - Debt service | \$ 57,000 | \$ 56,750 | \$ (250) |
| AURA funding - Lodger tax | 316,000 | 314,763 | (1,237) |
| AURA funding - Use tax | 2,500 | 3,583 | 1,083 |
| AURA funding - Sales tax | 34,000 | 50,045 | 16,045 |
| AURA funding - Property tax | 600,000 | 889,241 | 289,241 |
| Net investment income | 4,000 | 14,062 | 10,062 |
| Transfer from Fitzsimons No. 2 - Taxes | 155,115 | 173,476 | 18,361 |
| Total revenues | <u>1,168,615</u> | <u>1,501,920</u> | <u>333,305</u> |
| EXPENDITURES | | | |
| Bond principal | 445,000 | 445,000 | - |
| Bond interest | 1,190,812 | 1,190,813 | (1) |
| Miscellaneous | 688 | - | 688 |
| Paying agent/trustee fees | 4,000 | 4,000 | - |
| Total expenditures | <u>1,640,500</u> | <u>1,639,813</u> | <u>687</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (471,885) | (137,893) | 333,992 |
| FUND BALANCES - BEGINNING OF YEAR | <u>2,551,362</u> | <u>2,545,700</u> | <u>(5,662)</u> |
| FUND BALANCES - END OF YEAR | <u><u>\$ 2,079,477</u></u> | <u><u>\$ 2,407,807</u></u> | <u><u>\$ 328,330</u></u> |

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

FITZSIMONS VILLAGE METROPOLITAN DISTRICT NO. 1
DEBT SERVICE FUND - 2014 BONDS
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 - AURA | \$ 25,253 | \$ - | \$ - | \$ - |
| Property taxes - Fitzsimons No. 3 | 10,823 | 36,076 | 35,970 | (106) |
| Specific ownership taxes - AURA | 2,525 | - | - | - |
| Specific ownership taxes - Fitzsimons No. 3 | 1,082 | 6,290 | 6,158 | (132) |
| Total revenues | <u>39,683</u> | <u>42,366</u> | <u>42,128</u> | <u>(238)</u> |
| EXPENDITURES | | | | |
| County Treasurer's Fee - AURA | 379 | - | - | - |
| County Treasurer's Fee - Fitzsimons No. 3 | 162 | 541 | 539 | 2 |
| Transfer to AURA - Taxes | 27,399 | - | - | - |
| Transfer to Fitzsimons No. 3 - Taxes | 11,743 | 41,825 | 41,589 | 236 |
| Total expenditures | <u>39,683</u> | <u>42,366</u> | <u>42,128</u> | <u>238</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | | | | |
| | - | - | - | - |
| FUND BALANCES - BEGINNING OF YEAR | | | | |
| | - | - | - | - |
| FUND BALANCES - END OF YEAR | | | | |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

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

\$16,820,000 Tax Increment/Public Improvement Fee
Supported Revenue Bonds, Series 2010A
Dated April 29, 2010
Principal due September 1
Interest Rate 7.50% Payable
March 1 and September 1

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|----------------------|----------------------|----------------------|
| 2017 | \$ 510,000 | \$ 1,155,000 | \$ 1,665,000 |
| 2018 | 560,000 | 1,114,875 | 1,674,875 |
| 2019 | 630,000 | 1,070,250 | 1,700,250 |
| 2020 | 680,000 | 1,021,125 | 1,701,125 |
| 2021 | 755,000 | 967,313 | 1,722,313 |
| 2022 | 815,000 | 908,437 | 1,723,437 |
| 2023 | 900,000 | 844,125 | 1,744,125 |
| 2024 | 975,000 | 773,813 | 1,748,813 |
| 2025 | 1,070,000 | 697,125 | 1,767,125 |
| 2026 | 1,155,000 | 613,687 | 1,768,687 |
| 2027 | 1,105,000 | 528,938 | 1,633,938 |
| 2028 | 275,000 | 477,187 | 752,187 |
| 2029 | 305,000 | 455,438 | 760,438 |
| 2030 | 330,000 | 431,625 | 761,625 |
| 2031 | 370,000 | 405,375 | 775,375 |
| 2032 | 400,000 | 376,500 | 776,500 |
| 2033 | 440,000 | 345,000 | 785,000 |
| 2034 | 475,000 | 310,687 | 785,687 |
| 2035 | 525,000 | 273,188 | 798,188 |
| 2036 | 565,000 | 232,312 | 797,312 |
| 2037 | 620,000 | 187,875 | 807,875 |
| 2038 | 670,000 | 139,500 | 809,500 |
| 2039 | 735,000 | 86,813 | 821,813 |
| 2040 | 790,000 | 29,625 | 819,625 |
| | <u>\$ 15,655,000</u> | <u>\$ 13,445,813</u> | <u>\$ 29,100,813</u> |

**FITZSIMONS VILLAGE METROPOLITAN DISTRICT NO. 1
SUMMARY OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
December 31, 2016**

| Year Ended December 31, | Prior Year Assessed Valuation for Current Year Property Tax Levy | Mills Levied | Total Property Taxes | | Percentage Collected to Levied |
|--|---|-------------------------|-----------------------------|------------------|---|
| | | | Levied | Collected | |
| 2015 | \$ 86,748 * | 51.000 | \$ 4,424 | \$ 11,767 | 265.98% |
| 2016 | \$ 751,528 | 51.000 | \$ 36,798 | \$ 36,690 | 99.71% |
| Estimated for the year ending December 31, 2017 | \$ 720,225 | 51.000 | \$ 36,731 | | |

* The County sent an adjusted certification of assessed value for 2015 after the 2015 Mill Levy Certification has been filed. The property taxes collected in 2015 was based on an adjusted assessed valuation of \$230,836.00