

**BMP METROPOLITAN  
DISTRICT NO. 1  
Denver County, Colorado**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2016**



**RECEIVED**

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## SCHILLING & COMPANY, INC.

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### **Independent Auditor's Report**

Board of Directors  
BMP Metropolitan District No. 1  
Denver County, Colorado

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

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of BMP Metropolitan District No. 1, as of December 31, 2016, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements.

The supplemental information is the responsibility of management and was derived from and relate 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.

*SCHILLING & COMPANY, INC.*

Highlands Ranch, Colorado  
July 27, 2017

## **BASIC FINANCIAL STATEMENTS**

**BMP METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
**GOVERNMENTAL ACTIVITIES**  
**December 31, 2016**

**ASSETS**

Cash and investments - restricted	\$	9,787
Due from BMP Metropolitan District No. 1 - operations		39
Due from BMP Metropolitan District No. 3		1,115
Prepaid expenses		9,238
Capital assets, not being depreciated		14,200
Total assets		34,379

**LIABILITIES**

Accounts payable		32,208
Due to BMP Metropolitan District No. 3 - regional		890
Due to BMP Metropolitan District No. 2 - City and County payment		6,317
Noncurrent liabilities:		
Due in more than one year		1,839,174
Total liabilities		1,878,589

**NET POSITION**

Net investment in capital assets		14,200
Restricted for capital projects		1,931
Unrestricted		(1,860,341)
Total net position		\$ (1,844,210)

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

**BMP METROPOLITAN DISTRICT NO. 1  
STATEMENT OF ACTIVITIES  
GOVERNMENTAL ACTIVITIES  
Year Ended December 31, 2016**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Position</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
General government	\$ 119,857	\$ -	\$ -	\$ 16,410	\$ (103,447)
Interest and fiscal charges	100,718	-	-	-	(100,718)
	<u>\$ 220,575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,410</u>	<u>(204,165)</u>
General revenues:					<u>-</u>
Special item - conveyance of capital assets					<u>(958,623)</u>
Change in net position					(1,162,788)
Net position - Beginning, as restated					(681,422)
Net position - Ending					<u>\$ (1,844,210)</u>

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

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

	General	Capital Projects	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments - restricted	\$ 7,856	\$ 1,931	\$ 9,787
Due from BMP Metropolitan District No. 3 - operations	39	-	39
Due from BMP Metropolitan District No. 3	1,115	-	1,115
Prepaid expenses	9,238	-	9,238
<b>TOTAL ASSETS</b>	<b>\$ 18,248</b>	<b>\$ 1,931</b>	<b>\$ 20,179</b>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 32,208	\$ -	\$ 32,208
Due to BMP Metropolitan District No. 3 - regional	890	-	890
Due to BMP Metropolitan District No. 2 - City payment	6,317	-	6,317
Total liabilities	39,415	-	39,415
<b>FUND BALANCES (DEFICITS)</b>			
Nonspendable:			
Prepays	9,238	-	9,238
Restricted for capital projects	-	1,931	1,931
Unassigned	(30,405)	-	(30,405)
Total fund balances (deficits)	(21,167)	1,931	(19,236)
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 18,248</b>	<b>\$ 1,931</b>	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Some long-term assets used in governmental activities are not financial resources and, therefore, are not reported in the Balance Sheet - Governmental Funds.

Capital assets, not being depreciated 14,200

Some liabilities, including bonds payable, developer advances payable, and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the Balance Sheet - Governmental Funds.

Developer advances payable (1,314,795)

Accrued interest payable on developer advances payable (524,379)

Net position of governmental activities **\$ (1,844,210)**

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

**BMP METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES (DEFICITS) - GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2016**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Intergovernmental Revenue - BMP MD No. 3	\$ 16,410	\$ -	\$ 16,410
Total revenues	<u>16,410</u>	<u>-</u>	<u>16,410</u>
<b>EXPENDITURES</b>			
Current			
Accounting/Audit	36,961	-	36,961
Legal	30,397	-	30,397
Insurance and bonds	11,132	-	11,132
Miscellaneous	68	-	68
Maintenance/utilities	28,299	-	28,299
Denver review fee	13,000	-	13,000
Total expenditures	<u>119,857</u>	<u>-</u>	<u>119,857</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>(103,447)</u>	<u>-</u>	<u>(103,447)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer advances	76,156	46,442	122,598
Total other financing sources (uses)	<u>76,156</u>	<u>46,442</u>	<u>122,598</u>
<b>NET CHANGE IN FUND BALANCES</b>	(27,291)	46,442	19,151
<b>FUND BALANCES (DEFICITS) - BEGINNING OF YEAR</b>	6,124	(44,511)	(38,387)
<b>FUND BALANCES (DEFICITS) - END OF YEAR</b>	<u>\$ (21,167)</u>	<u>\$ 1,931</u>	<u>\$ (19,236)</u>

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

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

A reconciliation reflecting the differences between the governmental funds net change in fund balances and change in net position reported for governmental activities in the Statement of Activities as follows:

Net change in fund balances - Total governmental funds	<u>\$ 19,151</u>
<p>Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. Instead the cost of the asset is allocated over its estimated useful life, and recorded as depreciation expense in each of those years.</p>	
Assets contributed to other entities	<u>(958,623)</u>
	<u>(958,623)</u>
<p>The issuance of long-term debt (e.g., bonds, advances, loans) 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.</p>	
Current year developer advances - operations	(76,156)
Current year developer advances - capital costs	<u>(46,442)</u>
	<u>(122,598)</u>
<p>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.</p>	
Change in accrued interest on developer advances	<u>(100,718)</u>
Change in net position - Governmental activities	<u>\$ (1,162,788)</u>

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

**BMP METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**Year Ended December 31, 2016**

	<b>Original and Final Budgeted Amounts</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>REVENUES</b>			
Intergovernmental Revenue from BMP No. 2	\$ 1,663	\$ -	\$ (1,663)
Intergovernmental Revenue from BMP No. 3	7,034	16,410	9,376
Total revenues	<u>8,697</u>	<u>16,410</u>	<u>7,713</u>
<b>EXPENDITURES</b>			
Accounting/budget preparation	13,000	24,161	(11,161)
Election	1,000	-	1,000
Audit	12,800	12,800	-
Legal	20,000	30,397	(10,397)
Insurance and bonds	11,000	11,132	(132)
Miscellaneous	1,000	68	932
Engineering	10,000	-	10,000
Denver Review Fee	13,000	13,000	-
Snow removal	15,000	-	15,000
Utilities	15,000	-	15,000
Landscape maintenance	15,000	28,299	(13,299)
Grounds maintenance	15,000	-	15,000
Contingency and reserves	9,526	-	9,526
Total expenditures	<u>151,326</u>	<u>119,857</u>	<u>31,469</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(142,629)</u>	<u>(103,447)</u>	<u>39,182</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer advances	146,710	76,156	(70,554)
Developer advance repayments	(4,081)	-	4,081
Total other financing sources (uses)	<u>142,629</u>	<u>76,156</u>	<u>(66,473)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	(27,291)	(27,291)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	-	6,124	6,124
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	<u>\$ -</u>	<u>\$ (21,167)</u>	<u>\$ (21,167)</u>

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

**BMP METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 – DEFINITION OF REPORTING ENTITY**

BMP Metropolitan District No. 1 (District) was organized on December 8, 2010 in Denver County as a quasi-municipal corporation and political subdivision of the State of Colorado and is governed pursuant to the provisions of the Colorado Special District Act together with BMP Metropolitan District No. 2 (BMP No. 2) and BMP Metropolitan District No. 3 (BMP No. 3). BMP Metropolitan District No. 1, BMP Metropolitan District No. 2 and BMP Metropolitan District No. 3 are collectively referred to as the BMP Districts. The BMP Districts have entered into a Memorandum of Understanding (MOU) dated December 10, 2010 which outlines the functions of each BMP District in order to provide all construction, administration, and operation and maintenance services for the BMP Districts in the most efficient manner. Under the MOU, the District is acting as the Management District which is responsible for managing, implementing and coordinating the financing, acquisition, construction, completion, operation and maintenance of all public infrastructure and services, including without limitation all streets, safety projection, water, sewer and storm drainage, transportation, mosquito control, and park and recreation facilities. The District has entered into agreements with the developer of the BMP Districts to provide for the financing for operations (Note 5). BMP No. 2 and BMP No. 3 are the Financing Districts which will remit taxes, bond proceeds and/or other revenue to the Management District to be used for construction costs, operation and maintenance costs and the Regional Mill Levy to the City. On December 5, 2013, the BMP Districts approved the First Amendment to the Memorandum of Understanding which provides for BMP No. 3 to issue debt to pay for the shortfall in funding for the Dakota Outfall Project (see Note 8 – Agreements). In addition, BMP No. 2 will impose a mill levy to fund the debt service of the debt issued by BMP No. 3 and BMP No. 3 will impose an operations and maintenance mill levy to fund the services of the BMP Districts provided by the District. On November 10, 2015, the BMP Districts entered into the Second Amendment to the Memorandum of Understanding to acknowledge that the District will utilize excess proceeds from the BMP No. 3 2013 Loan for repayment to CFPM, LLC (CFPM) of all or a portion of certain organization and capital expenses paid by CFPM.

The District coordinates with the City and County of Denver (City) regarding all regional improvements and services contributed by the BMP Districts through the Regional Mill Levy. Upon completion of construction, the District will transfer certain improvements to the City, or other organizations. The District may operate and maintain all other improvements not conveyed to other entities.

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

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.

**BMP METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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

**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. For the most part, the effect of interfund activity has been removed from these statements. Both statements distinguish between governmental activities, which normally are supported by taxes and intergovernmental revenues, and business-type activities, which rely to significant extent on fees and charges for support.

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

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

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of loans and notes are recorded as a reduction in liabilities.

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Intergovernmental revenue

**BMP METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

is susceptible to accrual. All revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

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 Capital Projects Fund accounts for financial resources and payments made for the acquisition and construction of capital equipment and facilities.

### **Budgets**

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

### **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 funds' average equity balance in total cash.

### **Capital Assets**

Capital assets, which include property and infrastructure improvements, 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. 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.

### **Fund Balances – Governmental Funds**

The District's governmental fund balances may consist of five classifications based on the relative strength of the spending constraints:

**BMP METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
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Nonspendable fund balance—the amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact.

Restricted fund balance—the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board of Directors or by an official or body to which the District Board of Directors delegates the authority.

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Board of Directors has provided otherwise in its commitment or assignment actions.

**NOTE 3 - CASH DEPOSITS**

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

Cash deposits – restricted	\$ 9,787
	<u>\$ 9,787</u>

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

Deposits with financial institutions	\$ 9,787
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**Cash Deposits**

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 equal to 102% of the aggregate uninsured deposits.

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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 \$18,284 and carrying balance of \$9,787.

**Investments**

The District follows Colorado State Statutes which specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

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 requirement.

**Investment Valuation**

Investments which are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: 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.

At December 31, 2016, the District had no investments.

**Restricted Cash and Investments**

At December 31, 2016, cash deposits in the amount of \$1,931 are restricted for capital projects.

**BMP METROPOLITAN DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 4 - CAPITAL ASSETS**

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

<u>Governmental Activities</u>	<u>Balance at December 31, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2016</u>
Capital assets, not being depreciated:				
Land	\$ 14,200	\$ -	\$ -	\$ 14,200
S. Cherokee Street project	958,623	-	958,623	-
Total capital assets, not being depreciated	<u>\$ 972,823</u>	<u>\$ -</u>	<u>\$ 958,623</u>	<u>\$ 14,200</u>

During the year ended December 31, 2016, the S. Cherokee Street project was conveyed to the City and County of Denver.

**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>As Restated Balance at December 31, 2015</u>	<u>New Issues</u>	<u>Retirements</u>	<u>Balance at December 31, 2016</u>	<u>Due Within One Year</u>
Developer advances:					
Principal					
CFPM, LLC	\$ 30,860	\$ 15,625	\$ -	\$ 46,485	\$ -
D4 Urban, LLC	250,319	60,531	-	310,850	-
Denver Properties I, LLC	911,018	46,442	-	957,460	-
Accrued interest					
CFPM, LLC	282,657	2,469	-	285,126	-
D4 Urban, LLC	31,812	22,711	-	54,523	-
Denver Properties I, LLC	109,192	75,538	-	184,730	-
	<u>\$ 1,615,858</u>	<u>\$ 223,316</u>	<u>\$ -</u>	<u>\$ 1,839,174</u>	<u>\$ -</u>

**Developer Advances**

*2010-2011 Operation Funding Agreement*

The District entered into a 2010-2011 Operation Funding Agreement (2010-2011 OFA) with CFPM with an effective date of December 8, 2010. The 2010-2011 OFA provides for CFPM to advance funds of up to \$60,000 to the District or to pay consultants directly for operations and maintenance expenses incurred. The District agrees to repay amounts advanced under this agreement along with simple interest of 8% per annum. Simple interest accrues on each advance from the date of the deposit into the District's bank account until paid. During 2013, CFPM provided accounting services to the District. As of December 31, 2016, the

**BMP METROPOLITAN DISTRICT NO. 1**  
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District had \$52,458 due to CFPM which is comprised of \$46,485 in principal and \$5,973 of accrued interest.

*2012 Operation Funding Agreement*

The District entered into a 2012 Operation Funding Agreement (2012 OFA) with D4 Urban, LLC (D4) with an effective date of January 1, 2012. The 2012 OFA provides for D4 to advance funds of up to \$65,000 to the District or to pay consultants directly for operations and maintenance expenses incurred. The District agrees to repay amounts advanced under this agreement along with simple interest of 8% per annum. Simple interest accrues on each advance from the date of the deposit into the District's bank account until paid.

*2013 Operation Funding Agreement*

The District entered into a 2013 Operation Funding Agreement (2013 OFA) with D4 with an effective date of January 1, 2013. The 2013 OFA provides for D4 to advance funds of up to \$80,000, as amended by that First Amendment, to the District or to pay consultants directly for operations and maintenance expenses incurred. The District agrees to repay amounts advanced under this agreement along with simple interest of 8% per annum. Simple interest accrues on each advance from the date of the deposit into the District's bank account until paid.

*2014 Operation Funding Agreement*

The District entered into a 2014 Operation Funding Agreement (2014 OFA) with D4 with an effective date of January 1, 2014. The 2014 OFA provides for D4 to advance funds of up to \$118,965 to the District or to pay consultants directly for operations and maintenance expenses incurred. The District agrees to repay amounts advanced under this agreement along with simple interest of 8% per annum. Simple interest accrues on each advance from the date of the deposit into the District's bank account until paid.

*2015 Operation Funding Agreement*

The District entered into a 2015 Operation Funding Agreement (2015 OFA) with D4 with an effective date of January 1, 2015. The 2015 OFA provides for D4 to advance funds of up to \$127,216 to the District or to pay consultants directly for operations and maintenance expenses incurred. The District agrees to repay amounts advanced under this agreement along with simple interest of 8% per annum. Simple interest accrues on each advance from the date of the deposit into the District's bank account until paid.

*2016 Operation Funding Agreement*

The District entered into a 2016 Operation Funding Agreement (2016 OFA) with D4 with an effective date of January 1, 2016. The 2016 OFA provides for D4 to advance funds of up to \$146,710 to the District or to pay consultants directly for operations and maintenance expenses incurred. The District agrees to repay amounts advanced under this agreement along with simple interest of 8% per annum. Simple interest accrues on each advance from the date of the deposit into the District's bank account until paid.

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As of December 31, 2016, the District had \$365,373 due under the 2012 OFA, 2013 OFA, 2014 OFA, 2015 OFA and 2016 OFA which is comprised of \$310,850 in principal and \$54,523 of accrued interest.

Payments to reimburse CFPM and D4 under the 2010-2011 OFA, 2012 OFA, 2013 OFA, 2014 OFA, 2015 OFA and 2016 OFA are to be made on December 2 of each year and are to be applied as follows: a) first to the 2010-2011 OFA accrued and unpaid interest and then to the related principal amount due; and then b) first to the 2012 OFA accrued and unpaid interest and then to the related principal amount due; and then c) first to the 2013 OFA accrued and unpaid interest and then to the related principal amount due; and then d) first to the 2014 OFA accrued and unpaid interest and then to the related principal amount due and then e) first to the 2015 OFA accrued and unpaid interest and then to the related principal amount due and then f) first to the 2016 OFA accrued and unpaid interest and then to the related principal amount due. The 2010-2011 OFA, 2012 OFA, 2013 OFA, 2014 OFA, 2015 OFA and 2016 OFA acknowledge that the agreements do not constitute multiple fiscal year financial obligations. Repayment of these obligations by the District will be made as funds are available and at the discretion of the Board of Directors.

*Cherokee Street Improvements Project Funding and Reimbursement Agreement*

On April 21, 2014, the District entered into the Cherokee Street Improvements Project Funding and Reimbursement Agreement with Denver Properties I, LLC (DPI) (Agreement). The Agreement provides for an advance of \$813,924 to be made to the District for the purposes of constructing certain improvements on Cherokee Street (See Note 7 – Agreements - South Cherokee Improvements Agreement). During 2014, the advance was placed in escrow as required. The District agrees to repay the amount advanced under the Agreement along with simple interest of 8% per annum. The obligation for the District to repay the advance expires on December 31, 2054, unless terminated earlier by the mutual agreement of the parties. During 2016, DPI paid retainage of \$46,442 due on the project on behalf of the District. This payment has been reflected as a developer advance. As of December 31, 2016, the District had \$1,142,190 due under the Agreement which is comprised of \$957,460 in principal and \$184,730 of accrued interest.

*Facilities Funding and Acquisition Agreement*

The District entered into a Facilities Funding and Acquisition Agreement with CFPM (CFPM FFA) with an effective date of December 8, 2010. CFPM is the developer of certain property within the service area of the District. In order for the property to be developed for the benefit of the BMP Districts, improvements needed to be constructed and/or acquired for which the District has no funds available. The CFPM FFA acknowledges that CFPM and CF Property Management, Inc. (CF Property) funded organization costs of the BMP Districts and CFPM funded construction-related expenses. The District desires to reimburse CFPM and CF Property for those expenses. CF Property has agreed that CFPM is entitled to reimbursement from the District of all organization expenses and CFPM has in turn agreed to reimburse CF Property for their respective share of the organization expenses. The District agrees to reimburse CFPM for organization expenses and constructed-related expenses verified and approved by the District's engineer or accountant together with simple interest of 8%. For organization expenses, simple interest shall accrue from the organization date of December 8,

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2010. For construction-related expenses, simple interest shall accrue as follows: 1) on each developer advance, from the date of deposit into the District's account; and 2) on verified costs for construction-related expenses incurred prior to the organization date, from the organization date; or 3) on verified costs for construction-related expenses expended after the organization date, from the date costs were incurred by CFPM. The parties agree that payments made by the District to CFPM will be credited first to principal and then to accrued and unpaid interest. The parties to the CFPM FFA agree that no payment shall be required of the District hereunder unless and until the District issues bonds in an amount sufficient to reimburse CFPM for all or a portion of organization expenses, developer advances and/or verified costs. The CFPM FFA shall not constitute debt or indebtedness of the District within the meaning of any constitutional or statutory provision, nor shall it constitute a multiple fiscal year financial obligation, and the making of any reimbursement hereunder shall be at all times subject to annual appropriation by the District.

During 2015, organization expenses of \$178,153 and construction-related expenses of \$524,691 were verified by an independent engineer and accepted for repayment by the District. The District used excess loan proceeds from BMP No. 3 in the amount of \$703,464 to repay the balances due under the FFA. As of December 31, 2016, the District had \$71,021 due under the Agreement for organization costs which is comprised of \$0 in principal and \$71,021 of accrued interest and \$208,132 due under the Agreement for construction-related expenses which is comprised of \$0 in principal and \$208,132 of accrued interest.

*Facilities Funding and Acquisition Agreement – D4 Urban, LLC*

The District entered into a Facilities Funding and Acquisition Agreement (D4 FFA) with D4 with an effective date of December 8, 2010. D4 is the developer of certain property within the service area of the District. In order for the property to be developed for the benefit of the BMP Districts, improvements needed to be constructed and/or acquired for which the District has no funds available. The D4 FFA acknowledges that D4 will advance funds to the District for construction-related expenses and/or for the acquisition of improvements upon completion. The District desires to reimburse D4 for those expenses on a basis subordinate to the repayment of the CFPM FFA discussed above. The District agrees to reimburse D4 for constructed-related expenses verified and approved by the District's engineer or accountant together with simple interest of 8%. Simple interest shall accrue on the construction-related expenses as follows: 1) on each developer advance, from the date of deposit into the District's account; and 2) on verified costs for construction-related expenses incurred prior to the organization date, from the organization date; or 3) on verified costs for construction-related expenses expended after the organization date, from the date costs were incurred by D4. The parties to the D4 FFA agree that no payment shall be required of the District hereunder unless and until the District issues bonds in an amount sufficient to reimburse D4 for all or a portion of developer advances and/or verified costs. The D4 FFA shall not constitute debt or indebtedness of the District within the meaning of any constitutional or statutory provision, nor shall it constitute a multiple fiscal year financial obligation, and the making of any reimbursement hereunder shall be at all times subject to annual appropriation by the District.

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**Debt Authorization**

At December 31, 2016, the District had authorized but unissued indebtedness in the following amount allocated for the following purposes:

	<u>Total Authorized</u>	<u>Authorization Used</u>	<u>Remaining at December 31, 2016</u>
Street improvements	\$ 300,000,000	\$ -	\$ 300,000,000
Park and recreation facilities	300,000,000	-	300,000,000
Traffic and safety improvements	300,000,000	-	300,000,000
Water supply improvements	300,000,000	-	300,000,000
Sanitary sewer system	300,000,000	-	300,000,000
Transportation system	300,000,000	-	300,000,000
Mosquito control	300,000,000	-	300,000,000
Fire protection	300,000,000	-	300,000,000
TV Relay	300,000,000	-	300,000,000
Operations & maintenance	300,000,000	-	300,000,000
Refuding	300,000,000	-	300,000,000
IGA's	300,000,000	-	300,000,000
	<u>\$ 3,600,000,000</u>	<u>\$ -</u>	<u>\$ 3,600,000,000</u>

Pursuant to the BMP Districts' Service Plan, collectively, the Districts are permitted to issue bond indebtedness of up to \$300,000,000.

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 service area. As of the date of this report (as noted on the Independent Auditor's Report on page I), the amount and timing of any debt issuance is not determinable.

**NOTE 6 – FUND EQUITY**

At December 31, 2016, the District reported the following classifications of fund equity:

**Nonspendable Fund Balance**

The nonspendable fund balance in the General Fund in the amount of \$9,238 is comprised of prepaid amounts which are not in spendable form.

**Restricted Fund Balance**

The restricted fund balance in the Capital Projects Fund in the amount of \$1,931 is to be used for capital projects.

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**Unassigned Fund Balance (Deficit)**

The General Fund is reporting an unassigned fund balance deficit in the amount of \$21,167. It is anticipated that the District will cover the deficit with future transfers from BMP No. 3 operations levy and developer advances.

**NOTE 7 - NET POSITION**

The District's net position consists of two components: restricted and unrestricted.

Restricted net position includes amounts 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 \$1,931 of restricted net position as of December 31, 2016.

The District's unrestricted net position at December 31, 2016 totaled \$(1,858,410). The deficit balance was created by the District's operations and capital expenditures being funded by developer advances and intergovernmental revenue on a cash basis.

**NOTE 8 – AGREEMENTS**

**Project Funding Agreement for W. Dakota Avenue Storm Water Outfall and Street Improvements**

On March 13, 2012, the District entered into the Project Funding Agreement between the District, the City and Denver Urban Renewal Authority (DURA). On June 28, 2013 the District, the City and DURA approved an Amended and Restated Project Funding Agreement which replaces the original Project Funding Agreement in its entirety. The City and DURA have approved the South Broadway/Montgomery Ward Urban Redevelopment Area Cooperative Agreement to finance additional storm water and street improvements. The boundaries of the BMP Districts encompass the boundaries of this Urban Redevelopment Area and the District is authorized by its Service Plan to construct various public improvements. Under the Amended Project Funding Agreement, the District has agreed to undertake the project with the overall costs expected to be \$19,757,600, the initial \$16,800,000 to be borne by the City and the remaining \$2,957,600 to be borne by the District.

The City has an existing appropriation of \$13,000,000 in its capital projects fund. Upon approval of the Amended Project Funding Agreement, the City appropriated an additional \$2,500,000 from the its Waste Water Enterprise Fund and \$1,300,000 from its Capital Improvements Fund. Any and all costs in excess of this cap associated with the completion and delivery of the project shall be the responsibility of the District. The \$16,800,000 provided by the City is to be repaid by DURA from property tax increment revenues derived from the Urban Renewal Area for payments made by the City to the District with certain exclusions (see Cooperation Agreement).

The District has no obligation to repay the City or DURA for any portion of the funding provided. The District's obligation is only to provide financing for the project costs in excess of the \$16,800,000. See Cooperation Agreement and Loan Agreement – BMP No. 3 below.

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The projects were completed in 2015 with the final payment made in 2016.

**Intergovernmental Agreement Regarding the Dakota Outfall Project**

The District and the City and County of Denver entered into that certain Intergovernmental Agreement Regarding the Dakota Outfall Project with an effective date of August 12, 2013 (Bucket IGA). The Bucket IGA establishes the terms and conditions upon which the District will construct and the City will accept for perpetual ownership and maintenance the Dakota Outfall improvements. The Dakota Outfall improvements were completed in 2015 and conveyed to the City pursuant to the Bucket IGA in 2016.

**Dakota Outfall Project Condemnation**

In connection with the Dakota Outfall project, the District pursued condemnation of right-of-way necessary for the location, construction and maintenance of a storm system pipeline, outfall appurtenances, street construction and certain streetscape improvements. The District completed condemnation proceedings by virtue of the recording of the Rule and Order on October 30, 2013.

**Second Intergovernmental Agreement Regarding the Dakota Outfall Project**

The District and the City entered into that Second Intergovernmental Agreement Regarding the Dakota Outfall Project on November 13, 2013. During construction of the Dakota Outfall, the District encountered petroleum contaminated groundwater and soils. Pursuant to the Second Intergovernmental Agreement, the District agreed to perform all necessary and appropriate work to manage the petroleum-contaminated soil and groundwater. The City agreed to contribute to the District's cost thereof in the amount of \$683,823.91 which was received by the District in 2013.

**Dakota Outfall Funding Reimbursement Agreement**

On November 10, 2015, BMP No. 3 entered into the Dakota Outfall Funding Reimbursement Agreement (Outfall Agreement) with DPI. The Outfall Agreement acknowledges that DPI contributed the sum of \$400,000 toward the cost of the Dakota Outfall Project. Without the contribution from DPI, the District would have been unable to complete the Dakota Outfall Project. BMP No. 3 agrees to impose the Regional Mill Levy as set forth in the Regional Mill Levy IGA and the First Amendment to the Regional Mill Levy Intergovernmental Agreement as discussed above. BMP No. 3 agrees, on an annual basis, to remit to DPI, the revenues it received from the imposition of the Regional Mill Levy IGA up to the amount of \$400,000, less any reasonable administrative expenses incurred by BMP No. 3. The DPI contribution shall not accrue interest. (See below - Regional Mill Levy Intergovernmental Agreement).

**Cooperation Agreement**

On January 24, 2012, the District, together with BMP No. 2, BMP No. 3 and DURA, entered into a Cooperation Agreement which sets forth the parties intent to cooperate in providing certain public improvements and to assure that taxes levied by BMP No. 2 and BMP No. 3 are made available to the District for purposes of implementing their respective Service Plans. DURA

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agrees that the portion of revenues which it receives as a result of tax increment revenues (TIF) attributable to BMP No. 2's and BMP No. 3's future levy of ad valorem taxes on real property within the area encompassed by the Urban Renewal Plan, upon receipt by DURA, shall be remitted to the District directly. DURA covenants that so long as the Cooperation Agreement is in effect, it will not pledge or encumber the revenues resulting from the ad valorem mill taxes levied by BMP No. 2 and BMP No. 3. On December 5, 2013, the BMP Districts approved an Assignment of TIF Revenues under the Cooperation Agreement. As of the date of the assignment, the District assigns to BMP No. 3, all of its rights, title and interest in BMP No. 2's debt revenue for the purpose of paying principal of and interest on the Loan (defined below) and refundings and any other costs of the debt financing thereof. In addition, the Assignment of TIF Revenues acknowledges that BMP No. 3 has assigned all of its right, title and interest in the BMP No. 2 debt revenue to the lender in accordance with the Loan Agreement.

**Loan Agreement – BMP No. 3**

On December 12, 2013, BMP No. 3 entered into a Loan Agreement for the issuance of a Taxable (Convertible to Tax-Exempt) 2013 Revenue Loan (Loan Agreement) with BOKF, NA dba Colorado State Bank and Trust in the principal amount of \$3,795,000 (Loan). The purpose of the Loan is to fund the shortfall for the Dakota Outfall Project as obligated by the District under the Amended and Restated Project Funding Agreement (discussed above). The Loan is a 7-year term loan with a taxable interest rate of 4.03% and a tax exempt interest rate of 2.86%. Interest is payable semi-annually on June 1 and December 1 commencing June 1, 2014. Principal payments are due each December 1 commencing on December 1, 2015. BMP No. 2's and BMP No. 3's TIF and property tax revenues are pledged to the repayment of the Loan.

**Estoppel Certificate Regarding Property Taxes**

On December 12, 2013, the property owners within BMP No. 2 executed and delivered that certain Estoppel Certificate Regarding Property Taxes (Estoppel). Pursuant to the Estoppel, the property owners within BMP No. 2 acknowledged that a mill levy will be imposed upon their property to repay the Loan obtained by BMP No. 3. The property owners acknowledged the benefit received from the Dakota Outfall Project, a portion of which was paid by the Loan proceeds, and the property owners are not to dispute the imposition by BMP No. 2 of a mill levy to repay the Loan.

**Regional Mill Levy Intergovernmental Agreement**

On December 10, 2010, the District together with BMP No. 2 and BMP No. 3, entered into the Regional Mill Levy Intergovernmental Agreement (IGA) with the City. The BMP Districts have agreed to impose a Regional Mill Levy and pledge all revenues from such Regional Mill Levy to the City to be used for regional projects selected by the City. The BMP Districts will impose a Regional Mill Levy of 5.000 mills on all property within their respective boundaries at the same time as each District first imposes either an operating or debt service mill levy. For residential property only, the 5.000 mill levy rate may be adjusted by the Board of Directors to take into account legislative or constitutionally imposed adjustments in assessed values or the method of their calculation occurring after January 1, 2010. The BMP Districts covenant to impose the Regional Mill Levy as long as the IGA and Service Plans for the BMP Districts are in place.

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On January 9, 2014, the First Amendment to the Regional Mill levy Intergovernmental Agreement was approved by all parties. The amendment allows BMP No. 3 to utilize up to a maximum of \$400,000 of the revenues derived from the imposition of the Regional Mill Levy on certain property as described in the amendment, for the purposes of funding the Dakota Outfall Project. Once BMP No. 3 has received \$400,000 of Regional mill levy revenues from the certain property, all other amounts collected are to be remitted to the City in accordance with the original IGA.

**South Cherokee Improvements Agreement**

The District, RTD and the City entered into that certain South Cherokee Improvements Agreement effective as of January 31, 2014 (South Cherokee IGA). Pursuant to the South Cherokee IGA, the District agreed to construct a certain right-of-way known as South Cherokee Street. The District agreed to escrow the costs to complete the South Cherokee Street improvements in the amount of \$813,924 with an advance from DPI (See Note 5). The completion of South Cherokee Street is necessary for RTD bus operations. Accordingly, RTD was given the right to complete the South Cherokee Street improvements and draw upon the escrowed funds if the District defaults in completing the same. The South Cherokee IGA also established the terms and conditions upon which the City will accept the South Cherokee right-of-way for permanent ownership and operation. Work commenced on the South Cherokee improvements in 2014 and were substantially complete in 2015 with final payment made in 2016.

**Service Agreement for Alameda Station Transit Plaza Maintenance**

On November 10, 2015, the District entered into an agreement with CFPM whereby contracting with CFPM to provide transit plaza maintenance including, but not limited to, trash removal, snow removal, landscaping services, street sweeping and general repair and maintenance to grounds, fixtures, equipment and hardscapes.

**NOTE 9 – RELATED PARTY**

The members of the Board of Directors of the District are owners or employees of CFPM, LLC and D4 Urban, LLC and/or are owners of property within the boundaries of the District. CFPM and D4 have outstanding operation funding agreements with the District as of December 31, 2016. See Note 5 for disclosure of the agreements and amounts outstanding.

**NOTE 10 - RISK MANAGEMENT**

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2016. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and worker compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

**NOTE 11 - TAX, SPENDING AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations that 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 electors approved the following ballot issues during its November 2, 2010 election:

*Ballot Issue 5A:*

Shall BMP Metropolitan District No.1 taxes be increased \$300,000,000 annually or such lesser amount as necessary to pay the District's administration and operations and maintenance expenses, by the imposition of ad valorem property taxes levied in any year, without limitation as to rate or amount or any other condition to pay such expenses and shall the proceeds of such taxes and any investment income thereon be collected, retained and spent by the District in fiscal year 2011 and in each fiscal year thereafter as a voter-approved revenue change without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in property taxation by Section 29-1-301, C.R.S. in any year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

*Ballot Issue 5B:*

Shall BMP Metropolitan District No.1 taxes be increased \$300,000,000 annually (first full fiscal year increase) and by additional amounts that are raised annually thereafter by the imposition of an ad valorem property tax mill levy each year on all taxable property of the District of 5 mills, provided that such mill levy rate, may be adjusted by the Board of Directors to take into account legislative or constitutionally imposed adjustments in assessed values or the method of their calculation occurring after January 1, 2010 so that, to the extent possible, the actual revenues generated by such mill levy are neither diminished nor enhanced as a result of such changes,

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for the purpose of paying costs associated with regional infrastructure improvements and services as required by the City and County of Denver for the District's taxpayers, residents and inhabitants and shall the revenue from such taxes and any investment income thereon be collected, retained and spent by the District in fiscal year 2011 and in each fiscal year thereafter as a voter-approved revenue change without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in property taxation by Section 29-1-301, C.R.S. in any year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

*Ballot Issue 5C:*

Shall BMP Metropolitan District No.1 taxes be increased \$300,000,000 annually or such lesser amount as necessary to pay the District's administration and operations and maintenance expenses, by the imposition of a fee or fees imposed, without limitation as to rate or amount or any other condition to pay such expenses and shall the proceeds of such fees and any investment income thereon be collected, retained and spent by the District in fiscal year 2011 and in each fiscal year thereafter as a voter-approved revenue change without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in property taxation by Section 29-1-301, C.R.S. in any year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

*Ballot Issue 5D:*

Shall BMP Metropolitan District No.1 taxes be increased \$300,000,000 annually or such lesser amount as necessary for the payment of such amounts due pursuant to one or more intergovernmental agreements or other contracts, by the imposition of ad valorem property taxes levied in any year, without limitation as to rate or amount or any other condition to pay such expenses and shall the proceeds of such taxes and any investment income thereon be collected, retained and spent by the District in fiscal year 2011 and in each fiscal year thereafter as a voter-approved revenue change without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in property taxation by Section 29-1-301, C.R.S. in any year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

*Ballot Issue 5E:*

Shall BMP Metropolitan District No.1 be authorized to collect, retain, and spend the full amount of all taxes, tax increment revenues, tap fees, park fees, facility fees, services charges inspection charges, administrative charges, grants or any other fee, rate, toll, penalty, or charge authorized by law or contract to be imposed, collected or received by the District during 2011 and each fiscal year thereafter, such amounts to constitute a voter-approved revenue change

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and be collected, retained and spent by the District without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in property taxation by Section 29-1-301, C.R.S. in any year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, and without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

**NOTE 12 – ECONOMIC DEPENDENCY**

The District has not yet established a revenue base sufficient to pay operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding from D4 Urban, LLC and/or CFPM, LLC.

**NOTE 13 – CONTINGENCY**

During 2015, construction-related expenses of \$24,347 paid by the Denver Design Center (DDC) were verified by an independent engineer and accepted for repayment by the District. Although the District has verified the costs as reimbursable, there is no written reimbursement agreement between the District and DDC. It is anticipated that DDC will assign its rights to reimbursement to CFPM. The obligation by the District will be recognized when the assignment is completed.

**NOTE 14 – RESTATEMENT**

For the year ended December 31, 2016, it was determined that the \$400,000 developer advance issued under Dakota Outfall Funding Reimbursement Agreement should have been recorded as an outstanding obligation of BMP No. 3. The effect of removing the developer advance as an outstanding obligation of the District as of December 31, 2015 by restating beginning net position (deficit) is noted below.

Net position - December 31, 2015, as originally stated	\$ (1,081,422)
Developer advance transferred from BMP Metropolitan District No. 1	<u>400,000</u>
Net position - December 31, 2015, as restated	<u><u>\$ (681,422)</u></u>

This information is an integral part of the accompanying financial statements

## **SUPPLEMENTAL INFORMATION**

**BMP METROPOLITAN DISTRICT NO. 1**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL**  
**CAPITAL PROJECTS FUND**  
**Year Ended December 31, 2016**

	<b>Original and Final Budgeted Amounts</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>REVENUES</b>			
Developer advances	\$ 82,000	\$ 46,442	\$ (35,558)
Total revenues	<u>82,000</u>	<u>46,442</u>	<u>(35,558)</u>
<b>EXPENDITURES</b>			
Capital outlay			
Cherokee Street improvements	82,000	-	82,000
Total expenditures	<u>82,000</u>	<u>-</u>	<u>82,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>46,442</u>	<u>46,442</u>
<b>FUND BALANCE (DEFICIT) - BEGINNING OF YEAR</b>		(44,511)	(44,511)
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 1,931</u>	<u>\$ 1,931</u>