

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

**FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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July 30, 2018

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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, 2017, 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, 2017, 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 26, 2018

BASIC FINANCIAL STATEMENTS

BMP METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
December 31, 2017

ASSETS

Cash and investments - unrestricted	\$	25,292
Cash and investments - restricted		701,931
Due from BMP Metropolitan District No. 1 - operations		909
Prepaid expenses		9,727
Capital assets, not being depreciated		14,200
Total assets		752,059

LIABILITIES

Accounts payable		26,531
Due to BMP Metropolitan District No. 3 - regional		890
Due to BMP Metropolitan District No. 2 - City and County payment		58
Due to BMP Metropolitan District No. 3 - developer payments		22,346
Noncurrent liabilities:		
Due in more than one year		2,066,746
Total liabilities		2,116,571

NET POSITION

Net investment in capital assets		14,200
Restricted for capital projects		1,931
Unrestricted		(1,380,643)
Total net position		\$ (1,364,512)

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, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$ 209,740	\$ -	\$ -	\$ 810,794	\$ 601,054
Interest and fiscal charges	121,356	-	-	-	(121,356)
	<u>\$ 331,096</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 810,794</u>	479,698
General revenues:					<u>-</u>
Change in net position					479,698
Net position - Beginning					<u>(1,844,210)</u>
Net position - Ending					<u>\$ (1,364,512)</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, 2017**

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and investments - unrestricted	\$ 25,292	\$ -	\$ 25,292
Cash and investments - restricted	-	701,931	701,931
Due from BMP Metropolitan District No. 3 - operations	909	-	909
Prepaid expenses	9,727	-	9,727
TOTAL ASSETS	\$ 35,928	\$ 701,931	\$ 737,859
LIABILITIES AND FUND BALANCES (DEFICITS)			
LIABILITIES			
Accounts payable	\$ 26,531	\$ -	\$ 26,531
Due to BMP Metropolitan District No. 3 - Dakota Outfall	890	-	890
Due to BMP Metropolitan District No. 2 - City payment	58	-	58
Due to BMP Metropolitan District No. 3 - developer payments	22,346	-	22,346
Total liabilities	49,825	-	49,825
FUND BALANCES (DEFICITS)			
Nonspendable:			
Prepays	9,727	-	9,727
Restricted for capital projects	-	701,931	701,931
Unassigned	(23,624)	-	(23,624)
Total fund balances (deficits)	(13,897)	701,931	688,034
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 35,928	\$ 701,931	

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 (1,421,011)

Accrued interest payable on developer advances payable (645,735)

Net position of governmental activities **\$ (1,364,512)**

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, 2017

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES			
Intergovernmental revenue - City	\$ -	\$ -	\$ -
Intergovernmental Revenue - BMP MD No. 3	44,769	-	44,769
RTD payment	-	700,000	700,000
Reimbursements	1,025	65,000	66,025
Total revenues	<u>45,794</u>	<u>765,000</u>	<u>810,794</u>
EXPENDITURES			
Current			
Accounting/Audit	33,135	-	33,135
Legal	41,045	-	41,045
Insurance and bonds	10,765	-	10,765
Maintenance/utilities	23,067	-	23,067
Denver review fee	13,000	-	13,000
Capital outlay - non-capitalizable	-	88,728	88,728
Total expenditures	<u>121,012</u>	<u>88,728</u>	<u>209,740</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(75,218)</u>	<u>676,272</u>	<u>601,054</u>
OTHER FINANCING SOURCES (USES)			
Developer advances	82,488	23,728	106,216
Total other financing sources (uses)	<u>82,488</u>	<u>23,728</u>	<u>106,216</u>
NET CHANGE IN FUND BALANCES	7,270	700,000	707,270
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	(21,167)	1,931	(19,236)
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ (13,897)</u>	<u>\$ 701,931</u>	<u>\$ 688,034</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, 2017**

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>\$ 707,270</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	(82,488)
Current year developer advances - capital costs	<u>(23,728)</u>
	<u>(106,216)</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>(121,356)</u>
Change in net position - Governmental activities	<u><u>\$ 479,698</u></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, 2017

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Intergovernmental Revenue from BMP No. 3	11,374	\$ -	\$ 44,769	\$ 44,769
Other	-	-	1,025	1,025
Total revenues	<u>11,374</u>	<u>-</u>	<u>45,794</u>	<u>45,794</u>
EXPENDITURES				
Accounting/budget preparation	18,000	15,000	20,835	(5,835)
Audit	15,000	-	12,300	(12,300)
Legal	30,000	-	41,045	(41,045)
Insurance and bonds	13,000	6,437	10,765	(4,328)
Miscellaneous	1,000	-	-	-
Denver Review Fee	13,000	13,000	13,000	-
Snow removal	4,000	-	-	-
Utilities	5,000	-	19	(19)
Landscape maintenance	22,200	35,000	23,048	11,952
Grounds maintenance	3,000	-	-	-
Contingency and reserves	8,943	80,563	-	80,563
Total expenditures	<u>133,143</u>	<u>150,000</u>	<u>121,012</u>	<u>28,988</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(121,769)</u>	<u>(150,000)</u>	<u>(75,218)</u>	<u>74,782</u>
OTHER FINANCING SOURCES (USES)				
Developer advances	120,045	150,000	82,488	(67,512)
Total other financing sources (uses)	<u>120,045</u>	<u>150,000</u>	<u>82,488</u>	<u>(67,512)</u>
NET CHANGE IN FUND BALANCE	(1,724)	-	7,270	7,270
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	1,724	-	(21,167)	(21,167)
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (13,897)</u>	<u>\$ (13,897)</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, 2017

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.

On November 9, 2016, the District entered into an Operations Pledge Agreement with BMP No. 3 which provides for the BMP No. 3 to impose an operations mill levy each year at a rate sufficient to pay for the operations obligations, but in no event more than 10 mills, provided however, that in the event the method of calculating assessed valuation is or was changed after July 26, 2010, the 10 mill maximum levy will be increased or decreased to reflect such changes. The revenue pledged under this agreement means all revenue generated from the imposition of the operating mill levy, including any specific ownership taxes and TIF revenue attributable to the BMP No. 3's operations mill levy received from DURA.

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,

BMP METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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.

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

BMP METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 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.

The District approved supplemental appropriations for the year ended December 31, 2017 for the General Fund and Capital Projects Fund.

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

BMP METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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:

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, 2017 are classified in the accompanying financial statements as follows:

Cash deposits – restricted	\$ 727,223
	<u>\$ 727,223</u>

BMP METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Cash and investments as of December 31, 2017 consist of the following:

Deposits with financial institutions	<u>\$ 727,223</u>
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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.

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, 2017, the District's cash deposits had a bank balance of \$728,648 and carrying balance of \$727,223.

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.

At December 31, 2017, the District had no investments.

**BMP METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Restricted Cash and Investments

At December 31, 2017, cash deposits in the amount of \$701,931 are restricted for capital projects.

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the period ended December 31, 2017 follows:

<u>Governmental Activities</u>	<u>Balance at December 31, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2017</u>
Capital assets, not being depreciated:				
Land	\$ 14,200	\$ -	\$ -	\$ 14,200
Total capital assets, not being depreciated	<u>\$ 14,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,200</u>

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, 2017.

	<u>Balance at December 31, 2016</u>	<u>New Issues/ Assignment</u>	<u>Retirements/ Assignment</u>	<u>Balance at December 31, 2017</u>	<u>Due Within One Year</u>
Developer advances:					
Principal					
CFPM, LLC	\$ 46,485	\$ 23,728	\$ -	\$ 70,213	\$ -
D4 Urban, LLC	310,850	82,488	-	393,338	-
ASV, LLC	957,460	-	-	957,460	-
	<u>1,314,795</u>	<u>106,216</u>	<u>-</u>	<u>1,421,011</u>	<u>-</u>
Accrued interest					
CFPM, LLC	285,126	17,379	-	302,505	-
D4 Urban, LLC	54,523	27,380	-	81,903	-
ASV, LLC	184,730	76,597	-	261,327	-
	<u>524,379</u>	<u>121,356</u>	<u>-</u>	<u>645,735</u>	<u>-</u>
	<u>\$ 1,839,174</u>	<u>\$ 227,572</u>	<u>\$ -</u>	<u>\$ 2,066,746</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

BMP METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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. As of December 31, 2017, the District had \$56,176 due to CFPM which is comprised of \$46,485 in principal and \$9,691 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

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DECEMBER 31, 2017

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.

2017 Operation Funding Agreement

The District entered into a 2017 Operation Funding Agreement (2017 OFA) with D4 with an effective date of January 1, 2017, as amended on November 30, 2017. The 2017 OFA provides for D4 to advance funds of up to \$252,013 to the District or to pay consultants directly for operations and maintenance expenses incurred through March 31, 2019. 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.

As of December 31, 2017, the District had \$475,241 due under the 2012 OFA, 2013 OFA, 2014 OFA, 2015 OFA, 2016 OFA and 2017 OFA which is comprised of \$393,338 in principal and \$81,903 of accrued interest.

Payments to reimburse CFPM and D4 under the 2010-2011 OFA, 2012 OFA, 2013 OFA, 2014 OFA, 2015 OFA, 2016 OFA and 2017 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 and then g) first to the 2017 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, 2016 OFA and 2017 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. On July 13, 2017, the District and DPI approved the termination of the agreement and assigned the obligations under the Agreement to ASV, LLC. As of the date of the audit report, the District and ASV, LLC are in process of approving an project funding and reimbursement agreement with the same terms of the Agreement with DPI.

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As of December 31, 2017, the District had \$1,218,787 due under the Agreement which is comprised of \$957,460 in principal and \$261,327 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 construction-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, 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, 2017, 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.

During 2015, construction-related expenses of \$23,728 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 was no written reimbursement agreement between the District and DDC. On July 13, 2017 DDC assigned its rights to reimbursement to CFPM. During 2017, the obligation by the District has been recognized in the amount of \$23,728 in principal and \$13,661 in accrued interest.

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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.

Debt Authorization

At December 31, 2017, 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, 2017</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
Refunding	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.

**BMP METROPOLITAN DISTRICT NO. 1
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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, 2017, the District reported the following classifications of fund equity:

Nonspendable Fund Balance

The nonspendable fund balance in the General Fund in the amount of \$9,727 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 \$701,931 is to be used for capital projects.

Unassigned Fund Balance (Deficit)

The General Fund is reporting an unassigned fund balance deficit in the amount of \$23,624. 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, 2017.

The District's unrestricted net position at December 31, 2017 totaled \$(1,380,643). 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

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DECEMBER 31, 2017

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. 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.

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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 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.

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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.

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.

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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. On November 29, 2017, the District approved Change Order No. 1 which increased the fixed monthly fee for the services.

Agreement of Purchase and Sale

An Agreement of Purchase and Sale was entered into as of April 30, 2012 between the Regional Transportation District (RTD) and D4 Urban LLC for certain parcels of land. The agreement outlines certain obligations by RTD post-closing. One of those obligations is to reimburse the District \$700,000, which represents the costs of the Dakota Outfall Stormwater Project, if RTD either (i) elects to develop a certain parcel itself in a revenue producing situation or (ii) conveys a substantial real property interest in the parcel to a third party for development. During the year ended December 31, 2017, the District was paid \$700,000 in fulfillment of RTD's post-closing obligation.

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, 2017. 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.

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

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DECEMBER 31, 2017

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, 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?

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NOTES TO FINANCIAL STATEMENTS
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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 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.

BMP METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
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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 – SUBSEQUENT EVENT

Facilities Funding and Acquisition Agreement

On March 9, 2018, the District entered into a Facilities Funding and Acquisition Agreement with TI-Grand Crossings, L.L.C., PDG Denver Design LLC and TGI – Denver Design District, L.L.C. (collectively, the Developer) (collectively, the Parties). The Developer is the owner of certain real property within the Broadway Marketplace located within the City and County of Denver. The District has agreed to provide, construct and/or acquire certain public improvements as generally described in the Service Plan. In order for the property to be developed, improvements need to be constructed and/or acquired and specifically, but not limited to: a) landscaping and hardscaping within the Cherokee Street Right-of-Way; b) landscaping and hardscaping within the access roads adjacent to the property which will ultimately be owned by the District; and c) relocation of a sanitary sewer line into Alameda Avenue. The District does not currently have sufficient monies available to fund the cost of construction of the improvements or to acquire the improvements. The Parties acknowledge that the Developer has or will design, construct, and complete certain improvements in accordance with the agreement and the District desires to reimburse the Developer for verified construction-related expenses and to acquire such improvements completed by the Developer. Simple interest shall accrue on the construction-related expenses at the rate of 8% per annum from the date the verified costs were incurred by the Developer.

The Parties agree that no payment shall be required of the District hereunder unless the District issues bonds in an amount sufficient to reimburse the Developer for all or a portion of the verified costs. The Developer acknowledges that the District has previously entered into reimbursement agreements for capital improvements with D4 Urban, LLC (D4 Prior Advance). It is further anticipated that D4 will be constructing public improvements concurrently with Developer (D4 Concurrent Improvements). The Parties and D4 agree that any reimbursement by the District shall be made on a *pari passu* basis between amounts due hereunder and amounts advanced by D4 for the D4 Concurrent Improvements. Any amounts due D4 for the D4 Prior Advance shall be paid on a subordinate basis to the amounts due under this agreement and for the D4 Concurrent Improvements.

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 - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
Year Ended December 31, 2017

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Cost recovery	\$ -	\$ 1,800,000	\$ -	\$ (1,800,000)
RTD payment	-	700,000	700,000	-
Reimbursements	-	-	65,000	65,000
Total revenues	<u>-</u>	<u>2,500,000</u>	<u>765,000</u>	<u>(1,735,000)</u>
EXPENDITURES				
Capital outlay	<u>70,000</u>	<u>1,800,000</u>	<u>88,728</u>	<u>1,711,272</u>
Total expenditures	<u>70,000</u>	<u>1,800,000</u>	<u>88,728</u>	<u>1,711,272</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(70,000)</u>	<u>700,000</u>	<u>676,272</u>	<u>(23,728)</u>
OTHER FINANCING SOURCES (USES)				
Developer advances	<u>70,000</u>	<u>-</u>	<u>23,728</u>	<u>23,728</u>
Total other financing sources (uses)	<u>70,000</u>	<u>-</u>	<u>23,728</u>	<u>23,728</u>
NET CHANGE IN FUND BALANCE				
	<u>-</u>	<u>700,000</u>	<u>700,000</u>	<u>-</u>
FUND BALANCE - BEGINNING OF YEAR				
	<u>-</u>	<u>-</u>	<u>1,931</u>	<u>1,931</u>
FUND BALANCE - END OF YEAR				
	<u>\$ -</u>	<u>\$ 700,000</u>	<u>\$ 701,931</u>	<u>\$ 1,931</u>