

BROADWAY PARK NORTH METROPOLITAN DISTRICT NO. 2
FORMERLY KNOWN AS
BMP METROPOLITAN DISTRICT NO. 2
Denver County, Colorado

FINANCIAL STATEMENTS
DECEMBER 31, 2018

Table of Contents

	<u>Page</u>
Independent Auditors' Report	I
Basic Financial Statements	
Balance Sheet/Statement of Net Position - Governmental Funds	1
Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities - Governmental Funds	2
Notes to Financial Statements	3
Supplemental Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – Debt Service Fund	14
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	15



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Independent Auditor's Report

Board of Directors
Broadway Park North Metropolitan District No. 2
Denver County, Colorado

Report for the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major funds of Broadway Park North Metropolitan District No. 2 (District) as of and for the year ended December 31, 2018, 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 the major funds of Broadway Park North Metropolitan District No. 2, as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that 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 is 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.

The other information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
July 16, 2019

BASIC FINANCIAL STATEMENTS

Broadway Park North Metropolitan District No. 2
fka BMP Metropolitan District No. 2
BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS					
Cash and investments	\$ 6,317	\$ -	\$ 6,317	\$ -	\$ 6,317
Cash and investments - restricted	-	291,907	291,907	-	291,907
Property taxes receivable	123,539	375,558	499,097	-	499,097
Due from District No. 1	<u>58</u>	<u>-</u>	<u>58</u>	<u>-</u>	<u>58</u>
Total Assets	<u>129,914</u>	<u>667,465</u>	<u>797,379</u>	<u>-</u>	<u>797,379</u>
 LIABILITIES					
Accounts payable	\$ 6,375	\$ -	\$ 6,375	-	6,375
Due to City and County of Denver	-	1,030	1,030	-	1,030
Due to District No. 3	<u>-</u>	<u>290,877</u>	<u>290,877</u>	<u>-</u>	<u>290,877</u>
Total Liabilities	<u>6,375</u>	<u>291,907</u>	<u>298,282</u>	<u>-</u>	<u>298,282</u>
 DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	<u>123,539</u>	<u>375,558</u>	<u>499,097</u>	<u>-</u>	<u>499,097</u>
Total Deferred Inflows of Resources	<u>123,539</u>	<u>375,558</u>	<u>499,097</u>	<u>-</u>	<u>499,097</u>
 FUND BALANCES/NET POSITION					
Fund Balances:					
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 129,914</u>	<u>\$ 667,465</u>	<u>\$ 797,379</u>		
 Net Position:					
Unrestricted				<u>-</u>	<u>-</u>
Total Net Position				<u>\$ -</u>	<u>\$ -</u>

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

Broadway Park North Metropolitan District No. 2
fka BMP Metropolitan District No. 2
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES					
Miscellaneous	\$ -	\$ 122	\$ 122	\$ -	\$ 122
Treasurer's fees	-	4,147	4,147	-	4,147
Transfer to District No. 3	-	434,881	434,881	-	434,881
Total Expenditures	-	439,150	439,150	-	439,150
GENERAL REVENUES					
Property taxes	-	414,798	414,798	-	414,798
Specific ownership taxes	-	24,352	24,352	-	24,352
Total General Revenues	-	439,150	439,150	-	439,150
NET CHANGES IN FUND BALANCES	-	-	-	-	
CHANGE IN NET POSITION				-	-
FUND BALANCES/NET POSITION:					
BEGINNING OF YEAR	-	-	-	-	-
END OF YEAR	\$ -	\$ -	\$ -	\$ -	\$ -

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

BROADWAY PARK NORTH METROPOLITAN DISTRICT NO. 2
FKA BMP METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 – DEFINITION OF REPORTING ENTITY

Broadway Park North Metropolitan District No. 2 (District) was organized on December 8, 2010 as BMP Metropolitan District No. 2 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 Broadway Park North Metropolitan District No. 1 (District No. 1) and Broadway Park North Metropolitan District No. 3 (District No. 3). The District, District No. 1 and District No. 3 are collectively referred to as the Districts. On August 2, 2018, the Districts changed their names from BMP Metropolitan District No. 1, BMP Metropolitan District No. 2 and BMP Metropolitan District No. 3. The Districts have entered into a Memorandum of Understanding (MOU) dated December 10, 2010 which outlines the functions of each District in order to provide all construction, administration, and operation and maintenance services for the Districts in the most efficient manner. Under the MOU, District No. 1 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. District No. 1 has entered into agreements with the developer of the Districts to provide for the financing for operations. The District and District 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 Districts approved the First Amendment to the Memorandum of Understanding which provides for District No. 3 to issue debt to pay for the shortfall in funding for the Dakota Outfall Project (see Note 5 – Agreements). In addition, the District will impose a mill levy to fund the debt service of the debt issued by District No. 3 and District No. 3 will impose an operations and maintenance mill levy to fund the services of the Districts provided by District No.1. On November 10, 2015, the Districts entered into the Second Amendment to the Memorandum of Understanding to acknowledge that District No. 3 will utilize excess proceeds from the 2013 Loan for repayment to CFPM, LLC (CFPM) of all or a portion of certain organization and capital expenses paid by CFPM.

District No. 1 coordinates with the City and County of Denver (City) regarding all regional improvements and services contributed by the Districts through the Regional Mill Levy. Upon completion of construction, District No. 1 will transfer certain improvements to the City, or other organizations. District No.1 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.

BROADWAY PARK NORTH METROPOLITAN DISTRICT NO. 2
FKA BMP METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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:

Basis of Presentation

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

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures /expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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

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

BROADWAY PARK NORTH METROPOLITAN DISTRICT NO. 2
FKA BMP METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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. The District's revenue susceptible to accrual are taxes. 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 Debt Service Fund accounts for financial resources and payments made for the principal and interest on long-term general obligation debt of the governmental activities.

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 General Fund had no budget adopted and no 2018 activity therefore the General Fund – Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual has not been presented. During 2018, the District amended its total appropriations in the Debt Service Fund from \$240,321 to \$440,000 due to an increase in the anticipated transfer to District No. 3.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

BROADWAY PARK NORTH METROPOLITAN DISTRICT NO. 2
FKA BMP METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualifies for reporting in this category

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualify for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

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.

BROADWAY PARK NORTH METROPOLITAN DISTRICT NO. 2
FKA BMP METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3 – CASH DEPOSITS

Cash deposits as of December 31, 2018 are classified in the accompanying financial statements as follows:

Cash deposits	\$ 6,317
Cash deposits – restricted	<u>291,907</u>
	<u>\$ 298,224</u>

Cash deposits as of December 31, 2018 consist of the following:

Deposits with financial institutions	\$ <u>298,224</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.

NOTE 4 – LONG-TERM OBLIGATIONS

Taxable (Convertible to Non-Taxable) Loan

On December 12, 2013, District 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. The purpose of the Loan is to fund the shortfall for the Dakota Outfall Project as obligated by District No. 1 under the Amended and Restated Project Funding Agreement (see Note 5). The District's and District No.3's tax increment and property tax revenues are pledged to the repayment of the Loan.

Capital Pledge Agreement

On December 12, 2013, the District and District No. 3 entered into the Capital Pledge Agreement with BOKF, NA dba Colorado State Bank and Trust. The District agrees to levy the Required Mill Levy on all taxable property within the District to pay debt scheduled payments. The required mill levy is limited to 30.000 mills, until the ratio of the District's debt to assessed valuation value is 50% or less and at that time becomes unlimited to a maximum of 99.000 mills. As of December 31, 2018, the District levied 15.200 mills for collection and remittance to District No. 3 in 2019.

BROADWAY PARK NORTH METROPOLITAN DISTRICT NO. 2
FKA BMP METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

At December 31, 2018, the District had authorized but unissued indebtedness in the following amount allocated for the following purposes:

Debt Authorization

	<u>Total Authorized</u>	<u>Authorization Used</u>	<u>Remaining at December 31, 2018</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 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 5 – AGREEMENTS

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

On March 13, 2012, District No. 1 entered into the Project Funding Agreement between District No. 1, the City and Denver Urban Renewal Authority (DURA). On June 28, 2013 District No. 1, 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 Districts encompass the boundaries of this Urban Redevelopment Area and District No. 1 is authorized by its Service Plan to construct various public improvements.

BROADWAY PARK NORTH METROPOLITAN DISTRICT NO. 2
FKA BMP METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Under the Amended Project Funding Agreement, District No. 1 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 District No. 1.

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 District No. 1. 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 District No. 1 with certain exclusions (see Cooperation Agreement).

District No. 1 has no obligation to repay the City or DURA for any portion of the funding provided. District No. 1's obligation is only to provide financing for the project costs in excess of the \$16,800,000. See Cooperation Agreement and Loan Agreement – District No. 1 below. The project was completed during 2015 with final payment in 2016.

Cooperation Agreement

On January 24, 2012, the District, along with District No.1, District 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 the District and District No. 3 are made available to District No. 1 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 the District's and District 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 District No. 1 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 the District and District 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, District No. 1 assigns to the District No. 3, all of its rights, title and interest in the District's debt revenue for the purpose of paying principal of and interest on the Loan (see Note 4) and refundings and any other costs of the debt financing thereof. In addition, the Assignment of TIF Revenues acknowledges that District No. 3 has assigned all of its right, title and interest in the District debt revenue to the lender in accordance with the Loan Agreement.

Regional Mill Levy Intergovernmental Agreement

On December 10, 2010, the District together with District No. 1 and District No. 3, entered into the Regional Mill Levy Intergovernmental Agreement (IGA) with the City. The 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 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

BROADWAY PARK NORTH METROPOLITAN DISTRICT NO. 2
FKA BMP METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

their calculation occurring after January 1, 2010. The Districts covenant to impose the Regional Mill Levy as long as the IGA and Service Plans for the Districts are in place. As of December 31, 2018, the District levied 5.000 mills for regional improvements.

On January 9, 2014, the First Amendment to the Regional Mill levy Intergovernmental Agreement was approved by all parties. The amendment allows District 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 fund the Dakota Outfall Project. Once District 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.

Estoppel Certificate Regarding Property Taxes

On December 12, 2013, the property owners within the District executed and delivered that certain Estoppel Certificate Regarding Property Taxes (Estoppel). Pursuant to the Estoppel, the property owners within the District acknowledged that a mill levy will be imposed upon their property to repay the Loan obtained by District 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 the District of a mill levy to repay the Loan.

Joint Development Escrow and Reimbursement Agreement

On March 9, 2018, the District entered into a Joint Development Escrow and Reimbursement Agreement with BMP Northwest LLC (BMP LLC), TI- Grand Crossings, LLC, PDG Denver Design LLC, TGI – Denver Design District L.L.C., tenants in common (collectively, Price) and Land Title Guarantee Company (Escrow Agent) for the purposes of funding costs associated with the design and construction of Improvements. The District, BMP LLC and Price are each responsible for its share of the cost of the construction of the Improvements including but not limited to certain sanitary sewer and storm water infrastructure, private access roads, paving, curb, gutter, lighting, and landscaping improvements. The District is to engage a general contractor for the District Improvements to administer, coordinate and oversee the construction of the District Improvements. Likewise, BMP LLC and Price are each responsible for engaging a general contractor to administer, coordinate and oversee the construction of the BMP LLC Improvements and the Price Improvements. Upon completion of construction of the improvements, it is contemplated that the District, the City of Denver, or the applicable utility provider will accept conveyance or dedication of the applicable improvements.

Contemporaneously with the execution of this agreement by the parties, each party shall deposit into an escrow account, with the Escrow Agent, cash in the amount equal to and not less than its share of the allocation of construction costs as reflected in Exhibit C to the agreement. The District's allocation of construction costs is \$ \$457,948.51 which was funded into the escrow in 2018.

On August 27, 2018, the First Amendment to Joint Development Escrow and Reimbursement Agreement was approved by all parties ("Amendment"). The Amendment terminates and releases the funds held in escrow back to the party(ies)

BROADWAY PARK NORTH METROPOLITAN DISTRICT NO. 2
FKA BMP METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

who originally funded the escrow. Under the Amendment, each party shall be responsible for its share of the cost of construction of the Improvements (as defined in the original agreement). To the extent the cost of any specific item is a shared expense by two or more parties, the parties agree that the applicable constructing party will provide payment requests to the non-constructing party(ies), as set forth in the Amendment, and upon satisfaction of the conditions for payment set forth in the Amendment, the non-constructing parties will remit payment to the constructing party, to cover the costs associated with their respective work.

NOTE 6 – RELATED PARTY

The members of the Board of Directors of the District are owners or employees of CFPM and D4 Urban, LLC (D4) and/or are owners of property within the boundaries of the District. CFPM, and D4 have outstanding funding agreements with District No. 1 as of December 31, 2018.

NOTE 7 - 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, 2018. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, 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 8 - 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:

BROADWAY PARK NORTH METROPOLITAN DISTRICT NO. 2
FKA BMP METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Ballot Issue 5A: Shall BMP Metropolitan District No. 2 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. 2 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?

Ballot Issue 5C: Shall BMP Metropolitan District No. 2 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. 2 taxes be increased \$300,000,000 annually or such lesser amount as necessary for the payment of such amounts due pursuant to

BROADWAY PARK NORTH METROPOLITAN DISTRICT NO. 2
FKA BMP METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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. 2 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.

NOTE 9 - Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column. The District has no amounts to report in these columns.

This information is an integral part of the accompanying financial statements

SUPPLEMENTAL INFORMATION

Broadway Park North Metropolitan District No. 2
fka BMP Metropolitan District No. 2

SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
 DEBT SERVICE FUND

For the Year Ended December 31, 2018

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 417,555	\$ 417,554	\$ 414,798	\$ (2,756)
Specific ownership taxes	<u>33,405</u>	<u>22,700</u>	<u>24,352</u>	<u>1,652</u>
Total Revenues	<u>450,960</u>	<u>440,254</u>	<u>439,150</u>	<u>(1,104)</u>
EXPENDITURES				
Treasurer's fees	6,263	4,176	4,147	29
Transfer to District No. 3	234,058	435,724	434,881	843
Miscellaneous	<u>-</u>	<u>100</u>	<u>122</u>	<u>(22)</u>
Total Expenditures	<u>240,321</u>	<u>440,000</u>	<u>439,150</u>	<u>850</u>
NET CHANGE IN FUND BALANCE	210,639	254	-	(254)
FUND BALANCE:				
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ 210,639</u>	<u>\$ 254</u>	<u>\$ -</u>	<u>\$ (254)</u>

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

OTHER INFORMATION

Broadway Park North Metropolitan District No. 2
aka BMP Metropolitan District No. 2
SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2018

<u>Year Ended</u> <u>December 31,</u>	<u>Prior</u> <u>Year Assessed</u> <u>Valuation</u> <u>for Current</u> <u>Year Property</u> <u>Tax Levy</u> <u>(Debt Only)</u>	<u>Prior</u> <u>Year Assessed</u> <u>Valuation</u> <u>for Current</u> <u>Year Property</u> <u>Tax Levy</u> <u>(Debt Only)</u>	<u>Mills Levied</u>		<u>Total Property Tax</u>		<u>Percent</u> <u>Collected</u> <u>to Levied</u>
			<u>Regional</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2015	\$ -	\$ 3,900,084	0.000	18.400	\$ 71,762	\$ 71,741	99.97%
2016	\$ 348,288	\$ 3,720,958	5.000	15.000	\$ 55,814	\$ 55,977	100.29%
2017	\$ -	\$ 3,510,507	0.000	15.200	\$ 53,360	\$ 53,360	100.00%
2018	\$ 906,460	\$ 26,564,240	0.000	15.200	\$ 417,555	\$ 414,798	99.34%
Estimated for year ending December 31, 2019	\$ 24,707,740	\$ 24,707,740	5.000	15.200	\$ 499,097		

NOTE

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.