

BROADWAY STATION METROPOLITAN DISTRICT NO. 1

Financial Statements

Year Ended December 31, 2020

with

Independent Auditor's Report

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## Independent Auditor's Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Broadway Station Metropolitan District No. 1 (the "District") as of and for the year ended December 31, 2020, 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Broadway Station Metropolitan District No. 1 as of December 31, 2020, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States.

## Other Matters

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information as listed in the table of contents is presented for the purposes of legal compliance and 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 relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Wipfli LLP*

Wipfli LLP  
Lakewood, Colorado

December 6, 2021

**BROADWAY STATION METROPOLITAN DISTRICT NO. 1**

BALANCE SHEET/STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
December 31, 2020

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>					
Cash and investments	\$ 20,662	\$ -	\$ 20,662	\$ -	\$ 20,662
Cash and investments - restricted	3,210	-	3,210	-	3,210
Developer receivable	39,347	-	39,347	(39,347)	-
Receivable District No. 2	83,057	647,987	731,044	-	731,044
Receivable District No. 3	-	1,767,997	1,767,997	-	1,767,997
Prepaid insurance	10,445	-	10,445	-	10,445
Capital assets - net	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,253,208</u>	<u>51,253,208</u>
 Total Assets	 <u>\$ 156,721</u>	 <u>\$ 2,415,984</u>	 <u>\$ 2,572,705</u>	 <u>51,213,861</u>	 <u>53,786,566</u>
 <b>LIABILITIES</b>					
Accounts payable	\$ 61,921	\$ 547,517	\$ 609,438	-	609,438
Retainage payable	-	152,970	152,970	-	152,970
Payable to Broadway Station Metro Dist. #3	11,152	-	11,152	-	11,152
Long-term liabilities:					
Due in more than one year	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,805,071</u>	<u>1,805,071</u>
 Total Liabilities	 <u>73,073</u>	 <u>700,487</u>	 <u>773,560</u>	 <u>1,805,071</u>	 <u>2,578,631</u>
 <b>FUND BALANCE</b>					
Nonspendable:					
Prepays	10,445	-	10,445	(10,445)	-
Restricted for:					
Emergencies	3,210	-	3,210	(3,210)	-
Capital projects	-	1,715,497	1,715,497	(1,715,497)	-
Unassigned	<u>80,438</u>	<u>-</u>	<u>80,438</u>	<u>(80,438)</u>	<u>-</u>
 Total Fund Balances	 <u>83,648</u>	 <u>1,715,497</u>	 <u>1,799,145</u>	 <u>(1,799,145)</u>	 <u>-</u>
 Total Liabilities and Fund Balance	 <u>\$ 156,721</u>	 <u>\$ 2,415,984</u>	 <u>\$ 2,572,705</u>		
 <b>NET POSITION</b>					
Restricted for:					
Emergencies				3,210	3,210
Unrestricted:				<u>49,489,228</u>	<u>49,489,228</u>
 Total Net Position				 <u>\$ 51,207,935</u>	 <u>\$ 51,207,935</u>

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

**BROADWAY STATION METROPOLITAN DISTRICT NO. 1**

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

For the Year Ended December 31, 2020

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>EXPENDITURES</b>					
Accounting and audit	\$ 61,877	\$ -	\$ 61,877	\$ -	\$ 61,877
Insurance	4,546	-	4,546	-	4,546
Legal	13,379	401,706	415,085	(401,706)	13,379
Utilities	5,703	-	5,703	-	5,703
Fees to DURA	-	517,812	517,812	-	517,812
Permits and fees	9,000	3,500	12,500	-	12,500
Repay developer advances	-	21,196,382	21,196,382	(21,196,382)	-
Interest on developer advance	-	1,348,788	1,348,788	8,392	1,357,180
Capital improvements	-	8,725,440	8,725,440	(8,725,440)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	94,505	32,193,628	32,288,133	(30,315,136)	1,972,997
<b>GENERAL REVENUES</b>					
Design cost reimbursement	-	20,589	20,589	-	20,589
Transfer from District No. 2	120,272	338,967	459,239	-	459,239
Transfer from District No. 3	56,272	33,686,105	33,742,377	-	33,742,377
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total General Revenues	176,544	34,045,661	34,222,205	-	34,222,205
<b>NET CHANGE IN FUND BALANCES</b>					
	82,039	1,852,033	1,934,072	(1,934,072)	
<b>CHANGE IN NET POSITION</b>					
				32,249,208	32,249,208
<b>FUND BALANCE/NET POSITION</b>					
BEGINNING OF YEAR	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	1,609	(136,536)	(134,927)	19,093,654	18,958,727
<b>END OF YEAR</b>					
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 83,648	\$ 1,715,497	\$ 1,799,145	\$ 49,408,790	\$ 51,207,935

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

**BROADWAY STATION METROPOLITAN DISTRICT NO. 1**

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

For the Year Ended December 31, 2020

	Original & Final		Variance
	<u>Budget</u>	<u>Actual</u>	Favorable <u>(Unfavorable)</u>
<b>REVENUES</b>			
Transfer from District No. 2	\$ 136,227	\$ 120,272	\$ (15,955)
Transfer from District No. 3	56,409	56,272	(137)
Interest income	<u>500</u>	<u>-</u>	<u>(500)</u>
 Total Revenues	 <u>193,136</u>	 <u>176,544</u>	 <u>(16,592)</u>
 <b>EXPENDITURES</b>			
Accounting and audit	25,000	61,877	(36,877)
Insurance	7,500	4,546	2,954
Legal	60,000	13,379	46,621
Utilities	-	5,703	(5,703)
Miscellaneous expenses	10,000	-	10,000
Permits and fees	10,000	9,000	1,000
Contingency	118,077	-	118,077
Emergency reserve	<u>3,375</u>	<u>-</u>	<u>3,375</u>
 Total Expenditures	 <u>233,952</u>	 <u>94,505</u>	 <u>139,447</u>
 CHANGE IN FUND BALANCE	 (40,816)	 82,039	 122,855
 FUND BALANCE - BEGINNING OF YEAR	 <u>40,816</u>	 <u>1,609</u>	 <u>(39,207)</u>
 FUND BALANCE - END OF YEAR	 <u>\$ -</u>	 <u>\$ 83,648</u>	 <u>\$ 83,648</u>

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

# BROADWAY STATION METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2020

### Note 1: Summary of Significant Accounting Policies

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

#### Definition of Reporting Entity

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

The District was formed in conjunction with Broadway Station Metropolitan District No. 2 (“District No. 2”) and Broadway Station Metropolitan District No. 3 (“District No. 3”) and together with the District and District No. 3, the “Districts”), for the purpose of providing certain public improvements and services to and for the benefit of the properties within the Districts. According to the Service Plan and the service plans for District No. 2 and District No. 3, the District is to coordinate the financing and construction of all activities of the District and District No. 2, including the provision of street, traffic and safety controls, water, storm water drainage, sanitation, and parks and recreation improvements and related services (collectively, the “Public Improvements”), and District No. 2 and District No. 3 are to fund such activities.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB, Statement No. 61, *The Financial Reporting Entity: Omnibus, which amended* GASB Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which provides guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization’s elected governing body as the basic criterion for including a possible component governmental organization in a primary government’s legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization’s governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

# BROADWAY STATION METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2020

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

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

### Basis of Presentation

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

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

# BROADWAY STATION METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2020

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual is interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The District reports the following major governmental funds:

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

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

### Budgetary Accounting

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

### Assets, Liabilities and Net Position

The District's financial instruments include cash and investments, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2020, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

# BROADWAY STATION METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2020

### Deposits and Investments

The District's cash and investments are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

### Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category.

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

### Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

### Capital Assets

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

# BROADWAY STATION METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2020

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. No depreciation is provided as the District intends to transfer all improvements to the City of Denver or another governmental entity.

### Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

### Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

### Restricted Fund Balance

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

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$3,210 of the General Fund balance has been restricted in compliance with this requirement.

### Unassigned Fund Balance

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

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

### Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District can report three categories of net position, as follows:

BROADWAY STATION METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2020

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Note 2: Cash and Investments

As of December 31, 2020, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 20,662
Cash and investments – restricted	<u>3,210</u>
	\$ <u>23,872</u>

Cash and investments as of December 31, 2020, consist of the following:

Deposits with financial institutions	\$ <u>23,872</u>
	\$ <u>23,872</u>

## BROADWAY STATION METROPOLITAN DISTRICT NO. 1

### Notes to Financial Statements December 31, 2020

#### Deposits

##### Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District does not have a formal policy for deposits. None of the District’s deposits were exposed to custodial credit risk.

#### Investments

##### Custodial and Concentration of Credit Risk

None of the District’s investments are subject to custodial or concentration of credit risk.

##### Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

##### Credit Risk

The District has not adopted a formal investment policy, however the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

##### Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District’s investment is not required to be categorized within the fair value hierarchy. This investment’s value is calculated using the net asset value method (NAV) per share.

As of December 31, 2020, the District had no investments.

BROADWAY STATION METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2020

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2020, follows:

	<u>Balance</u> 1/1/2020	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 12/31/2020
<u>Governmental Type Activities:</u>				
<u>Capital assets not being depreciated:</u>				
Road and improvements	\$ 35,996,062	\$ 9,127,146	\$ -	\$ 45,123,208
Land	<u>6,130,000</u>	<u>-</u>	<u>-</u>	<u>6,130,000</u>
Total	<u>\$ 42,126,062</u>	<u>\$ 9,127,146</u>	<u>\$ -</u>	<u>\$ 51,253,208</u>

Upon completion and acceptance, certain capital assets will be conveyed by the District to other local governments. The District will not ordinarily be responsible for maintenance of such transferred assets and no depreciation is provided for such assets. All capital assets not transferred to the City or other local governments will be operated and maintained by the District, and depreciation will be provided for such assets upon completion.

Note 4: Long Term Debt

Interim Funding Agreement

On August 12, 2015, the District entered into an Interim Funding Agreement with Broadway Station Partners, LLC (“Developer”) whereby the Developer agreed to advance up to \$80,000 to pay the costs of improvements and operating and administrative expenses. The Developer's obligation to make Advances (i) shall be reduced by the amount of any available proceeds of bonds issued by the District for funding the costs of the Improvements and (ii) shall be subject to the Maximum Funding Obligation (as defined in the agreement). The District agreed to reimburse the Developer for funds advanced with interest at 8% per annum compounded annually accrued from the actual date of each advance. On November 18, 2015, the parties entered into a First Amendment to the Interim Funding Agreement whereby the Developer agreed to increase the amount to be advanced to \$4,885,000. On December 31, 2020, the District owed the Developer \$181,913 in principal and \$153,392 in interest under this agreement.

# BROADWAY STATION METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2020

### Reimbursement Agreement for Public Infrastructure Funding.

The District, District No. 2, District No. 3 and the Developer, entered into the Reimbursement Agreement for Public Infrastructure Funding (the "Reimbursement Agreement"), dated as of October 1, 2017 (executed January 5, 2018), concerning the advance of funds to any of the Districts by the Developer ("Developer Advances") for planning, design, engineering, surveying, legal, accounting, testing, permitting, inspecting, infrastructure development management, construction management, construction, installation and completion of the infrastructure and all related expenses, including, without limitation, environmental remediation authorized under the Service Plan, the City IGA, the Urban Redevelopment Plan (as defined below), the Redevelopment Agreement and the District Agreements.

Pursuant to the Reimbursement Agreement, the Developer is to make Developer Advances to the District, or at the request of the District, to District No. 2 or District No. 3, in such amounts and at such times as may be requested to fund planning, design, engineering, surveying, legal, accounting, testing, permitting, inspecting, infrastructure development management, construction management, construction, installation and completion of the infrastructure and all related expenses, including, without limitation, environmental remediation authorized under the Service Plan, the City IGA, the Urban Redevelopment Plan, the Redevelopment Agreement and the District IGAs. The Developer's obligation to fund such advance is dependent on (i) the District initiating, with the agreement of the Developer, of a phase of the Processing of Construction of Infrastructure (as such terms are used in the Reimbursement Agreement) by submitting a report to the City in accordance with the City IGA; and (ii) the authorizing of such Process of Construction Costs (as such term is used in the Reimbursement Agreement) in accordance with the Service Plan, the District Agreements, the City IGA and other applicable documents.

The Districts' obligation to reimburse the Developer for Developer Advances shall be memorialized by the issuance of one or more notes by the District within 15 days of the Developer Advance. Each note shall bear interest at a rate of 8%, unless otherwise specified in such note. The district issuing the note shall reimburse the Developer, from funds legally available to such issuing district in any fiscal year that are not pledged for the payment of other district obligations or otherwise appropriated or obligated for any current or future purpose. The Reimbursement Agreement shall terminate on December 31, 2042, unless terminated earlier in accordance with the Redevelopment Agreement or the repayment of all amounts due and owing under the Reimbursement Agreement. The District's obligation to repay the Developer Advances (and any interest thereon) under the Redevelopment Agreement is subordinate to any District bonds. On November 23, 2020, Amendment No. 3 to the Reimbursement Agreement for Public Infrastructure Funding was approved, whereby the Districts agreed to immediately reimburse the Developer \$14,222,888 discharging in full the amount outstanding to the Developer. During 2020, the District repaid the Developer in total \$22,545,170 of principal and interest with bond proceeds from District No. 2 and District No. 3. At December 31, 2020, the District owed the Developer \$1,496,766 in interest.

# BROADWAY STATION METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2020

The Districts' obligation to reimburse the Developer Advances is payable from, among other sources, amounts owed to the Districts under the Redevelopment Agreement between the District and the Denver Urban Renewal Authority ("DURA") dated as of October 18, 2017, as amended by a First Supplement dated as of March 12, 2020 (together as amended, the "Redevelopment Agreement"). Under the Redevelopment Agreement, DURA has, as directed by the District, issued to District No. 2 three Junior Subordinate Bonds, namely, the Series 2020JS-1 Bond, Series 2020JS-99 Bond and Series 2020JS-100 Bond (collectively, the "DURA Junior Subordinate Bonds") in the aggregate principal amount of \$25,890,555 (the "DURA Reimbursement Amount"), together with interest accruing thereon commencing on November 4, 2019, in order to reimburse from tax increment revenue (the "DURA Revenue") certain "Reimbursable Project Costs" (as defined in the Redevelopment Agreement) that were funded directly by the Developer and are reimbursable by the Districts.

In conjunction with the issuance of the First Supplement to the Redevelopment Agreement, the Districts and the Developer entered into Amendment No. 1 to the Reimbursement Agreement dated as of November 4, 2019 ("Amendment No. 1") and Amendment No. 2 to the Reimbursement Agreement dated as of June 24, 2020 ("Amendment No. 2"). Amendment No. 2 amended, restated and replaced Amendment No. 1, and by its terms, Amendment No. 2 constitutes a Junior District Obligation (as defined in the Redevelopment Agreement) in the aggregate principal amount of \$25,890,555 (the "DURA Reimbursement Amount" as defined in the Redevelopment Agreement) to reimburse certain Developer Advances made to fund District-eligible Reimbursable Project Costs. The Junior District Obligation under Amendment No. 2 (the "Amendment No. 2 JDO") was established in conjunction with the DURA Junior Subordinate Bonds and was generally structured in two parts: (i) District No. 3 would make a cash payment in the amount of \$8,000,000 from District No. 3's Series 2019B Bond funds to the Developer to pay a portion of the outstanding Developer Advances incurred for District-eligible Reimbursable Project Costs, and (ii) the balance of the Amendment No. 2 JDO incurred for Reimbursable Project Costs that did not constitute District-eligible Reimbursable Project Costs in the approximate principal amount of \$5,621,582, along with interest accruals, would be paid and passed through to the Developer from DURA Revenue paid on the DURA Junior Subordinate Bonds.

The Districts and the Developer entered into Amendment No. 3 to the Reimbursement Agreement dated as of November 4, 2019 ("Amendment No. 3") to provide for (i) in addition to the cash payment of \$8,000,000 previously made to the Developer in accordance with the terms of Amendment No. 2, an additional cash payment of \$14,222,888 (the "Additional Cash Payment") to the Developer to pay off and discharge in full the remaining outstanding Developer Advances, including interest accruals, that constitute District-eligible Reimbursable Project Costs using District No. 3's Series 2019B Bond funds, and (ii) the payment and discharge of the balance of the Amendment No. 3 JDO with respect to the Pass Through Junior District Obligation (as defined below) to the Developer from DURA Revenue payments to be made on the DURA Junior Subordinate Bonds.

BROADWAY STATION METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2020

Amendment No. 3 constitutes the Junior District Obligation (the “Amendment No. 3 JDO”) issued in conjunction with the DURA Junior Subordinate Bonds as authorized by and issued in accordance with and subject to the terms of the Redevelopment Agreement and the First Supplement. The principal amount of the Amendment No. 3 JDO is \$25,890,555. Under Amendment No. 3, District No. 3 processed a requisition in the amount of the Additional Cash Payment with the Trustee for the Series 2019B Bonds to pay the Developer for and discharge in full all outstanding Developer Advances that constitute District-eligible Reimbursable Project Costs. Except for the payment of the Pass Through Junior District Obligation with respect to the non-District eligible Reimbursable Project Costs, the Districts and Developer agreed that all other payments made to the District on the DURA Junior Subordinate Bonds were to be transferred to District No. 3. The Districts and Developer also acknowledged and agreed that the principal amount of \$5,621,582 of the Amendment No. 3 JDO represents Reimbursable Project Costs that are not District-eligible Reimbursable Project Costs (the “Pass Through Junior District Obligation”). The principal amount of the Pass Through Junior District Obligation, together with any interest accruals thereon, are payable exclusively from the DURA Revenue received by District No. 2 from DURA payments on the DURA Junior Subordinate Bonds, including any interest thereon paid by DURA pursuant to the First Supplement, and shall not be payable from any ad valorem taxes, bond proceeds or other funds of any of the Districts (see “Junior Subordinate Bonds” note below).

The following is an analysis of changes in long-term debt for the year ending December 31, 2020.

	Balance 1/1/2020	Additions	Deletions	Balance 12/31/2020	Current Portion
Developer advance - capital	\$ 21,196,382	\$ -	\$21,196,382	\$ -	\$ -
Developer advance - operations	181,913	-	-	181,913	-
Interest - capital advances	1,475,967	1,342,587	1,348,788	1,469,766	-
Interest - operating advances	138,799	14,593	-	153,392	-
	<u>\$ 22,993,061</u>	<u>\$ 1,357,180</u>	<u>\$22,545,170</u>	<u>\$ 1,805,071</u>	<u>\$ -</u>

As of December 31, 2020, the District had remaining voted debt authorization of approximately \$378,000,000. The District has not budgeted to issue any debt during 2021.

Note 5: Agreements with Other Governments

Amended and Restated Inter-District Financing Agreement

The Districts entered into an Amended and Restated Inter-District Financing Agreement, dated as of October 1, 2017 (the “Financing Agreement”). The purpose of the Financing Agreement is to establish a cooperative intergovernmental relationship among the Districts, to implement the terms of each of the Districts’ Service Plans with respect to the financing and completion of public infrastructure improvements acquired, constructed, installed and completed to serve the Development and to establish various controls with respect to the incurrence of obligations of the Districts including bonds, notes and other obligations of the Districts and on the implementation of the debt service and regional mill levies.

# BROADWAY STATION METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2020

In accordance with the Financing Agreement, District No. 1 is to exercise all duties, authorities and powers as are generally provided in the Special District Act or other State law and as more particularly described in the Governing Documents (as defined below) to facilitate, coordinate and effectuate the financing of Eligible Costs (as such term is used in the Financing Agreement), the completion of public infrastructure improvements acquired, constructed, installed and completed to serve the Development and the imposition of the debt service mill levy and the regional mill levy.

District No. 3 and District No. 2 agreed in the Financing Agreement to pay the principal and interest on any bonds or other obligations of the District No. 2 or District No. 3 or the District, as applicable, from amounts pledged and available to the applicable district to a bond trustee under a bond indenture including the Indentures and the Trustee. Such pledge is solely to the extent of revenues pledged to the particular bonds. In no event shall a District's obligation to pay exceed the maximum amounts authorized at the Elections to the Special District Act or State law. The Financing Agreement sets forth the procedures to be followed by the Districts for the imposition of their debt service mill levies and the regional mill levy. In accordance with the Financing Agreement, District No. 3 and District No. 2 shall certify their respective debt service mill levies, and their respective regional mill levies at the rates determined by the District. All revenues received from the debt service mill levy shall be paid to the bond trustee or if no trustee, to the District.

### Amended and Restated Inter-District Construction and Service Agreement

The Districts entered into an Amended and Restated Inter-District Construction and Service Agreement, dated as of October 1, 2017 (the "Service Agreement" and, together with the Financing Agreement, the "District Agreements"). The purpose of the Service Agreement is to establish a cooperative intergovernmental relationship among the Districts, to implement the terms of each of the Districts' Service Plans with respect to the financing and completion of public infrastructure improvements acquired, constructed, installed and completed to serve the Development and to establish various requirements with respect to the generation, collection and use of revenue, including but not limited to the operating mill levy, to be used for the operation, maintenance and repair of public infrastructure improvements acquired, constructed, installed and completed to serve the Development and the management, administration and provision of services within the Development.

# BROADWAY STATION METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2020

### Junior Subordinate Bonds

On March 12, 2020 DURA has entered into the First Supplement to Redevelopment Agreement (the “First Supplement”) with District No. 1 and, at the direction of District No. 1, has issued to District No. 2 three Junior Subordinate Bonds, namely the Series 2020JS-1 Bond, Series 2020JS-99 Bond and Series 2020JS-100 Bond (collectively, the “DURA Junior Subordinate Bonds”) in the aggregate principal amount of \$25,890,555 (the “DURA Reimbursement Amount”), together with interest accruing thereon commencing on November 4, 2019, in order to reimburse from DURA Revenue (as defined in the Authorizing Resolution) certain Reimbursable Project Costs (as defined in the Redevelopment Agreement) that were funded directly by the Developer. The Districts have reimbursed the Developer for all but the approximate principal amount of \$5,621,582 of such Reimbursable Project Costs and interest accruals thereon.

Upon receipt of the DURA Reimbursement Amount, the Districts will apply such DURA Revenue either (i) to pay and discharge all remaining obligations to the Developer for Reimbursable Project Costs (see the “Pass Through Junior District Obligation” in the “Reimbursement Agreement for Public Infrastructure note above) and/or (ii) to replenish District No. 3’s Series 2019B Bond project accounts established to complete public infrastructure work in accordance with the Intergovernmental Agreement between District No. 1 and the City and drawn on to reimburse the Developer for certain District-eligible Reimbursable Project Costs and/or to fund such public infrastructure work directly and/or pay down any existing debt. The DURA Reimbursement Amount can only be used to pay or reimburse, directly or indirectly, Reimbursable Project Costs as approved by DURA in accordance with the Redevelopment Agreement.

### Redevelopment Agreement

The District entered into a Redevelopment Agreement with Denver Urban Renewal Authority (“DURA”) dated October 18, 2017. The Redevelopment Agreement generally outlines the parameters of the redevelopment of the I-25 and Broadway Urban Redevelopment Area including the financing of certain public improvements in connection therewith and the payment of certain fees to DURA. The Redevelopment Agreement contemplated that DURA will reimburse the District up to \$83,308,030 (plus 8% simple interest that may accrue under the terms of the Redevelopment Agreement) for eligible costs incurred by the Developer and its affiliates relating to the redevelopment of the I-25 and Broadway Urban Redevelopment Area.

## BROADWAY STATION METROPOLITAN DISTRICT NO. 1

### Notes to Financial Statements December 31, 2020

Eligible costs include costs associated with environmental cleanup, open space improvement, landscaping, infrastructure, signage, detention ponds and wet and dry utilities. The Redevelopment Agreement contains a process under which the District submits requests for reimbursement (referred to as payment requests) for approval and reimbursement by DURA. Pursuant to the Redevelopment Agreement, any costs incurred by the District in excess of the foregoing are to be borne by the District and are not to be reimbursed by DURA. It is anticipated that the Developer will be reimbursed for certain of such costs from proceeds of bonds expected to be issued by DURA in the future (the “DURA Bonds”), and it is anticipated that the District will be further reimbursed for additional costs of constructing public improvements within the Development from a portion of the proceeds of the Bonds.”

The Redevelopment Agreement subjects the property located within the I-25 and Broadway Urban Redevelopment Area to certain use restrictions. Such use restrictions are also contained in the DURA Use Covenants. With certain limited exceptions and unless waived by DURA and the then owner of the property, these restrictions provide that no part of the property can be occupied by or used for the retail business of (a) an adult book, adult novelty, adult video or adult entertainment store, car wash, tattoo parlor, pawnshop, massage parlor, hookah bar or lounge, dance hall, discotheque, nightclub, bar, billiard or pool hall, game parlor or video arcade, a store which has the sale of alcoholic beverages for consumption off premises as its principal business, a store which has the sale of firearms or weapons as its principal business or a store, which has the sale of drug paraphernalia or marijuana paraphernalia as its principal business (sometimes referred to as a “head shop”); (b) the renting, leasing or selling of or displaying for the purpose of renting, leasing or selling of any motor vehicle or trailer; (c) an automotive maintenance or repair facility or retail automotive fuel filling station; or (d) dispensing, growing or storing marijuana or providing consulting or advice primarily regarding marijuana without the prior written consent of DURA or its successor or assign.

The Redevelopment Agreement terminates on the earlier of: (a) payment to the District of the Reimbursable Project Cost (as defined in the Redevelopment Agreement), payment to DURA of certain costs set forth in the Redevelopment Agreement (to the extent applicable), and if applicable, repayment of all DURA Bonds issued by DURA in conjunction with the redevelopment of the I-25 and Broadway Urban Redevelopment Area; (b) December 31, 2042; or (c) delivery of a notice of termination under circumstances contemplated by the Redevelopment Agreement.

On March 12, 2020 DURA has entered into the First Supplement to Redevelopment Agreement (the “First Supplement”) with District No. 1 and, at the direction of the District, has issued to District No. 2 three Junior Subordinate Bonds, namely the Series 2020JS-1 Bond, Series 2020JS-99 Bond and Series 2020JS-100 Bond (collectively, the “DURA Junior Subordinate Bonds”) in the aggregate principal amount of \$25,890,555 (the “DURA Reimbursement Amount”), together with interest accruing thereon commencing on November 4, 2019, in order to reimburse from DURA Revenue (as defined in the Authorizing Resolution) certain Reimbursable Project Costs (as defined in the Redevelopment Agreement) that were funded directly by the Developer.

# BROADWAY STATION METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2020

### Broadway Station Metropolitan District Intergovernmental Agreement

The Districts and DURA entered into the Broadway Station Metropolitan District Intergovernmental Agreement, dated as of September 20, 2017 (the “District Cooperation Agreement”) pursuant to which DURA has agreed to remit during the TIF Period to the District all revenues generated from the imposition of ad valorem property taxes by the Districts on the incremental assessed valuation of property of the Districts.

### Capital Pledge Agreements

On April 4, 2019, the District entered into a Capital Pledge Agreement with District No. 2 whereby the District agreed to pledge the Property Tax Increment Revenue generated by the debt service mill levies imposed by District No. 2 and the specific ownership tax revenues derived from the debt service mill levies imposed by the District to the District to facilitate the repayment of the District No. 2 Series 2019A Bonds and the Series 2019 B Bonds.

### Capital Pledge Agreements

On December 4, 2019, the District entered into a Capital Pledge Agreement with District No. 3 whereby the District agreed to pledge the Property Tax Increment Revenue generated by the debt service mill levies imposed by District No. 3 (together, the TIF Revenue) that are remitted to the District by DURA pursuant to the District Cooperation Agreement to District No. 3 in order to facilitate the repayment of District No. 3’s Series 2019A Bonds and the Series 2019 B Bonds.

### Note 6: Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer Bill of Rights (TABOR) contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year’s Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

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

# BROADWAY STATION METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2020

### Note 7: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The Colorado Special Districts Property and Liability Pool (the "Pool") is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public official's liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

### Note 8: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Government Funds Balance Sheet/Statement of Net Assets includes an adjustments column. The adjustments have the following elements:

- 1) capital improvements used in government activities are not financial resources and, therefore are not reported in the funds;
- 2) long-term liabilities such as developer advances payable, accrued developer advance interest payable, are not due and payable in the current period and, therefore, are not in the funds.

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

- 1) governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities.
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities.

SUPPLEMENTAL INFORMATION

# BROADWAY STATION METROPOLITAN DISTRICT NO. 1

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND

For the Year Ended December 31, 2020

	Original & Final		Variance
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
REVENUES			
Transfer from District No. 3	\$ 61,126,193	\$ 33,686,105	\$ (27,440,088)
Design cost reimbursement	-	20,589	20,589
Transfer from District No. 2	<u>5,161,807</u>	<u>338,967</u>	<u>(4,822,840)</u>
Total Revenues	<u>66,288,000</u>	<u>34,045,661</u>	<u>(32,242,339)</u>
EXPENDITURES			
Legal	-	401,706	(401,706)
Fees to DURA	-	517,812	(517,812)
Permits and fees	-	3,500	(3,500)
Repay developer advances	-	21,196,382	(21,196,382)
Interest on developer advance	-	1,348,788	(1,348,788)
Capital improvements	<u>65,688,000</u>	<u>8,725,440</u>	<u>56,962,560</u>
Total Expenditures	<u>65,688,000</u>	<u>32,193,628</u>	<u>33,494,372</u>
CHANGE IN FUND BALANCE	600,000	1,852,033	1,252,033
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>(136,536)</u>	<u>(136,536)</u>
FUND BALANCE - END OF YEAR	<u>\$ 600,000</u>	<u>\$ 1,715,497</u>	<u>\$ 1,115,497</u>

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