

**BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2**

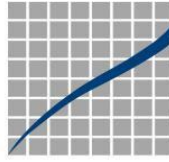
**FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

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**BiggsKofford**

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors

**Bradley Heights Metropolitan District No. 2**

Colorado Springs, Colorado

### Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Bradley Heights Metropolitan District No. 2 ("District"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2021, the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## Other Matters

### *Required Supplementary Information*

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

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*BiggsKofford, P.C.*

Colorado Springs, Colorado  
June 14, 2022

## **BASIC FINANCIAL STATEMENTS**

**BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2021**

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	<u>Governmental Activities</u>
<b><u>ASSETS</u></b>	
Cash and investments - restricted	\$ 33,823,260
Receivable from County Treasurer	12
Property taxes receivable	793
Construction in progress	149,481
<b>Total assets</b>	<b>33,973,546</b>
<b><u>LIABILITIES</u></b>	
Due to District No. 1	11,200
Noncurrent liabilities:	
Accrued interest payable	577,959
Due in more than one year	35,000,000
<b>Total liabilities</b>	<b>35,589,159</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Deferred property tax revenues	793
<b>Total deferred inflows of resources</b>	<b>793</b>
<b><u>NET POSITION</u></b>	
Restricted for:	
Capital projects	33,813,181
Debt service	68
Emergency reserve	50
Unrestricted	(35,429,705)
<b>Total net position</b>	<b>\$ (1,616,406)</b>

The accompanying notes and independent auditor's report  
should be read with these financial statements.

**BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2021**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
				<u>Governmental Activities</u>	
<b>FUNCTIONS/PROGRAMS</b>					
<b><u>PRIMARY GOVERNMENT</u></b>					
General government	\$ 1,549	\$ -	\$ -	\$ -	\$ (1,549)
Interest and related costs on long-term debt	1,619,512	-	-	-	(1,619,512)
<b>Total governmental activities</b>	<b>\$ 1,621,061</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(1,621,061)</b>
<b><u>GENERAL REVENUES</u></b>					
Property taxes					1,283
Specific ownership taxes					151
Investment income					3,185
<b>Total general revenues</b>					<b>4,619</b>
<b>Changes in net position</b>					<b>(1,616,442)</b>
<b>Net position, beginning of year</b>					<b>36</b>
<b>Net position, end of year</b>					<b>\$ (1,616,406)</b>

The accompanying notes and independent auditor's report should be read with these financial statements.



**BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**BALANCE SHEETS**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2021**

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<b><u>ASSETS</u></b>				
Cash and investments - restricted	\$ 50	\$ -	\$ 33,823,210	\$ 33,823,260
Due from other funds		1,268		1,268
Receivable from County Treasurer	12	-	-	12
Property taxes receivable	198	595	-	793
<b>Total assets</b>	<b>\$ 260</b>	<b>\$ 1,863</b>	<b>\$ 33,823,210</b>	<b>33,825,333</b>
<b><u>LIABILITIES</u></b>				
Due to District No. 1	\$ -	\$ 1,200	\$ 10,000	11,200
Due to other funds	1,239	-	29	1,268
<b>Total liabilities</b>	<b>1,239</b>	<b>1,200</b>	<b>10,029</b>	<b>12,468</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Deferred property tax revenues	198	595	-	793
<b>Total deferred inflows of resources</b>	<b>198</b>	<b>595</b>	<b>-</b>	<b>793</b>
<b><u>FUND BALANCE</u></b>				
Restricted for:				
Capital projects	-	-	33,813,181	33,813,181
Debt service	-	68	-	68
Emergency reserve	50	-	-	50
Unassigned:				
General government	(1,227)	-	-	(1,227)
<b>Total fund balances</b>	<b>(1,177)</b>	<b>68</b>	<b>33,813,181</b>	<b>33,812,072</b>
<b>Total liabilities and fund balances</b>	<b>\$ 260</b>	<b>\$ 1,863</b>	<b>\$ 33,823,210</b>	

Amounts reported in governmental activities in the statement of net position are different because:

Capital assets are recorded as assets on the statement of net position, but are recorded as expenditures in the funds:

Construction in progress	149,481
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds payable	(35,000,000)
Accrued interest payable	(577,959)

Net position of governmental activities	<b>\$ (1,616,406)</b>
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The accompanying notes and independent auditor's report  
should be read with these financial statements.

**BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2021**

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 320	\$ 963	\$ -	\$ 1,283
Specific ownership taxes	38	113	-	151
Investment income	-	-	3,185	3,185
<b>Total revenues</b>	<b>358</b>	<b>1,076</b>	<b>3,185</b>	<b>4,619</b>
<b>EXPENDITURES</b>				
County Treasurer's fees	5	14	-	19
Insurance	1,530	-	-	1,530
Debt service:				
Interest expense	-	1,030	-	1,030
Capital outlay:				
Bond issuance costs	-	-	1,040,523	1,040,523
Capital outlay	-	-	149,481	149,481
<b>Total expenditures</b>	<b>1,535</b>	<b>1,044</b>	<b>1,190,004</b>	<b>1,192,583</b>
Excess of revenues over (under) expenditures	(1,177)	32	(1,186,819)	(1,187,964)
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond issuance proceeds	-	-	35,000,000	35,000,000
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>35,000,000</b>	<b>35,000,000</b>
<b>Net change in fund balances</b>	<b>(1,177)</b>	<b>32</b>	<b>33,813,181</b>	<b>33,812,036</b>
Fund balances, beginning of year	-	36	-	36
<b>Fund balances, end of year</b>	<b>\$ (1,177)</b>	<b>\$ 68</b>	<b>\$ 33,813,181</b>	<b>\$ 33,812,072</b>

The accompanying notes and independent auditor's report  
should be read with these financial statements.

**BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2021**

Net change in fund balances - governmental funds	\$ 33,812,036
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocations of the cost of any depreciable assets over the estimated useful lives of the assets. The effect of these differences is as follows:

Capital outlay	149,481
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is as follows:

Proceeds from bond issuance	(35,000,000)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. The effect of these differences is as follows:

Accrued interest payable - change in liability	(577,959)
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Changes in net position of governmental activities	\$ (1,616,442)
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The accompanying notes and independent auditor's report  
should be read with these financial statements.

**BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2021**

	Budget		Actual Amounts	Variance
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 320	\$ 322	\$ 320	\$ (2)
Specific ownership taxes	22	38	38	-
Total revenues	342	360	358	(2)
<b>EXPENDITURES</b>				
County Treasurer's fees	5	5	5	-
Insurance	-	1,530	1,530	-
Intergovernmental - District No. 1	357	-	-	-
Total expenditures	362	1,535	1,535	-
Excess of revenues over (under) expenditures	(20)	(1,175)	(1,177)	(2)
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer advances	-	1,174	-	1,174
Total other financing sources (uses)	-	1,174	-	1,174
Net change in fund balance	<u>\$ (20)</u>	<u>\$ (1)</u>	(1,177)	<u>\$ 1,172</u>
Fund balance, beginning of year			-	
Fund balance, end of year			<u>\$ (1,177)</u>	

The accompanying notes and independent auditor's report  
should be read with these financial statements.

**BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**1. DEFINITION OF REPORTING ENTITY**

Bradley Heights Metropolitan District No. 2 ("District"), a quasi-municipal corporation and political subdivision of the state of Colorado, was formed in September 2005, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in El Paso County, Colorado ("County"). The District was organized to plan, design, acquire, construct, install, relocate, redevelop, and finance including water, sewer, storm sewer, detention, flood, and other drainage improvements needed for the area.

The District was organized in conjunction with Bradley Heights Metropolitan District No. 1 ("District No. 1") and Bradley Heights Metropolitan District No. 3 ("District No. 3"). District No. 1 is the coordinating district and District Nos. 2 and 3 are the taxing districts.

The District follows 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 and potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Government-wide and fund financial statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. Material interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

See independent auditor's report.

**BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Government-wide and fund financial statements (continued)

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: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment; and b) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are properly excluded from program revenues and are reported as general revenues.

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

Measurement focus, basis of accounting and financial statement position

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other 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 due.

The District reports the following major governmental funds:

*General fund* - The general fund accounts for all financial resources of the District except those required to be accounted for in another fund.

*Debt service fund* - The debt service fund accounts for the servicing of general long-term debt and revenues generated and received by the District to be used in payment of long-term debt.

*Capital projects fund* - The capital projects fund accounts for financial resources to be used for the acquisition and construction of capital equipment and facilities.

See independent auditor's report.

**BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Budgets

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

The District incurred expenditures in excess of appropriations for the year ended December 31, 2021 in the capital projects fund, which may be a violation of state budget law.

The District amended its annual budget for the year ended December 31, 2021.

Pooled cash and investments

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

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 and attaches as an enforceable lien as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or, at the taxpayer's election, in February and June in equal installments. Delinquent taxpayers are notified in August and sales of the tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected to the District monthly.

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

See independent auditor's report.

**BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital assets

Capital assets, which include property, equipment and infrastructure assets (e.g., roads, sidewalks and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and a useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated acquisition value at the date of contribution.

Maintenance and repairs are charged to expense as incurred. At the time of retirement or disposition of depreciable assets, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss, if any, is reflected in revenues or expenses.

Capital assets which are anticipated to be conveyed to other governmental entities are not depreciated or included in the calculation of net investment in capital assets component of the District's net position.

Deferred inflows of resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time. The District has one item that qualifies for reporting in this category. Accordingly, that item, deferred property tax revenues, is deferred and recognized as an inflow of resources in the period that the amounts become available.

Net position

For government-wide presentation purposes, when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

See independent auditor's report.



**BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fund balances (continued)

*Nonspendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or is legally or contractually required to be maintained intact.

*Restricted fund balance* - The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

*Committed fund balance* - The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the board of directors. The constraint may be removed or changed only through formal action of the board of directors.

*Assigned fund balance* - The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the board of directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

*Unassigned fund balance* - The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's policy to use the most restrictive classification first.

**3. CASH AND INVESTMENTS**

Cash and investments as of December 31, 2021, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments - restricted	<u>\$ 33,823,260</u>
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See independent auditor's report.

**BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**3. CASH AND INVESTMENTS (CONTINUED)**

The carrying amounts of cash and investments, which equal estimated fair value, as of December 31, 2021, are as follows:

Deposits with financial institutions	\$ 79
Investments	<u>33,823,181</u>
	<u>\$ 33,823,260</u>

Deposits with financial institutions

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The 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 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.

As of December 31, 2021, the District's cash deposits had a bank balance of \$79 and a book balance of \$79.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those below which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless otherwise formally approved by the board of directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

See independent auditor's report.

**BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**3. CASH AND INVESTMENTS (CONTINUED)**

Investments (continued)

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the US and certain US government agency securities
- Certain international agency securities
- General obligation and revenue bonds of US local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certificates of deposit in Colorado PDPA approved banks or savings banks
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2021, the District had the following in investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 33,823,181</u>

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust ("COLOTRUST" or "Trust"), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in US Treasury securities and repurchase agreements collateralized by US Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of US government agencies, highest-rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investments in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

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**4. CAPITAL ASSETS**

Capital assets consist of construction in progress for road and bridge improvements, water and wastewater systems, drainage traffic and safety controls, park and recreation, and landscaping. Capital asset activity for the year ended December 31, 2021, is as follows:

	Balance 1/1/2021	Additions/ Reclass- ifications	Dispositions/ Reclass- ifications	Balance 12/31/21
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 149,481	\$ -	\$ 149,481

**5. LONG-TERM OBLIGATIONS**

The following is a summary of the long-term debt of the District during the year ended December 31, 2021:

	Balance 1/1/21	Additions	Repayments/ Amortization	Balance 12/31/21	Due within one year
Series 2021 Bonds	\$ -	\$ 35,000,000	\$ -	\$ 35,000,000	\$ -
	\$ -	\$ 35,000,000	\$ -	\$ 35,000,000	\$ -

Series 2021A(3) General Obligation Limited Tax Bonds

On August 26, 2021, the District issued Series 2021A(3) General Obligation Limited Tax Bonds ("Series 2021 Bonds") for the purpose of: (i) paying the project costs; and (ii) paying other costs incurred in connection with the issuance of the bonds. The Series 2021 Bonds were issued in the amount of \$35,000,000; bear interest at 4.75% per annum, calculated on the basis of a 360-day year of twelve 30-day months; are payable to the extent of pledged revenues available on December 1 each year; and mature on December 1, 2051.

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**5. LONG-TERM OBLIGATIONS (CONTINUED)**

Series 2021A(3) General Obligation Limited Tax Bonds (continued)

The Series 2021 Bonds are secured by and payable from the pledged revenue consisting of monies derived by the District from the following sources, net of any collection costs: (i) required mill levy; (ii) capital fees; (iii) pledged fees; (iv) portion of the specific ownership tax which is collected as a result of imposition of the required mill levy; and (v) any other legally available monies which the District determines to be treated as pledged revenue. Required mill levy means an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal, premium if any, and interest on the bonds as they become due and payable. The maximum required mill levy is 50.000 mills, adjusted for changes in the ratio of actual value to assessed value of property within the District. For collection year 2021, the District levied 30.000 mills for the debt service fund.

The Series 2021 Bonds are structured as cash flow bonds, meaning that no regularly scheduled payments of principal are due prior to the maturity date of December 1, 2051, and interest payments not paid when due will accrue and compound until sufficient pledged revenue is available for payment. Accordingly, a maturity schedule is not provided for these amounts. In the event that any amounts due and owing on the Series 2021 Bonds remain outstanding after the application of all pledged revenue available through December 2, 2053, such amounts will be deemed discharged and no longer be due and outstanding.

*Optional redemption*

The Series 2021 Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, on September 1, 2026, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium on the principal amount redeemed, as follows:

Date of Redemption	Redemption Premium
September 1, 2026 to August 31, 2027	3.00%
September 1, 2027 to August 31, 2028	2.00%
September 1, 2028 to August 31, 2029	1.00%
September 1, 2029 and thereafter	0.00%

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**5. LONG-TERM OBLIGATIONS (CONTINUED)**

Series 2021A(3) General Obligation Limited Tax Bonds (continued)

*Events of default*

The occurrence of any one or more of the following events or the existence of any one or more of the following conditions constitutes an event of default under the indenture; however, there will be no event of default until the trustee or the District notifies District No. 3 in writing of the existence thereof:

- i. District No. 3 fails to impose the mandatory capital levy.
- ii. District No. 3 district fails to promptly remit its pledged district capital revenue to the District.
- iii. District No. 3 fails to observe or perform any other of the material covenants, agreements, duties, or conditions on the part of District No. 3 in the agreement, and such failure is not remedied to the satisfaction of the trustee or the District within 30 days after District No. 3 receives written notice from the trustee or the District of the occurrence of such failure.
- iv. Any representation or warranty made by District No. 3 in the agreement proves to have been untrue or incomplete in any material respect when made or deemed made.
- v. District No. 3 files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the bonds.

Upon the occurrence and continuance of an event of default, the District, District No. 3, or the trustee may proceed to protect and enforce its rights against the party or parties causing the event of default by mandamus or such other suit or action available in equity or at law. In the event of any litigation or other proceeding to enforce any of the terms, covenants or conditions, the prevailing party in such litigation or other proceeding will obtain, as part of its judgment or award, its reasonable attorneys' fees, and costs. Nothing should be construed as requiring any district's consent or participation in any such enforcement action, the intent being that the trustee can enforce this agreement independently from any such consent or participation of the District and District No. 3.

Notwithstanding the foregoing or anything else herein to the contrary, no remedy will lie at law or in equity for any event of default consisting solely of the failure of the District to pay the principal of and interest on the bonds, it being acknowledged by the District and the trustee that: (i) the amount of District No. 3's capital revenue is limited; and (ii) acceleration will not be an available remedy for an event of default.

See independent auditor's report.

**BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
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**6. NET POSITION**

The District has a net position consisting of two components: restricted and unrestricted.

Restricted net position includes balances with external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2021, as follows:

Restricted net position:	
Capital projects (Note 4)	\$ 33,813,181
Debt service (Note 5)	68
Emergency reserve (Note 10)	<u>50</u>
	<u>\$ 33,813,299</u>

The District's unrestricted net position as of December 31, 2021, totaled a deficit of \$35,429,705.

**7. CAPITAL PLEDGE AGREEMENT**

To provide for the payment of the Series 2021 Bonds, the District entered into a Capital Pledge Agreement with District No. 3 and the trustee dated August 26, 2021. Under this agreement, the District agrees to remit to the trustee, or as otherwise directed by the District, as soon as practicable upon receipt, all of District No. 3's capital revenue. The District should apply such revenue, together with all other pledged revenue (Note 5) in its possession, to the payment of the principal, premium if any, and interest on the bonds due in accordance with the terms of the Series 2021 Bonds indenture. District No. 3's capital revenue consists of monies derived from the following sources, net of any collection costs: (i) mandatory capital levy; (ii) portion of the specific ownership tax which is collected as a result of imposition of the mandatory capital levy; and (iii) any PILOT revenues received from any PILOT recorded against property within District No. 3's boundaries. Mandatory capital levy means an ad valorem mill levy imposed upon all taxable property of District No. 3 each year in an amount of 30 mills, or such lesser mill levy which will (together with any PILOT revenues) pay all of the principal of and interest on the sufficient to pay the principal, premium if any, and interest on the Series 2021 Bonds as they become due and payable.

**8. RELATED PARTIES**

The members of the board of directors are officers, employees or associated with the developer and may have conflicts of interest in dealing with the District.

See independent auditor's report.

**BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**9. 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, 2021. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

**10. 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 which apply to the state of Colorado and all local governments within the state of Colorado.

Spending and revenue limits are determined based on the prior 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. Revenues in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenues.

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.

District management believes the District 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 likely require judicial interpretation.

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See independent auditor's report.



## **SUPPLEMENTARY INFORMATION**

**BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2021**

	<b>Budget</b>		<b>Actual Amounts</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b><u>REVENUES</u></b>				
Impact fees	\$ 100	\$ 100	\$ -	\$ (100)
Property taxes	960	985	963	(22)
Specific ownership taxes	67	113	113	-
<b>Total revenues</b>	<b>1,127</b>	<b>1,198</b>	<b>1,076</b>	<b>(122)</b>
<b><u>EXPENDITURES</u></b>				
Bond issuance costs	-	1,004,023	-	1,004,023
Contingency	100	-	-	-
County Treasurer's fees	15	14	14	-
Interest expense	-	-	1,030	(1,030)
<b>Total expenditures</b>	<b>115</b>	<b>1,004,037</b>	<b>1,044</b>	<b>1,002,993</b>
Excess of revenues over (under) expenditures	1,012	(1,002,839)	32	(1,003,115)
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Bond issuance proceeds	-	35,000,000	-	(35,000,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>35,000,000</b>	<b>-</b>	<b>(35,000,000)</b>
<b>Net change in fund balance</b>	<b>\$ 1,012</b>	<b>\$ 33,997,162</b>	<b>32</b>	<b>\$ (33,997,130)</b>
Fund balance, beginning of year			36	
Fund balance, end of year			<b>\$ 68</b>	

See independent auditor's report.

**BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2021**

	<b>Budget Original and Final</b>	<b>Actual Amounts</b>	<b>Variance</b>
<b><u>REVENUES</u></b>			
Investment income	\$ -	\$ 3,185	\$ 3,185
Total revenues	-	3,185	3,185
<b><u>EXPENDITURES</u></b>			
Bond issuance costs	-	1,040,523	(1,040,523)
Capital outlay	-	149,481	(149,481)
Total expenditures	-	1,190,004	(1,190,004)
Excess of revenues over (under) expenditures	-	(1,186,819)	(1,186,819)
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Bond issuance proceeds	-	35,000,000	35,000,000
Total other financing sources (uses)	-	35,000,000	35,000,000
Net change in fund balance	<u>\$ -</u>	33,813,181	<u>\$ 33,813,181</u>
Fund balance, beginning of year		-	
Fund balance, end of year		<u>\$ 33,813,181</u>	

See independent auditor's report.