

**BROMLEY PARK
METROPOLITAN DISTRICT NO. 2
Adams and Weld Counties, Colorado**

**FINANCIAL STATEMENTS
December 31, 2016**



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Certified Public Accountants and Business Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Bromley Park Metropolitan District No. 2
Adams and Weld Counties, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Bromley Park Metropolitan District No. 2 (the District) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Bromley Park Metropolitan District No. 2, as of December 31, 2016, and the respective changes in financial position thereof, 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.

I

Barnes Griggs & Associates, PC

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, who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operation, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the basic financial statements. The supplementary 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. The 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Darner Higgin & Associates, PC

Lakewood, Colorado
June 25, 2017

BASIC FINANCIAL STATEMENTS

BROMLEY PARK METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
December 31, 2016

	Governmental Activities
ASSETS	
Cash and investments	\$ 126,907
Cash and investments - Restricted	1,175,416
Receivable - County Treasurer	10,700
Property taxes receivable	1,843,156
Prepaid expenses	10,403
Capital assets, not being depreciated	500,000
Total assets	3,666,582
 DEFERRED OUTFLOWS OF RESOURCES	
Cost on bond refunding	1,824,071
 LIABILITIES	
Accounts payable	63,503
Accrued interest payable - Bonds	133,726
Noncurrent liabilities:	
Due in less than one year	465,549
Due in more than one year	49,356,157
Total liabilities	50,018,935
 DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	1,843,156
 NET POSITION	
Net investment in capital assets	500,000
Restricted for:	
Emergency reserves	5,100
Debt service	1,046,382
Unrestricted	(47,922,920)
Total net position	\$ (46,371,438)

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

BROMLEY PARK METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>	
	<u>Expenses</u>	<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital Grants</u> <u>and</u> <u>Contributions</u>	<u>Revenue and</u> <u>Changes in Net</u> <u>Position</u>
					<u>Governmental</u> <u>Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 165,881	\$ -	\$ 14,333	\$ -	\$ (151,548)
Interest and related costs on long-term debt	<u>2,690,497</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,690,497)</u>
	<u>\$ 2,856,378</u>	<u>\$ -</u>	<u>\$ 14,333</u>	<u>\$ -</u>	<u>(2,842,045)</u>
General revenues:					
Property taxes					1,794,316
Specific ownership taxes					149,622
Net investment income					9,142
Other income					13
Total general revenues					<u>1,953,093</u>
Change in net position					<u>(888,952)</u>
Net position - Beginning					<u>(45,482,486)</u>
Net position - Ending					<u>\$ (46,371,438)</u>

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

BROMLEY PARK METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and investments	\$ 126,907	\$ -	\$ 126,907
Cash and investments - Restricted	5,100	1,170,316	1,175,416
Receivable - County Treasurer	908	9,792	10,700
Property taxes receivable	156,408	1,686,748	1,843,156
Prepaid expenses	10,403	-	10,403
TOTAL ASSETS	\$ 299,726	\$ 2,866,856	\$ 3,166,582
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 63,503	\$ -	\$ 63,503
Total liabilities	63,503	-	63,503
DEFERRED INFLOWS OF RESOURCES			
Property tax revenue	156,408	1,686,748	1,843,156
Total deferred inflows of resources	156,408	1,686,748	1,843,156
FUND BALANCES			
Nonspendable:			
Prepaid Expenses	10,403	-	10,403
Restricted for:			
Emergency reserves	5,100	-	5,100
Debt service	-	1,180,108	1,180,108
Assigned:			
Subsequent year's expenditures	51,924	-	51,924
Unassigned	12,388	-	12,388
Total fund balances	79,815	1,180,108	1,259,923
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 299,726	\$ 2,866,856	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	500,000
Deferred outflows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds.	
Cost on bond refunding	1,824,071
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Bonds payable and accreted interest	(35,651,017)
Premium on bonds payable	(142,410)
Accrued interest payable - Bonds	(133,726)
Developer advance payable	(7,030,974)
Accrued interest payable - Developer advances	(6,997,306)
Net position of governmental activities	\$ (46,371,438)

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

BROMLEY PARK METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 152,264	\$ 1,642,052	\$ 1,794,316
Specific ownership taxes	12,697	136,925	149,622
Net investment income	1,993	7,149	9,142
Conservation Trust entitlement	14,333	-	14,333
Other income	13	-	13
Total revenues	<u>181,300</u>	<u>1,786,126</u>	<u>1,967,426</u>
EXPENDITURES			
Current			
Accounting	29,670	-	29,670
Audit	4,800	-	4,800
Election	110	-	110
Legal	14,637	-	14,637
Management	17,077	-	17,077
Insurance and bonds	10,092	-	10,092
New park construction	5,631	-	5,631
County Treasurer's fees	2,288	24,670	26,958
Landscape maintenance - HOA	73,155	-	73,155
Landscape maintenance - Utilities	282	-	282
Landscape maintenance - District	7,325	-	7,325
Miscellaneous	814	-	814
Debt service			
Principal expense - Bonds	-	440,000	440,000
Interest expense - Bonds	-	1,079,801	1,079,801
Paying agent fees	-	2,500	2,500
Total expenditures	<u>165,881</u>	<u>1,546,971</u>	<u>1,712,852</u>
NET CHANGE IN FUND BALANCES	15,419	239,155	254,574
FUND BALANCES - BEGINNING OF YEAR	<u>64,396</u>	<u>940,953</u>	<u>1,005,349</u>
FUND BALANCES - END OF YEAR	<u>\$ 79,815</u>	<u>\$ 1,180,108</u>	<u>\$ 1,259,923</u>

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

**BROMLEY PARK METROPOLITAN DISTRICT NO. 2
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

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

Net change in fund balances - Total governmental funds	\$	254,574
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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:

Bond principal payment		440,000
Amortization of cost on bond refunding		(148,327)
Amortization of bond premium		10,735
Change in accrued interest on Developer advances		(491,938)
Change in accrued interest payable		(1,406)
Accrued interest on 2007B Bonds		(952,590)
Changes in net position of governmental activities	\$	<u>(888,952)</u>

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

BROMLEY PARK METROPOLITAN DISTRICT NO. 2
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 154,414	\$ 154,409	\$ 152,264	\$ (2,145)
Specific ownership taxes	13,100	13,100	12,697	(403)
Net investment income	800	1,200	1,993	793
Conservation Trust entitlement	13,000	15,776	14,333	(1,443)
Other income	73	-	13	13
Total revenues	<u>181,387</u>	<u>184,485</u>	<u>181,300</u>	<u>(3,185)</u>
EXPENDITURES				
Current				
Accounting	30,000	35,000	29,670	5,330
Audit	4,800	4,800	4,800	-
Election	2,000	1,000	110	890
Legal	18,000	17,000	14,637	2,363
Management	17,000	17,000	17,077	(77)
Insurance and bonds	8,800	10,092	10,092	-
County Treasurer's fees	2,316	2,316	2,288	28
Landscape maintenance - HOA	52,000	70,000	73,155	(3,155)
Landscape maintenance - Utilities	500	500	282	218
Landscape maintenance - District	9,000	9,000	7,325	1,675
Miscellaneous	2,000	600	814	(214)
New park construction	-	4,306	5,631	(1,325)
Swale improvements	5,000	-	-	-
Contingency	3,884	3,386	-	3,386
Total expenditures	<u>155,300</u>	<u>175,000</u>	<u>165,881</u>	<u>9,119</u>
NET CHANGE IN FUND BALANCES	26,087	9,485	15,419	5,934
FUND BALANCES - BEGINNING OF YEAR	<u>58,562</u>	<u>64,396</u>	<u>64,396</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 84,649</u>	<u>\$ 73,881</u>	<u>\$ 79,815</u>	<u>\$ 5,934</u>

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

BROMLEY PARK METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - DEFINITION OF REPORTING ENTITY

Bromley Park Metropolitan District No. 2 (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court for Adams County on April 23, 1985, and recorded with the Adams County Clerk and Recorder on April 25, 1985, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in Adams and Weld Counties, Colorado entirely within the City of Brighton (City). The District is one of six contiguous districts, South Beebe Draw Metropolitan District (formerly Bromley Park Metropolitan District No. 1), Bromley Park Metropolitan Districts No. 2, 3, 5, 6 and Brighton Crossing Metropolitan District (formerly Bromley Park Metropolitan District No. 4) (collectively, the Districts or SBDMD, BPMD Nos. 2, 3, 5 or 6, and BCMD). The District and BCMD had unrelated Boards of Directors from the other Districts at December 31, 2016. SBDMD, BPMD Nos. 2 – 3 and BCMD were participants to the Annexation Agreement dated June 9, 1985, as amended, between the City and the prior developer of the majority of the property within the District (BPK Holdings, L.L.C., hereinafter referred to as BPK). BPMD Nos. 5 and 6 were formed in 2000 and it is anticipated that these districts will also participate in the Annexation Agreement. Since their creation, all of the Districts have restructured their boundaries by various inclusions and exclusions within the same general land area (the Districts' Service Area).

The District was established principally to provide water, sanitary sewer and storm drainage services and to provide construction, installation, financing and operation of streets, park and recreation, mosquito control, transportation and television relay systems and improvements in addition to the water, sanitary sewer and storm drainage improvements to areas within and outside the boundaries of the District.

On August 4, 1995, in the agreement regarding Designation of District for Remittance of Sales and Use Tax between BPK, SBDMD, BPMD Nos. 2 – 3 and BCMD, SBDMD was appointed by the entities to receive all sales and use taxes remitted under the Annexation Agreement, as amended, by the City and to apply the receipts to the common benefit of the Districts.

On March 21, 2000, SBDMD, BPMD Nos. 2 – 3 and BCMD entered into an Interdistrict Regional Facilities Intergovernmental Agreement, which expanded the responsibilities of SBDMD to include coordination of construction, operation and maintenance of regional facilities with ownership retained by SBDMD. Funding for the regional facilities will be from certain fees collected by BPMD Nos. 2 – 3 and BCMD and transferred to SBDMD.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

BROMLEY PARK METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - DEFINITION OF REPORTING ENTITY (CONTINUED)

The District is not financially accountable for any other organization (including SBDMD, BPMD Nos. 3, 5 or 6, or BCMD), nor is the District a component unit of any other primary governmental entity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of 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 sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as net position.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

BROMLEY PARK METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 after the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. 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:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

Budgets

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

The District has amended its annual budget for the year ended December 31, 2016.

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.

Investments are carried at fair value.

BROMLEY PARK METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

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

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

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of net investment in capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Certain capital assets constructed by the District have been conveyed to other governmental entities or to the homeowners' association.

Amortization

Original Issue Premium

In the government-wide financial statements, bond premiums are deferred and amortized over the term of the related debt, using the effective interest method. In the fund financial statements, government fund types recognize bond premiums during the current period. The face amount of debt issued is reported as other financing sources.

BROMLEY PARK METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cost on Bond Refunding

In the government-wide financial statements, the deferred cost on bond refunding is being amortized using the effective interest method over the life of the defeased bonds. The amortization amount is a component of interest expense and the unamortized deferred cost is reflected as deferred outflows of resources on the statement of net position.

Deferred Inflow 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, *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 government has only one type of item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amounts become available.

Equity

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 Balance

Fund balance for governmental funds should be 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:

- *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 legally or contractually required to be maintained intact.

BROMLEY PARK METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *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 practice to use the most restrictive classification first.

NOTE 3 - CASH AND INVESTMENTS

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

Statement of net position:

Cash and investments	\$ 126,907
Cash and investments - Restricted	<u>1,175,416</u>
Total cash and investments	<u>\$ 1,302,323</u>

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

Deposits with financial institutions	\$ 42,294
Investments	<u>1,260,029</u>
Total cash and investments	<u>\$ 1,302,323</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. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

BROMLEY PARK METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2016, the District's cash deposits had a bank balance of \$42,333 and a carrying balance of \$42,294.

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 noted with an asterisk (*) 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 or investment custodial risk disclosure requirements for investments that are in the possession of another party.

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

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

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

As of December 31, 2016, the District had the following investments:

Investment	Maturity	Balance
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	<u>\$ 1,260,029</u>

BROMLEY PARK METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurement and Application

The District categorizes its fair value measurements 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; and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized cost.

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing CSAFE. CSAFE is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's.

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in property for the year ended December 31, 2016, follows:

<u>By Classification</u>	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at December 31, 2016</u>
Capital assets, not being depreciated:				
Storm drainage channel	\$ 500,000	\$ -	\$ -	\$ 500,000
Total capital assets, net	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500,000</u>

The majority of capital assets constructed by the District in previous years have been dedicated to other governments for ownership and maintenance. When the property is dedicated, the District removes the cost of construction from capital assets. The District will retain ownership of two storm drainage ponds and certain landscaping features.

BROMLEY PARK METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 - LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term obligations for the year ended December 31, 2016:

	<u>Balance December 31, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2016</u>	<u>Current Portion</u>
General Obligation					
Bonds - Series 2007A	\$ 21,530,000	\$ -	\$ 440,000	\$ 21,090,000	\$ 455,000
General Obligation					
Bonds - Series 2007B	11,175,000	-	-	11,175,000	-
Series 2007B Bonds -					
Accrued interest	2,433,427	952,590	-	3,386,017	-
Developer advances	7,030,974	-	-	7,030,974	-
Developer advances -					
Accrued interest	6,505,368	491,938	-	6,997,306	-
Premium on 2007A Bonds	153,145	-	10,735	142,410	10,549
	<u>\$ 48,827,914</u>	<u>\$ 1,444,528</u>	<u>\$ 450,735</u>	<u>\$ 49,821,707</u>	<u>\$ 465,549</u>

The detail of the District's long-term obligation is as follows:

General Obligation Bonds

\$22,340,000 General Obligation Refunding Bonds, Series 2007A, dated July 31, 2007 (Senior Bonds), with an interest rate of 4.00% to 5.25%, consisting of serial bonds issued in the amount of \$2,740,000 due annually from 2013 through 2019, and term bonds issued in the original amount of \$19,600,000 due December 1, 2037. Such term bonds are subject to mandatory redemption. In addition, bonds maturing on and after December 1, 2017, are callable at the option of the District, on any date without redemption premium. These bonds were used to refund the Series 2002 and Series 2003 bonds. The Senior Bonds are secured by the full faith and credit of the District and all revenues generated by the District's debt service mill levy which is not limited as to rate or amount. Pledged Capital Fees and Specific Ownership Taxes attributable to debt service mill levy are also pledged towards the repayment of the Senior Bonds. Payment of the principal and interest on the bonds when due is insured by Radian Asset Assurance, Inc. (Radian). On April 1, 2015, Assured Guaranty Corporation (Assured) acquired Radian. As of December 31, 2016, Standard & Poor's had a rating of AA Stable for Assured. For additional information on the rating change, the reader should contact Standard & Poor's or Assured.

BROMLEY PARK METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

\$11,175,000 General Obligation Limited Tax Convertible Zero Coupon Bonds, Series 2007B, dated July 31, 2007 (Subordinate Bonds), were issued at an original price of \$7,769,419. The bonds were issued as convertible zero coupon bonds, with no interest accruing on the bonds until December 15, 2012, at which time the bonds began to accrue interest at 7%, payable annually on December 15, beginning on December 15, 2013. Annual mandatory sinking fund principal payments are due on December 15 each year, beginning on December 15, 2013. The bonds mature on December 15, 2037. In addition, bonds maturing on and after December 15, 2012, are callable at the option of the District, on any date without redemption premium. The proceeds from the sale of the bonds were used to pay a portion of the costs of capital infrastructure improvements.

The Subordinate Bonds are secured by and payable on a subordinate basis to the Senior Bonds, from the Pledged Revenue consisting of monies derived by the District from the following sources, net of any collection costs: 1) the Required Mill Levy, 2) the portion of Specific Ownership Tax which is collected as a result of the imposition of the Required Mill Levy, and 3) 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 the same become due and payable. The maximum Required Mill Levy is 57.475 mills, adjusted for changes in the ratio of actual value to assessed value of property within the District, less the number of mills necessary to pay the Senior Bonds, and for so long as the Surplus Fund is less than \$3,000,000, not less than 50 mills.

Pledged Revenue collected in 2016 was not sufficient to pay scheduled principal and interest on the Subordinate Bonds. The remaining principal and interest payments are payable only to the extent of Pledged Revenue and therefore cannot be predicted with certainty. Unpaid principal continues to bear interest and unpaid interest compounds.

The District's general obligation bond principal and interest, excluding the Subordinate Bonds, will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 455,000	\$ 1,061,101	\$ 1,516,101
2018	505,000	1,041,764	1,546,764
2019	530,000	1,019,670	1,549,670
2020	580,000	996,350	1,576,350
2021	615,000	965,900	1,580,900
2022-2026	3,870,000	4,306,876	8,176,876
2027-2031	5,375,000	3,206,907	8,581,907
2032-2036	7,400,000	1,635,645	9,035,645
2037	1,760,000	90,200	1,850,200
	<u>\$ 21,090,000</u>	<u>\$ 14,324,413</u>	<u>\$ 35,414,413</u>

BROMLEY PARK METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

On November 7, 2000, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$119,095,000 at an interest rate not to exceed 15% per annum. At December 31, 2016, the District had authorized but unissued indebtedness from these elections in the following amounts allocated for the following purposes:

	Authorized 11/07/2000 Election	Authorization Used Series 2002A-1 Series 2002A-2 Series 2002B Series 2003	Authorization Used Series 2007A	Authorization Used Series 2007B	Remaining at December 31, 2016
Street	\$ 24,000,000	\$ 8,023,100	\$ -	\$ 4,269,435	\$ 11,707,465
Safety protection	625,000	-	-	-	625,000
Parks and recreation	8,700,000	4,785,400	-	2,546,516	1,368,084
Water	10,000,000	4,053,250	-	2,156,908	3,789,842
Sanitation	12,200,000	3,988,250	-	2,122,318	6,089,432
Television relay	1,000,000	-	-	-	1,000,000
Mosquito control	320,000	-	-	-	320,000
Public transportation	1,250,000	-	-	-	1,250,000
Operations	1,000,000	150,000	-	79,823	770,177
Refunding	60,000,000	-	2,815,000	-	57,185,000
	<u>\$119,095,000</u>	<u>\$ 21,000,000</u>	<u>\$ 2,815,000</u>	<u>\$ 11,175,000</u>	<u>\$ 84,105,000</u>

The District had prior debt authorization from an election in 1985 totaling \$24,634,000 which may have been affected by the TABOR amendment. The District also had prior debt authorizations from elections in 1994 and 1997 for \$83,865,736 and \$24,000,000, respectively, which may be considered stale. The authorized debt from the 1985, 1994 and 1997 elections is not included in the above table.

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area.

Developer Advances

Since 2001, Gateway American Properties, LLC, now known as JF Companies, LLC (the Developer), has been responsible for the development of the property within the District.

Collectively, BPK and the Bromley Companies, L.L.C. and the Bromley Park Industrial Land Company, L.L.C. (herein referred to as Prior Affiliates or the Prior Developer) are related entities and referred to as the Prior Developer.

BROMLEY PARK METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Advance and Reimbursement Agreement

The District and Gateway American Properties, LLC entered into an Advance and Reimbursement Agreement dated May 1, 2001, which agreement was made effective as of March 28, 2000, to fund certain construction and operating costs of the District. The District is to reimburse Gateway American Properties, LLC from funds available, subject to annual appropriation. Reimbursement is to include interest at the rate of 7%. The balance due at December 31, 2016, was \$7,030,974 plus \$6,997,306 of accrued interest.

Effective May 31, 2006, Gateway American Properties, LLC underwent reorganization. Under the terms of the reorganization, \$4,000,000 of the amount due under the Advance and Reimbursement Agreement prior to May 31, 2006, has been assigned to MDR, LLC. MDR, LLC is a related entity to Gateway American Properties. As part of the reorganization, Gateway American Properties, LLC changed its name to JF Companies, LLC.

NOTE 6 - NET POSITION

The District has net position consisting of three components – net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2016, the District had net investment in capital assets calculated as follows:

	Governmental Activities
Net investment in capital assets:	
Capital assets, net	\$ 500,000
Net investment in capital assets	\$ 500,000

Restricted assets include net position that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2016, as follows:

	Governmental Activities
Restricted net position:	
Emergency reserve	\$ 5,100
Debt service	1,046,382
	\$ 1,051,482

BROMLEY PARK METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 6 - NET POSITION (CONTINUED)

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of bonds issued for public improvements which were conveyed to other governmental entities and which costs were removed from the District's financial records.

NOTE 7 - RELATED PARTY

Two of the members of the Board of Directors are employees of, owners of, or are otherwise associated with JF Companies, LLC or MDR, LLC and may have conflicts of interest in dealing with the District. JF Companies is the current Developer of property within the District and is the current holder, along with MDR, of the Advance and Reimbursement Agreement between the District and the Developer dated May 1, 2001.

Construction Management Agreement

The District and the Developer entered into an Agreement for Construction Management Services, dated March 26, 2002, whereby the Developer is to provide construction management services during the construction of certain improvements. The management fee is 4% of the amount of the construction contract awards. During 2016, the District did not incur any construction management fee expenses as there were no construction contract awards.

NOTE 8 - CONTRACTS AND AGREEMENTS

City of Brighton

Pursuant to the Annexation Agreement, as amended, by the First, Second, Third and Fourth Amendments, among BPK, the City, SBDMD, BPMD Nos. 2 – 3 and BCMD; among BPK, the City of Brighton, Adams County, SBDMD, BPMD Nos. 2 – 3 and BCMD; and the Interdistrict Regional Facilities Intergovernmental Agreement dated March 21, 2000, and amended in 2003, among SBDMD, BPMD Nos. 2 – 3 and BCMD, the parties have the following mutual responsibilities:

In general, the Districts and BPK or transferees are to install improvements and transfer the installed facilities, except for certain specified improvements, to the City for ownership, maintenance and operation.

Streets - Bromley Lane was improved by funding from the City, BPK, and the Districts. The City is to reimburse BPK for certain sections over a five year period or require landowners to pay their pro rata share plus interest to the Districts when annexed to the City. The Districts are to pay for their certain sections when development dictates. During 2001, BCMD transferred the responsibility to plant and maintain the medians to BPMD No. 5.

BROMLEY PARK METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 8 - CONTRACTS AND AGREEMENTS (CONTINUED)

Danube Street is to be developed and installed, but if completed by BPK or the Districts, the City will reimburse the Districts for a portion of the costs incurred. The Districts agree to perform street reconstruction and asphalt overlays on all streets as requested from the City as long as the sales and use taxes are remitted by the City. Other streets are to be constructed by the Districts and transferred to the City for perpetual maintenance.

Water - On May 28, 1996, a Third Amendment to the Annexation Agreement was completed which provides that the City will provide water service to the Districts to full development as determined under the Phase Master Plans under certain conditions. Of the City's water plant investment fee, \$300 is paid to or retained by the District. In consideration of the Developer designing all irrigation systems after December 8, 1998, so that they are capable of being converted to a nonpotable water system, the City will provide water taps for certain public areas at no charge. Effective November 1, 2005, the water development fee charged by the District for lots over 10,000 square feet in size is \$510.

Sewer - The City is to provide sewage collection and treatment capacity to the full development of the BPK property. Pursuant to the Fourth Amendment to the Annexation Agreement, dated October 24, 1997, the City has fulfilled its obligation to provide wastewater treatment facilities for the property draining into the Beebe Draw Basin by execution of the Beebe Draw Wastewater Agreement with the Town of Lochbuie. The City remains obligated to provide transmission and treatment service to the property draining into the South Platte Basin. SBDMD or BPK is obligated to install, at its expense, all sanitary sewer collection and transmission facilities as stipulated in the Sanitary Sewer Master Plan.

Storm Drainage - The City agrees to provide all offsite storm drainage improvements for the BPK property. The Third Amendment to the Annexation Agreement provides that SBDMD may undertake to provide storm drainage to property within SBDMD, District Nos. 2 – 3 and BCMD, as well as adjoining properties. In such event, SBDMD would pay for offsite improvements and the City shall forego collecting drainage fees and reimbursement. The Districts and/or BPK are to construct all onsite storm drainage improvements. The District collects a storm drainage facility fee of \$1,625 per dwelling unit. Effective November 1, 2005, the storm drainage facility fee for lots over 10,000 square feet in size is \$2,754.

BROMLEY PARK METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 8 - CONTRACTS AND AGREEMENTS (CONTINUED)

Community Park Construction Agreement

During 2003, the District entered into an agreement with the City and the Developer that outlined the Developer's and District's obligation to design and construct a neighborhood and community park within the District. Pursuant to the agreement, the City is to impose and collect a Community Park Impact Fee, which is a fee that is separate from the District park development fee. The Community Park Impact Fee is \$250 per unit. The City is to escrow these funds and the District can be reimbursed for its actual costs to design and construct the community park to the extent of fees collected by the City. Up to \$25,000 can be reimbursed to the District for design costs of the park, with the remainder of the fee being reimbursed, to the extent of actual costs, upon the completion of the construction of the park. The Agreement indicates that the community park is to be completed no later than the issuance of a building permit for the 508th dwelling unit constructed within the District. The District incurred actual construction costs in the amount of \$762,241 and requested reimbursement from the City for these costs. Cumulative to date, the District has received reimbursement of \$549,990. The District anticipates receiving the remaining amount of \$212,251 in future years to the extent fees are collected.

Sales and Use Tax - Until the earlier of December 16, 2025, or the repayment of all the Districts' outstanding debt related to the funding of facilities and services within the Districts' service area, the City agrees to remit annually one third (1/3) of the sales and use taxes (excluding the 0.75% recreation sales and use tax) generated and collected within the Districts to SBDMD. The Interdistrict Regional Facilities Intergovernmental Agreement dated March 21, 2000, and the Intergovernmental Agreement Regarding Sales and Use Taxes, dated August 4, 1995, allow for the sharing of this revenue among the Districts.

Beebe Draw Wastewater Service Agreement

On November 4, 1997, District Nos. 1 – 4 entered into the Beebe Draw Wastewater Service Agreement with the City and the Town of Lochbuie (Town) to provide a comprehensive program to finance, construct and operate wastewater facilities within the Beebe Draw drainage basin. SBDMD is responsible for constructing and financing certain sewer lines and is to receive fees from all areas served by the lines, including property within the District. Plant Investment Fees (PIF) are due for connections to the sewer system for treatment facilities within the corporate limits of the Town to be paid directly by builders to the Town. Future expansion of the facilities will be coordinated under the terms of this agreement.

Further, under the agreement, Brighton and Lochbuie are to collect and remit to SBDMD certain "SBDMD fees" equal to the greater of \$1,000 or 40% of the applicable PIF imposed by the Town for a sewer tap connection. SBDMD fees are applied toward payment of the SBDMD 1997 bonds and for other District purposes.

BROMLEY PARK METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 8 - CONTRACTS AND AGREEMENTS (CONTINUED)

Storm Drainage Management Agreement

On March 19, 1997, SBDMD, the Beebe Draw Drainage Company LLC and the Farmers Reservoir and Irrigation Company (FRICO) entered into the Storm Drainage Management Agreement wherein SBDMD acquired the right to discharge storm water from property within the Districts and the Beebe Draw Drainage area into the storm drainage and maintenance facilities owned and operated by the drainage company. SBDMD agrees to collect and pay certain fees to the drainage company to defray the cost of drainage improvements required to serve the Districts.

In April 2004, SBDMD entered into a Global Settlement Agreement whereby the Storm Drainage Management Agreement of March 19, 1997, was replaced and superseded by a Restated Drainage Agreement entered into by FRICO and SBDMD. In addition, SBDMD purchased from the Beebe Draw Drainage Company for \$4 million, an undivided 80% interest in a storm drainage easement, which is the right to discharge storm water into the Beebe Seep as contemplated by the Master Drainage Plan.

Infrastructure

The District imposes an infrastructure fee, a system development fee, and a park development fee. Pursuant to a Development Agreement, as amended by 1st and 2nd amendments, between SBDMD and BPMD No. 2 and Brighton dated April 17, 1998, and a Joint Resolution of SBDMD, BPMD Nos. 2 – 3 and BCMD effective as of July 1, 2003, the City agreed to collect the District infrastructure fee of not less than \$1,075, a District system development fee of not less than \$50 and a District park development fee of not less than \$1,340 upon issuance of a building permit for each single family home. The City remits the fees to SBDMD which may remit to the District. The Districts agree to use the park development fees for public improvements such as the construction of parks.

On August 17, 2004, the Districts entered into an agreement whereby the City will no longer collect fees on behalf of the Districts. The Districts have contracted with an independent third party to collect the fees on behalf of the Districts.

Effective February 23, 2006, the District adopted a resolution that increased the infrastructure fee to \$1,836 per unit and the District system development fee to \$65 per unit for lots over 10,000 square feet in size. The fees on lots under 10,000 square feet did not change.

BROMLEY PARK METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 8 - CONTRACTS AND AGREEMENTS (CONTINUED)

Cost Sharing Agreement

On July 1, 2007, the District entered into an agreement with the Brighton East Farms Home Owners Association (the HOA) for cost sharing of operation and maintenance expenses for Tracts F and U, Brighton East Farms Filing No. 1. Under this agreement the District will reimburse the HOA for maintenance and operation costs associated with these Tracts. The District will reimburse 27.67% of the costs of weekly lawn maintenance and the irrigation system, 100% of maintenance for the monuments and snow removal within Tracts F and U, and 53.87% of the water bill for the tap located at 4219 Harvest Lane. The HOA expressly understands and agrees that the maximum annual amount the District shall be liable for under this agreement is \$90,000, unless an increase is approved by the District's Board of Directors. This agreement terminates each December 31 and renews for one year terms unless one party gives 60 days written notice prior to December 1 that they will not be renewing the agreement.

Prepaid Fee Reimbursement Agreement

Concurrently with the issuance of the Series 2007 Bonds, the District and the Developer entered into a Prepaid Fee Reimbursement Agreement. The District and the Developer had a fee guaranty agreement in association with the refunded bonds, under which the Developer had prepaid \$1,749,659 in fees. Under the original terms of the fee guaranty agreement, the District agreed to reimburse the Developer for the prepaid fees. Under the Prepaid Fee and Reimbursement Agreement the infrastructure fee, local storm drainage fee, and water plant investment fees received by the District will be applied first to reimburse the Developer the \$1,749,659 of prepaid fees and the remaining fees will be pledged to the payment of the bonds. As of December 31, 2016, the Developer has received a cumulative total of \$823,955 towards this obligation.

NOTE 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). 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.

BROMLEY PARK METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 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.

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.

On November 7, 2000, a majority of the District's electors authorized the District to collect and spend or retain in reserve taxes of \$1,000,000 annually without regard to any limitations imposed by TABOR for general operations and maintenance of the District.

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 has taken such steps as it believes necessary to comply 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.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTARY INFORMATION

BROMLEY PARK METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$ 1,665,237	\$ 1,642,052	\$ (23,185)
Specific ownership taxes	141,500	136,925	(4,575)
Net investment income	1,710	7,149	5,439
Total revenues	<u>1,808,447</u>	<u>1,786,126</u>	<u>(22,321)</u>
EXPENDITURES			
Current			
County Treasurer's fees	24,979	24,670	309
Contingency	2,570	-	2,570
Debt service			
Principal - Bonds	440,000	440,000	-
Interest expense - Bonds	1,079,801	1,079,801	-
Paying agent fees	2,650	2,500	150
Total expenditures	<u>1,550,000</u>	<u>1,546,971</u>	<u>3,029</u>
NET CHANGE IN FUND BALANCES	258,447	239,155	(19,292)
FUND BALANCES - BEGINNING OF YEAR	<u>905,355</u>	<u>940,953</u>	<u>35,598</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 1,163,802</u></u>	<u><u>\$ 1,180,108</u></u>	<u><u>\$ 16,306</u></u>

BROMLEY PARK METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016

Bonds and Interest Maturing in the Year Ending December 31,	\$22,340,000 General Obligation Refunding Bonds Series 2007A, Dated July 31, 2007 Interest Rate 4.00% to 5.25% Interest Payable June 1 and December 1 Principal Due December 1		
	Principal	Interest	Total
2017	\$ 455,000	\$ 1,061,101	\$ 1,516,101
2018	505,000	1,041,764	1,546,764
2019	530,000	1,019,670	1,549,670
2020	580,000	996,350	1,576,350
2021	615,000	965,900	1,580,900
2022	675,000	933,613	1,608,613
2023	710,000	898,175	1,608,175
2024	780,000	863,588	1,643,588
2025	815,000	825,600	1,640,600
2026	890,000	785,900	1,675,900
2027	935,000	742,550	1,677,550
2028	1,010,000	697,000	1,707,000
2029	1,065,000	645,238	1,710,238
2030	1,155,000	590,656	1,745,656
2031	1,210,000	531,463	1,741,463
2032	1,310,000	469,450	1,779,450
2033	1,375,000	402,313	1,777,313
2034	1,480,000	331,844	1,811,844
2035	1,560,000	255,994	1,815,994
2036	1,675,000	176,044	1,851,044
2037	1,760,000	90,200	1,850,200
	\$ 21,090,000	\$ 14,324,413	\$ 35,414,413

The Series 2007B Bonds can only be paid from revenues generated from 57.745 mills less the amount necessary to make payment on the Series 2007A Bonds. No payment was made in 2016 and none is anticipated for 2017 on the 2007B Bonds.

BROMLEY PARK METROPOLITAN DISTRICT NO. 2
SUMMARY OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
December 31, 2016

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Taxes		Percentage Collected to Levied
		General	Debt Service	Levied	Collected	
2012	\$ 16,780,790	7.300	73.725	\$ 1,359,664	\$ 1,389,025	102.16%
2013	\$ 17,047,580	7.300	78.725	\$ 1,466,518	\$ 1,456,376	99.31%
2014	\$ 16,960,460	7.300	78.725	\$ 1,459,023	\$ 1,460,386	100.09%
2015	\$ 17,258,990	7.300	78.725	\$ 1,484,705	\$ 1,485,219	100.03%
2016	\$ 21,152,580	7.300	78.725	\$ 1,819,651	\$ 1,794,316	98.61%
Estimated for the year ending December 31, 2017	\$ 21,425,820	7.300	78.725	\$ 1,843,156		

NOTE:

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.