

**BRADBURN METROPOLITAN DISTRICT NO. 2**  
**Adams County, Colorado**

**FINANCIAL STATEMENTS**

**December 31, 2017**

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**Office of the State Auditor**

April 10, 2018

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Bradburn Metropolitan District No. 2  
Adams County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Bradburn Metropolitan District No. 2 (the District), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2017 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.

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**Fiscal Focus Partners, LLC**

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## **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 statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's 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.

*Fiscal Focus Partners, LLC*

Lakewood, Colorado  
March 16, 2018

## **BASIC FINANCIAL STATEMENTS**

**BRADBURN METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF NET POSITION**  
**December 31, 2017**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Investments	\$ 2
Investments - Restricted	267,285
Receivable - County Treasurer	3,889
Property taxes receivable	<u>803,604</u>
Total assets	<u>1,074,780</u>
<b>LIABILITIES</b>	
Accounts payable	827
Accrued interest payable	14,685
Noncurrent liabilities	
Due within one year	80,000
Due in more than one year	<u>8,406,440</u>
Total liabilities	<u>8,501,952</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax revenue	<u>803,604</u>
Total deferred inflows of resources	<u>803,604</u>
<b>NET POSITION</b>	
Restricted for:	
Debt service	270,349
Unrestricted	<u>(8,501,125)</u>
Total net position	<u><u>\$ (8,230,776)</u></u>

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

**BRADBURN METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2017

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
					<u>Governmental Activities</u>
Primary government:					
Government activities:					
General government	\$ 49,970	\$ -	\$ -	\$ -	\$ (49,970)
Interest and related costs on long-term debt	639,335	-	-	-	(639,335)
	<u>\$ 689,305</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(689,305)</u>
General revenues:					
Property taxes					495,532
Specific ownership taxes					47,742
Net investment income					5,433
Total general revenues					<u>548,707</u>
Change in net position					(140,598)
Net position - Beginning					<u>(8,090,178)</u>
Net position - Ending					<u>\$ (8,230,776)</u>

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

**BRADBURN METROPOLITAN DISTRICT NO. 2  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2017**

	<b>General</b>	<b>Debt Service</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Investments	\$ 2	\$ -	\$ 2
Investments - Restricted	-	267,285	267,285
Receivable - County Treasurer	-	3,889	3,889
Property taxes receivable	67,673	735,931	803,604
<b>TOTAL ASSETS</b>	<b>\$ 67,675</b>	<b>\$ 1,007,105</b>	<b>\$ 1,074,780</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Payable - Bradburn Metropolitan District No. 1	\$ 2	\$ 825	\$ 827
Total liabilities	2	825	827
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax revenue	67,673	735,931	803,604
Total deferred inflows of resources	67,673	735,931	803,604
<b>FUND BALANCES</b>			
Restricted for:			
Debt service	-	270,349	270,349
Total fund balances	-	270,349	270,349
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 67,675</b>	<b>\$ 1,007,105</b>	

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

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not recorded as liabilities in the funds

Bonds payable	(4,822,000)
Bond interest payable	(14,685)
Accrued compounded interest payable - Subordinate Bonds	(3,664,440)
Net position of governmental activities	<b>\$ (8,230,776)</b>

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

**BRADBURN METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2017**

	<b>General</b>	<b>Debt Service</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Property taxes	\$ 49,553	\$ 445,979	\$ 495,532
Specific ownership taxes	-	47,742	47,742
Net investment income	417	5,016	5,433
Total revenues	49,970	498,737	548,707
<b>EXPENDITURES</b>			
Treasurer's fees	748	6,730	7,478
Debt service			
Bond interest	-	180,863	180,863
Bond principal	-	70,000	70,000
Interest expense - Sub bonds	-	250,787	250,787
Paying agent fees	-	1,650	1,650
Transfer to Bradburn Metropolitan District No. 1	49,222	-	49,222
Total expenditures	49,970	510,030	560,000
<b>NET CHANGE IN FUND BALANCES</b>	-	(11,293)	(11,293)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	-	281,642	281,642
<b>FUND BALANCES - END OF YEAR</b>	\$ -	\$ 270,349	\$ 270,349

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

**BRADBURN 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, 2017**

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

Net change in fund balances - Total governmental funds	\$ (11,293)
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Current year bond principal payment	70,000
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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.

Accrued interest on bonds - Change in liability	387
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Accrued compounded interest payable - Subordinate Bonds - Change in liability	(199,692)
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Changes in net position of governmental activities	\$ (140,598)
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These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**BRADBURN METROPOLITAN DISTRICT NO. 2  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended December 31, 2017**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Property taxes	\$ 49,553	\$ 49,553	\$ -
Net investment income	-	417	417
Miscellaneous income	1,000	-	(1,000)
Total revenues	<u>50,553</u>	<u>49,970</u>	<u>(583)</u>
<b>EXPENDITURES</b>			
Treasurer's fees	743	748	(5)
Transfer to Bradburn Metropolitan District No. 1	48,810	49,222	(412)
Contingency	1,000	-	1,000
Total expenditures	<u>50,553</u>	<u>49,970</u>	<u>583</u>
<b>NET CHANGE IN FUND BALANCES</b>			
	-	-	-
<b>FUND BALANCES - BEGINNING OF YEAR</b>			
	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>			
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**BRADBURN METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

Bradburn 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 November 28, 2000, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District was organized to provide construction, installation, financing and operation of public improvements, including water, wastewater, streets, park and recreation facilities, and other improvements needed for the District. The District was organized in conjunction with two other related districts, Bradburn Metropolitan District No. 1 and Bradburn Metropolitan District No. 3 (collectively, the Districts). Under the Consolidated Service Plan approved by the City Council of Westminster on September 11, 2000, as amended by a First Modification dated April 23, 2001, District No. 1 is the Operating District and District Nos. 2 and 3 are the Financing Districts. On August 22, 2016, the City Council approved the Second Modification to the District Facilities Construction and Service Agreement between Bradburn Metropolitan District Nos. 1, 2 and 3. Consistent with the Second Modification, it is no longer necessary for District No. 3 to be part of the Master IGA in order to meet its ongoing administrative, operational or maintenance needs. The District's service area is located entirely within the City of Westminster, Adams County, Colorado.

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 is not financially accountable for any other District organization, including District Nos. 1 and 3, nor is the District a component unit of any other primary governmental entity.

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

**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.

**BRADBURN METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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: 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 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 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.

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

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources 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 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 Board 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.

**BRADBURN METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The District amended its annual budget for the year ended December 31, 2017.

**Pooled Cash and Investments**

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

**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 as deferred inflows 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.

**Development Fees**

The Development Fees are one time capital charges in the amount of \$2,500 per each "for sale" residential dwelling unit. Development Fees are not imposed upon any "affordable housing" as referenced in the Service Plan. The Development Fees Resolution defines a "for sale" residential dwelling unit as any property within the District upon which a residential dwelling unit is situated and is intended for purchase by an individual or individuals for use as a residence. "For sale" residential dwelling units do not include any apartment units for rent.

Development Fees are due and owing to the District when each unit is first sold at closing between the Developer and homebuilders or other entities that purchase property upon which residential units have, will or may be constructed.

**BRADBURN METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one 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 amount becomes 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.
- *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.

**BRADBURN METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Statement of net position:

Investments	\$ 2
Investments – restricted	\$ 267,285
Total cash and investments	<u>\$ 267,287</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.

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

At December 31, 2017, the District did not have any cash deposits since the local government investment pool described below provides payment services.

**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.

**BRADBURN METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

Revenue bonds of local government securities, corporate and bank securities, and guaranteed investment contracts not purchased with bond proceeds, are limited to maturities of three years or less.

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
- . 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

**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), CSAFE which are recorded at amortized cost, and COLOTRUST which are recorded at net asset value.

As of December 31, 2017, the District had the following investments:

<b>Investment</b>	<b>Maturity</b>	<b>Amount</b>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	\$ 924
Federated Treasury Money Market Fund		<u>266,363</u>
		<u>\$ 267,287</u>

**BRADBURN METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

**COLOTRUST**

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the 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 \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. 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 investment in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**Federated Treasury Money Market Fund**

The debt service money that was included in the trust accounts at United Missouri Bank (successor of American National Bank) was invested in the Federated Treasury Obligations Fund. This portfolio is a money market mutual fund which invests in U.S. Treasury obligations, which are fully guaranteed as to principal and interest by the United States, with maturities of 13 months or less and repurchase agreements collateralized by U.S. Treasury obligations. The Federal Treasury Obligation Fund is rated AAAM by Standard & Poor's.

**NOTE 4 - LONG-TERM OBLIGATIONS**

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2017:

	<u>Balance at December 31, 2016</u>	<u>Net Issues/ Additions</u>	<u>Retirements/ Refundings</u>	<u>Balance at December 31, 2017</u>	<u>Current Portion</u>
2004 - \$3,170,000					
G.O. Bonds	\$ 2,730,000	\$ -	\$ 70,000	\$ 2,660,000	\$ 80,000
2004 - \$2,162,000					
Subordinate Bonds	2,162,000	-	-	2,162,000	-
Accrued interest -					
Subordinate Bonds	3,464,748	450,479	250,787	3,664,440	-
	<u>\$ 8,356,748</u>	<u>\$ 450,479</u>	<u>\$ 320,787</u>	<u>\$ 8,486,440</u>	<u>\$ 80,000</u>

**BRADBURN METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)**

The detail of the District's general obligation bonds outstanding during 2017 is as follows:

**Series 2004, \$3,170,000 General Obligation Bonds, Dated June 1, 2004** (the Series 2004 Bonds). The Series 2004 Bonds are term bonds which are due December 1, 2034, with mandatory sinking fund payments starting on December 1, 2006. Interest of 6.625% is payable semiannually on June 1 and December 1. The Series 2004 Bonds maturing before December 1, 2014 are not subject to redemption prior to maturity. The 2004 Bonds maturing on or after December 1, 2014, are subject to redemption prior to maturity, at the option of the District, on December 1, 2014, and on any date thereafter at par without redemption premium.

**Series 2004, \$2,162,000 Subordinate Bonds, Dated June 1, 2004** (Series 2004 Subordinate Bonds). The Series 2004 Subordinate Bonds are due December 15, 2034, and bear interest at 8.00%. Interest and principal payments are payable from the pledged revenue of the District and are due on December 15 of each year. Should sufficient pledged revenue not exist after satisfying the annual obligation of the Series 2004 Bonds, then the interest due on the Subordinate Bonds shall compound annually. As of December 31, 2017, there is \$3,664,440 of accrued interest payable on the Subordinate Bonds.

The 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: 1) the Required Mill Levy, 2) the Specific Ownership Tax, 3) the Development Fees, and 4) 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 the amount sufficient to pay the principal, premium, if any, and interest on the Bonds as the same become due and payable to make up any deficiencies in the Reserve Fund. The maximum Required Mill Levy is 50 mills and the minimum Mill Levy is 36.360 adjusted for changes in the ratio of actual value to assessed value of property within the District. As of December 31, 2017, the adjusted maximum mill levy is 57.063 mills and the adjusted minimum mill levy is 41.691. For collection year 2017, the District levied 45.000 mills for debt service.

Pledged Revenue in excess of amounts necessary to pay the principal of premium, if any, and interest on the General Obligation Bonds when due, will be transferred to the Surplus Fund. The Surplus Fund shall be funded from deposits of pledged revenue to the Maximum Surplus, which is 10% of the then outstanding principal amount of the General Obligation Bonds. At December 31, 2017, the maximum surplus amount is \$266,000. The Surplus Fund shall be maintained until the date on which the Debt to Assessed Ratio is 50% or less, after which the Surplus Fund shall be terminated and any moneys therein applied to any legal purpose of the District and as restricted by State law. No payment of principal or interest can be made on the Subordinate Bonds prior to funding the Surplus Fund up to the maximum amount. The balance in the Surplus Fund at December 31, 2017, was \$266,000.

**BRADBURN METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)**

The outstanding bond principal and interest of the Series 2004 General Obligation Bonds mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 80,000	\$ 176,225	\$ 256,225
2019	85,000	170,925	255,925
2020	95,000	165,294	260,294
2021	100,000	159,000	259,000
2022	110,000	152,375	262,375
2023-2027	690,000	641,301	1,331,301
2028-2032	995,000	374,644	1,369,644
2033-2034	505,000	50,681	555,681
	<u>\$ 2,660,000</u>	<u>\$ 1,890,445</u>	<u>\$ 4,550,445</u>

The annual debt service requirements on the subordinate bonds are not currently determinable since they are payable only from funds available from Pledged Revenue.

**Debt Authorization**

On November 7, 2000, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$74,000,000, at an interest rate not to exceed 18% per annum. At December 31, 2017, the District had authorized but unissued indebtedness from this election in the following amounts allocated for the following purposes:

	<u>Authorized November 7, 2000 Election</u>	<u>Authorization Used</u>	<u>Remaining at December 31, 2017</u>
Streets	\$ 8,000,000	\$ 3,856,682	\$ 4,143,318
Water	2,500,000	195,589	2,304,411
Sewer and drainage	2,500,000	374,377	2,125,623
Parks and recreation	5,500,000	905,352	4,594,648
Safety protection	1,000,000	-	1,000,000
Mosquito control	500,000	-	500,000
Transportation	1,000,000	-	1,000,000
Operations and maintenance	2,500,000	-	2,500,000
Refunding financial obligations	23,500,000	-	23,500,000
Intergovernmental contracts	26,000,000	-	26,000,000
Television relay	1,000,000	-	1,000,000
	<u>\$ 74,000,000</u>	<u>\$ 5,332,000</u>	<u>\$ 68,668,000</u>

**BRADBURN METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)**

Pursuant to the Consolidated Service Plan, the Districts are collectively limited to issuing general obligation debt of \$20,000,000.

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

**NOTE 5 - NET POSITION**

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

The restricted component of net position consists of assets 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 a restricted net position as of December 31, 2017, as follows:

	<b><u>Governmental Activities</u></b>
Restricted net position:	
Debt service	\$ 270,349
Total restricted net position	<u>\$ 270,349</u>

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the restricted component of net position.

The District has a deficit in unrestricted net position. This deficit amount was a result of the District being responsible for the repayment of bonds issued for the construction of public improvements conveyed to other government entities.

**NOTE 6 - RELATED PARTY**

The members of the Board of Directors are employees of, owners of or are otherwise associated with Continuum Partners, LLC and may have conflicts of interest in dealing with the District. Continuum Partners, LLC (Continuum) has been responsible for the development of the property within the District. Continuum has created additional entities to fund the development within the District; however, these entities are controlled by Continuum and its management team. The entities are CP Bradburn Village West, LLC, CP Bradburn Village Central, LLC., Orchard Park Investments, Inc. (OPI), Bradburn Northern Associates, LLC (BNA), Block 18 Associates, LLC (BLK18), Continuum Property Management Company, LLC (CPCM), and CP Bradburn WF, LLC (CPBWF). Continuum and the additional entities are collectively referred to as the Developer.

**BRADBURN METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 6 - RELATED PARTY (CONTINUED)**

The District has entered into Funding and Reimbursement Agreements with the Developer as follows:

**Advance and Reimbursement Agreement**

District No. 1, BCA, CBA and OPI have entered into Reimbursement Agreements dated August 6, 2001, December 2, 2002, and April 4, 2005, respectively, to fund certain construction and operating costs of District No. 1. District No. 1 is to reimburse the Developer from funds available, subject to annual appropriation. Reimbursement is to include interest at the rate of 8.5%. Each of these Reimbursement Agreements were amended on February 16, 2016 and subsequently assigned to Bradburn Northern Associates, LLC. There were no developer advances or repayment of developer advances during 2017.

Although the District is not a party to this agreement, the District is obligated under the Master IGA to finance the improvements which are the subject of this agreement, subject to the terms and limitations of the Master IGA.

**Prepaid Development Fee Agreement**

On March 3, 2008, Bradburn Metropolitan District Nos. 1, 2 and 3 entered into a Prepaid Development Fee Agreement with Continuum Bruchez Association, LLC (CBA) and Bradburn Community Associations, LLC (BCA). Under the agreement, CBA and BCA acknowledge the Districts are incurring financial obligations in connection with the construction, operation and maintenance and landscaping of the Public Infrastructure. In order to facilitate and provide a revenue source for the provision of such infrastructure, CBA and BCA may prepay Development Fees. The District is obligated to redeem fee certificates from future revenue. On March 2, 2009, a first amendment to this agreement was executed to include Orchard Park Investments, Inc. (OPI) and Bradburn Northern Associates, LLC (BNA).

**Prepaid Development Fee Activity**

<u>Paid by</u>	<u>Date</u>	<u>Amount</u>	<u>Number</u>
Bradburn Northern, LLC	2007	\$ 5,000	2
Bradburn Northern, LLC	2008	12,500	5
		<u>17,500</u>	<u>7</u>
Certificates redeemed		-	-
Prepaid development fees outstanding		<u>\$ 17,500</u>	<u>7</u>

**BRADBURN METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 7 - INTERGOVERNMENTAL AGREEMENT**

District Nos. 1, 2 and 3 have entered into a District Facilities Construction Service Agreement (the Master IGA). The agreement was dated as of January 1, 2002 and subsequently amended on December 23, 2003. Pursuant to the Master IGA, District No. 1 is the Operating District and is responsible for the construction of infrastructure improvements and for providing management services to the Financing Districts. District Nos. 2 and 3 are the Financing Districts and are responsible for financing the costs of the infrastructure improvements and financing the costs of services provided by District No. 1. The Financing Districts are limited to issuing debt in the amounts authorized in the November 7, 2000, election for capital costs and service costs. District No. 2 has a mill levy cap of 50 mills. However, the 50 mill limitation may be adjusted as determined by the Board of Directors for changes in the ratio of actual value to assessed value of property within the District under State statute. For 2017 collection, the adjusted mill levy cap was 57.063 mills. The revenue generated by the mill assessment is to be used to first repay any general obligation debt of the District and then to fund any costs of the Operating District.

The Master IGA was amended on November 23, 2016 to remove District No. 3 as a party of this agreement. Effective January 1, 2017, the Master IGA shall no longer apply to, have control over, or obligate District No. 3 in any manner.

**NOTE 8 - 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.

**NOTE 9 - TAX, SPENDING AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, referred to 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.

**BRADBURN METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 9 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)**

On November 7, 2000, the District's electors authorized the District to increase property taxes up to \$100,000 annually for District operations (for collection in 2001). The District was authorized to collect, retain and spend such revenue as a permanent revenue change under TABOR and an exception to the limitations set forth in Section 29-1-203, Colorado Revised Statutes.

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 transfers all of its operating revenues to Bradburn Metropolitan District No. 1 as provided for in the Master IGA. Therefore, the emergency reserve related to the District's revenue stream is captured in Bradburn Metropolitan District No. 1.

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

**NOTE 10 – SUBSEQUENT EVENT**

On March 7, 2018, District No. 2 has issued its (i) Limited Tax (Convertible To Unlimited Tax) General Obligation Refunding and Improvement Bonds, Series 2018A in the principal amount of \$10,120,000; (ii) Subordinate Limited Tax General Obligation Bonds, Series 2018B in the principal amount of \$2,988,000; and (iii) Junior Lien Limited Tax General Obligation Bonds, Series 2018C in the principal amount of \$3,271,000 (collectively, the "Bonds"). A portion of the net proceeds of the Bonds will be used to pay District No. 1 under the Master IGA, which will then be used by District No. 1 to reimburse the Developer under the Reimbursement Agreements; as a result of assignment of the Reimbursement Agreements to District No. 2, District No. 1 is no longer providing services on behalf of District No. 2 and District No. 1 will likely either dissolve or become inactive; and, the Districts now will operate independently of one another and it is no longer necessary that the Districts be party to the Master IGA in order to meet ongoing administrative, operational, and maintenance needs. The Districts hereby agree to terminate the Agreement, which termination shall be effective upon the Effective Date. The Districts hereby release each other from all obligations under and claims arising from, and waive any and all claims of, and remedies for, default or breach of, the Master IGA.

**BRADBURN METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 10 – SUBSEQUENT EVENT (CONTINUED)**

It is anticipated that the District will be entering into an, or the Assignment and Assumption of Reimbursement Agreement with closing, for the purposes of funding certain costs of the Facilities, Bradburn Metropolitan District No. 1 (the "Assignor") previously entered into the Reimbursement Agreements. The Reimbursement Agreements contemplate that the Developer would advance to the Assignor, for the benefit of the Assignor and Assignee, one or more sums of money for costs incurred or to be incurred by the Assignee in the general nature of administrative and maintenance costs, and costs of the construction of public improvements, and the Assignor would be responsible for reimbursing the Developer for such costs. Upon payment of the net proceeds of the Bonds by Assignor to the Developer, the Assignor hereby assigns, transfers, and conveys to the Assignee all of the Assignor's right, title, and interest in, to, and under the Reimbursement Agreements, and the Assignee hereby accepts such assignment and assumes all of the rights, duties, and obligations of the Assignor, and agrees to be bound by all of the terms and conditions of the Reimbursement Agreements.

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

## **SUPPLEMENTARY INFORMATION**

**BRADBURN METROPOLITAN DISTRICT NO. 2**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**Year Ended December 31, 2017**

	<b>Budgets</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Property taxes	\$ 445,979	\$ 445,979	\$ 445,979	\$ -
Specific ownership taxes	35,700	47,742	47,742	-
Net investment income	600	5,016	5,016	-
Total revenues	<u>482,279</u>	<u>498,737</u>	<u>498,737</u>	<u>-</u>
<b>EXPENDITURES</b>				
Treasurer's fees	6,690	6,760	6,730	30
Bond interest	180,863	180,863	180,863	-
Bond principal	70,000	70,000	70,000	-
Interest expense - Sub bonds	227,279	250,827	250,787	40
Paying agent fees	1,650	1,650	1,650	-
Contingency	2,797	-	-	-
Total expenditures	<u>489,279</u>	<u>510,100</u>	<u>510,030</u>	<u>70</u>
<b>NET CHANGE IN FUND</b>				
<b>BALANCES</b>	(7,000)	(11,363)	(11,293)	70
<b>FUND BALANCES - BEGINNING</b>				
<b>OF YEAR</b>	<u>276,679</u>	<u>281,642</u>	<u>281,642</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>				
	<u>\$ 269,679</u>	<u>\$ 270,279</u>	<u>\$ 270,349</u>	<u>\$ 70</u>

**BRADBURN METROPOLITAN DISTRICT NO. 2  
SUMMARY OF ASSESSED VALUATION, MILL LEVY  
AND PROPERTY TAXES COLLECTED  
December 31, 2017**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Total Mills Levied</u>		<u>Total Property Taxes</u>		<u>Percent Collected to Levied</u>
		<u>General Oper- ations</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2013	\$ 5,507,940	5.000	45.000	\$ 275,397	\$ 252,036	91.52% (A)
2014	\$ 6,428,780	5.000	45.000	\$ 321,439	\$ 307,145	95.55% (B)
2015	\$ 6,316,920	5.000	45.000	\$ 315,846	\$ 316,161	100.10%
2016	\$ 9,693,640	5.000	45.000	\$ 484,682	\$ 484,682	100.00%
2017	\$ 9,910,640	5.000	45.000	\$ 495,532	\$ 495,532	100.00%
Estimated for year ending December 31, 2018	\$ 12,821,770	5.278	57.397	\$ 803,604		

**NOTE:**

Property taxes shown as collected in any one year include collection of delinquent property taxes or abatements of property taxes assessed in prior years. This presentation does not attempt to identify specific years of assessment.

(A) \$23,362 of taxes were refunded to property owners in 2013.

(B) \$13,365 of taxes were refunded to property owners in 2014.

**BRADBURN METROPOLITAN DISTRICT NO. 2**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**December 31, 2017**

**\$3,170,000 General Obligation  
Bonds, Series 2004  
Dated June 1, 2004  
Interest at 6.625%  
Payable June 1 and December 1  
Principal Due December 1**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 80,000	\$ 176,225	\$ 256,225
2019	85,000	170,925	255,925
2020	95,000	165,294	260,294
2021	100,000	159,000	259,000
2022	110,000	152,375	262,375
2023	115,000	145,088	260,088
2024	130,000	137,469	267,469
2025	135,000	128,856	263,856
2026	150,000	119,913	269,913
2027	160,000	109,975	269,975
2028	170,000	99,375	269,375
2029	185,000	88,113	273,113
2030	200,000	75,856	275,856
2031	210,000	62,606	272,606
2032	230,000	48,694	278,694
2033	245,000	33,456	278,456
2034	260,000	17,225	277,225
	<u>\$ 2,660,000</u>	<u>\$ 1,890,445</u>	<u>\$ 4,550,445</u>