

**BROMLEY PARK METROPOLITAN DISTRICT NO. 3**  
Adams County, Colorado

**FINANCIAL STATEMENTS**  
December 31, 2017

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Office of the State Auditor

July 30, 2018

## TABLE OF CONTENTS

	<b>PAGE</b>
<b>INDEPENDENT AUDITOR’S REPORT .....</b>	<b>I</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide Financial Statements:	
Statement of Net Position .....	1
Statement of Activities.....	2
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	3
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.....	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.....	5
Statement of Revenues, Expenditures and Change in Fund Balance - Budget and Actual - General Fund .....	6
Notes to Financial Statements.....	7
<b>SUPPLEMENTAL INFORMATION</b>	
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual - Debt Service Fund .....	27
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual - Capital Projects Fund.....	28
<b>OTHER INFORMATION</b>	
Schedule of Debt Service Requirements to Maturity .....	29
Schedule of Assessed Valuation, Mill Levy and Property Taxes Collected .....	30



## SCHILLING & COMPANY, INC.

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### **Independent Auditor's Report**

Board of Directors  
Bromley Park Metropolitan District No. 3  
Adams County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Bromley Park Metropolitan District No. 3 (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 Bromley Park Metropolitan District No. 3, as of December 31, 2017, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

*SCHILLING & COMPANY, INC.*

Highlands Ranch, Colorado  
July 27, 2018

## **BASIC FINANCIAL STATEMENTS**

**BROMLEY PARK METROPOLITAN DISTRICT NO. 3**  
**STATEMENT OF NET POSITION**  
**December 31, 2017**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments - unrestricted	\$ 108,258
Cash and investments - restricted	5,561,397
Receivable from county treasurer	9,095
Prepays	4,841
Property taxes receivable	1,600,889
Capital assets not being depreciated	2,764,395
Capital assets, net of accumulated depreciation	1,872,813
Total assets	11,921,688
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred loss on refunding	1,388,954
Total deferred outflows of resources	1,388,954
<b>LIABILITIES</b>	
Accounts payable	138,437
Due to other governmental entities	1,631
Accrued interest on bonds	64,500
Noncurrent liabilities:	
Due within one year	305,000
Due in more than one year:	
General obligation bonds	24,695,000
Total liabilities	25,204,568
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred property tax revenue	1,600,889
Total deferred inflows of resources	1,600,889
<b>NET POSITION</b>	
Net investment in capital assets	(7,569,440)
Restricted for:	
Emergency reserves	4,300
Unrestricted	(5,929,675)
Total net position	\$ (13,494,815)

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

**BROMLEY PARK METROPOLITAN DISTRICT NO. 3**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in Net</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Position</u>
					<u>Governmental</u>
					<u>Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 293,967	\$ -	\$ -	\$ -	\$ (293,967)
Interest and expenses on long-term debt	1,149,806	-	-	-	(1,149,806)
	<u>\$ 1,443,773</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,443,773)</u>
General revenues:					
Property taxes					1,158,849
Specific ownership taxes					111,825
Interest					4,550
Miscellaneous					192
Total general revenues					<u>1,275,416</u>
Special items:					
Dedication of capital assets to another government					<u>(102,108)</u>
Change in net position					(270,465)
Net position - beginning of year					<u>(13,224,350)</u>
Net position - end of year					<u>\$ (13,494,815)</u>

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

**BROMLEY PARK METROPOLITAN DISTRICT NO. 3**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2017**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments - unrestricted	\$ 108,258	\$ -	\$ -	\$ 108,258
Cash and investments - restricted	-	1,250,722	4,310,675	5,561,397
Receivable from county treasurer	991	8,104	-	9,095
Prepays	4,841	-	-	4,841
Due from other funds	140,698	-	-	140,698
Property taxes receivable	174,502	1,426,387	-	1,600,889
Total assets	\$ 429,290	\$ 2,685,213	\$ 4,310,675	\$ 7,425,178
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 132,456	\$ 5,981	\$ -	\$ 138,437
Due to other governmental entities	1,631	-	-	1,631
Due to other funds	-	140,698	-	140,698
Total liabilities	134,087	146,679	-	280,766
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred property tax revenue	174,502	1,426,387	-	1,600,889
Total deferred inflows of resources	174,502	1,426,387	-	1,600,889
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid expenditures	4,841	-	-	4,841
Spendable:				
Restricted fund balance				
Emergency reserves	4,300	-	-	4,300
Debt service	-	1,112,147	-	1,112,147
Capital projects	-	-	4,310,675	4,310,675
Unassigned fund balance	111,560	-	-	111,560
Total fund balances	120,701	1,112,147	4,310,675	5,543,523
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
	\$ 429,290	\$ 2,685,213	\$ 4,310,675	

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.	4,637,208
Deferred outflows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds:	
Bond refunding loss, net	1,388,954
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable	(25,000,000)
Accrued interest on bonds payable	(64,500)
Net position of governmental activities	\$ (13,494,815)

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

**BROMLEY PARK METROPOLITAN DISTRICT NO. 3**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2017**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property taxes	\$ 126,315	\$ 1,032,534	\$ -	\$ 1,158,849
Specific ownership taxes	12,189	99,636	-	111,825
Interest	121	2,871	1,558	4,550
Miscellaneous	192	-	-	192
Total revenues	<u>138,817</u>	<u>1,135,041</u>	<u>1,558</u>	<u>1,275,416</u>
<b>EXPENDITURES</b>				
<u>General</u>				
Audit	6,412	6,412	-	12,824
County treasurer fees	1,896	15,501	-	17,397
Directors' fees	2,000	-	-	2,000
District management and accounting	30,173	23,707	-	53,880
Dues and subscriptions	343	-	-	343
Engineering	844	-	-	844
Insurance and bonds	5,654	-	-	5,654
Legal	29,213	4,365	-	33,578
Maintenance and repairs	26,602	-	-	26,602
Miscellaneous	82	-	-	82
Payroll taxes	153	-	-	153
Support services	11,883	-	-	11,883
Utilities	9,823	-	-	9,823
<u>Debt service</u>				
Bond principal	-	385,000	-	385,000
Bond interest	-	846,943	-	846,943
Paying agent fees	-	7,758	-	7,758
Bond issuance costs	-	149,000	-	149,000
GO Subordinate promissory note Series 2009A repayment - principal	-	-	754,692	754,692
Developer advance repayment - principal	110,000	-	-	110,000
GO Subordinate promissory note Series 2009A repayment - interest	-	-	490,904	490,904
Developer advance repayment - interest	58,398	-	-	58,398
<u>Capital outlay</u>				
Street lighting	-	-	102,108	102,108
Total expenditures	<u>293,476</u>	<u>1,438,686</u>	<u>1,347,704</u>	<u>3,079,866</u>
<b>EXCESS OF EXPENDITURES OVER REVENUES</b>	<u>(154,659)</u>	<u>(303,645)</u>	<u>(1,346,146)</u>	<u>(1,804,450)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from refunding bonds issued	-	25,000,000	-	25,000,000
Transfer to escrow agent	-	(17,939,729)	-	(17,939,729)
Transfers in (out)	-	(5,656,821)	5,656,821	-
Total other financing sources (uses)	<u>-</u>	<u>1,403,450</u>	<u>5,656,821</u>	<u>7,060,271</u>
<b>NET CHANGE IN FUND BALANCE</b>	(154,659)	1,099,805	4,310,675	5,255,821
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>275,360</u>	<u>12,342</u>	<u>-</u>	<u>287,702</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 120,701</u>	<u>\$ 1,112,147</u>	<u>\$ 4,310,675</u>	<u>\$ 5,543,523</u>

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

**BROMLEY PARK METROPOLITAN DISTRICT NO. 3**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE 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 \$ 5,255,821

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of 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 as expenditures, whereas, these amounts are deferred and amortized in the statement of activities.

Refunding bond proceeds	(25,000,000)	
Bond principal payment	385,000	
Repayment of GO subordinate promissory note	754,692	
Repayment of developer advances	110,000	
Payment to refunding escrow agent	17,939,729	
Amortization of cost of refunding	(82,208)	
Amortization of bond discount	<u>(12,325)</u>	(5,905,112)

Government funds report capital outlays as expenditures. However, in the Statement of Activities capital outlay is not reported as an expenditure.

Capital outlay	<u>102,108</u>	102,108
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Some expenses reported in the Statement of Activities do not require the use of financial resources and, therefore, are not reported as expenditures in governmental funds:

Net change in accrued interest - bonds payable	6,079	
Net change in accrued interest - promissory note payable	434,386	
Net change in accrued interest - developer advances	57,265	
Dedication of capital assets to other government	(102,108)	
Depreciation	<u>(118,904)</u>	<u>276,718</u>

Change in net position of governmental activities \$ (270,465)

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

**BROMLEY PARK METROPOLITAN DISTRICT NO. 3**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**Year Ended December 31, 2017**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 126,328	\$ 126,328	\$ 126,315	\$ (13)
Specific ownership taxes	10,100	10,100	12,189	2,089
Water lease	8,000	8,000	-	(8,000)
Interest	200	200	121	(79)
Miscellaneous	200	200	192	(8)
Total revenues	<u>144,828</u>	<u>144,828</u>	<u>138,817</u>	<u>(6,011)</u>
<b>EXPENDITURES</b>				
<u>General</u>				
Audit	3,000	6,500	6,412	88
County treasurer fees	1,895	1,895	1,896	(1)
Directors' fees	2,000	2,000	2,000	-
District management and accounting	20,000	30,200	30,173	27
Dues and subscriptions	500	500	343	157
Engineering	1,000	1,000	844	156
Fees and licenses	100	100	-	100
Insurance and bonds	5,100	5,700	5,654	46
Legal	8,500	30,000	29,213	787
Maintenance	30,000	27,000	26,602	398
Miscellaneous	1,000	1,000	82	918
Payroll taxes	150	150	153	(3)
Support services	5,000	12,000	11,883	117
Utilities	10,000	10,000	9,823	177
Contingency	7,300	7,300	-	7,300
<u>Debt Service</u>				
Developer advance repayment - principal	-	110,000	110,000	-
Developer advance repayment - interest	-	58,500	58,398	102
Total expenditures	<u>95,545</u>	<u>303,845</u>	<u>293,476</u>	<u>10,369</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>49,283</u>	<u>(159,017)</u>	<u>(154,659)</u>	<u>4,358</u>
<b>OTHER FINANCING USES</b>				
Transfers out	(100,000)	-	-	-
Total other financing uses	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(50,717)	(159,017)	(154,659)	4,358
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>255,605</u>	<u>275,360</u>	<u>275,360</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 204,888</u>	<u>\$ 116,343</u>	<u>\$ 120,701</u>	<u>\$ 4,358</u>

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

**BROMLEY PARK METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

Bromley Park Metropolitan District No. 3 (District), a quasi-municipal corporation and political subdivision of the State of Colorado was organized on April 23, 1985 and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Adams County, Colorado, entirely within the City of Brighton (City). The District is one of six contiguous districts: South Beebe Draw Metropolitan District, Bromley Park Metropolitan District Nos. 2, 3, 5 and 6 and Brighton Crossing Metropolitan District No. 4 (the Districts, or SBD, BPMD Nos. 2, 3, 5, 6 and BC, respectively). As of December 31, 2017, all the Districts, with the exception of BPMD No. 2 and BC, have substantially the same membership of their respective Boards of Directors. SBD, BPMD No. 2, the District, and BC are participants in the Annexation Agreement, as amended, between the City and the then current developer of the majority of the property within the Districts, BPK Holdings, LLC, (BPK). BPMD Nos. 5 and 6 were formed in 2000, and both BPMD Nos. 5 and 6, with the exception of a few parcels, are mostly located within the City. BPMD Nos. 5 and 6 are participating in the Annexation Agreement, as amended.

Pursuant to the Intergovernmental Agreement Regarding Sales and Use taxes (Sales and Use Tax IGA) entered into on August 4, 1995, between BPK, SBD, BPMD No. 2, the District and BC, SBD was designated by BPK to receive and administer 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 BPMD No. 2, the District and BC, and later, under separate agreements, to the benefit of BPMD Nos. 5 and 6 and Adams East Metropolitan District (Adams East) as revenue pledged for debt service on bonds which funded improvements within those districts and benefitted all Districts. The property within the boundaries of BPMD Nos. 5 and 6 and Adams East is within the boundaries of the property described in the Annexation Agreement, as amended.

The District was established principally to provide water, sanitary sewer and storm drainage services, and to provide for the construction, installation, financing, operation and maintenance of streets, park and recreation, mosquito control, transportation and television relay systems and improvements to areas within and without the boundaries of the District.

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

SBD, BPMD No. 2, the District, and BC entered into an Interdistrict Regional Facilities Intergovernmental Agreement (Interdistrict IGA, as amended) on March 21, 2000 to expand the responsibilities of SBD to include coordination of construction, operation and maintenance of regional facilities with ownership retained by SBD and to provide for the funding of such regional facilities and infrastructure. On July 21, 2004 the Interdistrict IGA was amended by the First Amendment to Interdistrict Regional Facilities Intergovernmental Agreement between SBD, BPMD No. 2, the District and BC, which consented to the reimbursement of certain infrastructure improvement expenses incurred by BPMD No. 2 and BC. The Interdistrict IGA was further amended on October 18, 2005 through the Agreement and Second Amendment to Interdistrict Regional Facilities Intergovernmental Agreement for the purpose of addressing only

**BROMLEY PARK METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1 - DEFINITION OF REPORTING ENTITY (CONTINUED)**

those certain provisions concerning the sewer line connection fee to include BPMD Nos. 5 and 6 and Silver Peaks Metropolitan District Nos. 1-5 (SPMD Nos. 1-5) as they, along with BPMD No. 2, the District and BC, benefit from the improvement and extension of sewer lines to the Town of Lochbuie (Town) wastewater treatment plant (see Note 9). BPMD Nos. 5 and 6 and SPMD Nos. 1-5 were not made a party to all terms of the Interdistrict IGA, as amended. Funding for the regional facilities and maintenance are from certain fees collected by BPMD Nos. 2, 3, 5 and 6, BC and SPMD Nos. 1-5 and transferred to SBD (see Note 9).

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 SBD, BPMD Nos. 2, 5, 6, BC and Adams East), 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. For the most part, 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 assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as net position.

**BROMLEY PARK METROPOLITAN DISTRICT NO. 3**  
**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 governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for property and equipment are shown as increases in assets, and redemption of bonds, notes and developer advances are recorded as a reduction in liabilities.

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

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 other funds.

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

**BROMLEY PARK METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

The Capital Projects Fund is used to account for the financial resources to be used for the acquisition and construction of infrastructure in conjunction with the bond financing terms.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted first, then unrestricted resources as they are needed.

**Budgets**

In accordance with the Local Government Budget Law of Colorado, 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.

Subsequent to the end of the year, supplementary appropriations approved by the District's Board of Directors modified the appropriation from \$195,545 to \$303,845 in the General Fund, from \$1,260,743 to \$24,997,443 in the Debt Service Fund and from \$0 to \$1,349,000 in the Capital Projects Fund.

**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 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.

**Property Taxes**

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

**BROMLEY PARK METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

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

**Capital Assets**

Capital assets, which include equipment and infrastructure assets (e.g. wells, storm drainage and similar items), are reported as a governmental activity in the government-wide financial statements. 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. It is the District's policy to capitalize those assets with a cost or value of \$5,000 or more.

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 that will be dedicated to other governmental entities are not depreciated. Improvements to be owned by the District, with the exception of certain landscaping improvements (e.g. trees, sod, and similar items), are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Water wells	50 years
Storm drainage	40 years
Landscaping improvements	20-25 years
Park and recreation equipment	15-20 years

**Bond Issuance Costs and Deferred Cost on Refunding**

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In the government-wide financial statements, deferred costs on refunding are being amortized over the term of bonds using the straight-line method. At December 31, 2017, the accumulated amortization of the deferred costs on refunding was \$4,509.

**Fund Balances – Governmental Funds**

The District's governmental fund balances may consist of five classifications based on the relative strength of the spending constraints:

**BROMLEY PARK METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

Nonspendable fund balance – the amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact.

Restricted fund balance – the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level of action to remove or change the constraint.

Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board of Directors or by an official or body to which the District Board of Directors delegates the authority.

Unassigned fund balance – amounts that are available for any purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Board of Directors has provided otherwise in its commitment or assignment actions.

**Fees**

The District can impose certain system development and infrastructure fees on property within the District. The fees are required to be paid prior to the issuance of a building permit by the City. The District records the revenue when the fees are paid and received.

**NOTE 3 - CASH AND INVESTMENTS**

Cash and investments as of December 31, 2017 are classified in the accompanying statement of net position as follows:

Cash and investments - unrestricted	\$ 108,258
Cash and investments - restricted	<u>5,561,397</u>
Total cash and investments	<u>\$ 5,669,655</u>

Cash and investments as of December 31, 2017 consist of the following:

Deposits with financial institutions	\$ 106,717
Investments	<u>5,562,938</u>
Total cash and investments	<u>\$ 5,669,655</u>

**BROMLEY PARK METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

**Cash Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

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

At December 31, 2017, the District's cash deposits had a bank balance of \$9,512 and a carrying balance of \$106,717.

**Investments**

**Credit Risk**

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

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

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

**BROMLEY PARK METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

The District generally limits its concentration of investments to those noted with an asterisk (\*) above, which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial risk 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.

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

<b>Investment</b>	<b>Maturity</b>	<b>Fair Value</b>
Colorado Surplus Asset Fund Trust	Weighted average under 60 days	\$ 376
Colorado Local Government Liquid Asset Trust	Weighted average under 60 days	<u>5,562,562</u> <u>\$ 5,562,938</u>

**CSAFE**

During 2017, the District invested in 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 and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to custodian agreements. The custodian acts as safekeeping agent for CSAFE's investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. As of December 31, 2017, the District had \$376 invested in CSAFE, held by a trustee in the name of the District. CSAFE is rated AAAM by S&P Global Ratings.

**COLOTRUST**

During 2017, the District invested in Colorado Local Government Liquid Asset Trust (Colostrust), 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 Colostrust. Colostrust operates similarly to a money market fund and each share is equal in value to \$1.00. Colostrust 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

**BROMLEY PARK METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

certain obligations of U.S. government agencies, highest rated commercial paper, and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for Colotrust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for Colotrust'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 Colotrust. As of December 31, 2017, the District had \$5,562,562 invested in COLOTRUST PLUS+ in the name of the District. COLOTRUST is rated AAAM by S&P Global Ratings.

**Investment Valuation**

Certain investments that are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: 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.

However, the District's investments are not measured at fair value and are therefore not categorized within the fair value hierarchy. These investments include 2a7-like external investment pools (CSAFE and Colotrust). The District is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value (NAV) per share (or its equivalent) of the investment.

Colotrust determines the NAV of the shares of each portfolio as of the close of business on each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of Colotrust, are accrued daily. The NAV is calculated at fair value using various inputs in determine value in accordance with FASB guidance. It is the goal of Colotrust to maintain a NAV of \$1.00 per share, however changes in interest rates may affect the fair value of the securities held by Colotrust and there can be no assurance that the NAV will not vary from \$1.00 per share.

CSAFE's primary goal is to maintain \$1.00 per share NAV. Many funds utilize the amortized cost method but CSAFE does not take this approach. CSAFE prices its portfolio on a weekly basis using a third-party pricing entity to determine if the pool's NAV deviates materially from \$1.00 per share. CSAFE has in place a NAV monitoring policy to take action if a material variation exists.

**BROMLEY PARK METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 4 - CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2017, follows:

<u>Governmental Activities</u>	<u>Balance at December 31, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2017</u>
Capital assets, not being depreciated				
Water rights	\$ 285,000	\$ -	\$ -	\$ 285,000
Landscaping and street improvements	2,479,395	102,108	(102,108)	2,479,395
Total capital assets, not being depreciated	<u>2,764,395</u>	<u>102,108</u>	<u>(102,108)</u>	<u>2,764,395</u>
Capital assets, being depreciated				
Storm drainage	2,688,154	-	-	2,688,154
Landscaping improvements	1,051,003	-	-	1,051,003
Park and recreation equipment	99,821	-	-	99,821
Total capital assets, being depreciated	<u>3,838,978</u>	<u>-</u>	<u>-</u>	<u>3,838,978</u>
Less accumulated depreciation for:				
Storm drainage	(1,025,141)	(67,204)	-	(1,092,345)
Landscaping improvements	(725,294)	(50,592)	-	(775,886)
Park and recreation equipment	(96,826)	(1,108)	-	(97,934)
Total accumulated depreciation	<u>(1,847,261)</u>	<u>(118,904)</u>	<u>-</u>	<u>(1,966,165)</u>
Total capital assets, being depreciated, net	<u>1,991,717</u>	<u>(118,904)</u>	<u>-</u>	<u>1,872,813</u>
Governmental activities capital assets, net	<u>\$ 4,756,112</u>	<u>\$ (16,796)</u>	<u>\$ (102,108)</u>	<u>\$ 4,637,208</u>

The District has previously conveyed water, sewer and street infrastructure to the City for maintenance and ownership. The District will own and maintain certain park and landscaping assets, as well as its local storm drainage infrastructure. Depreciation expense is charged to the general government function/program in the Statement of Activities.

**BROMLEY PARK METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 5 - LONG-TERM OBLIGATIONS**

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

	<b>Balance at December 31, 2016</b>	<b>Additions</b>	<b>Retirements/ Adjustments</b>	<b>Balance at December 31, 2017</b>	<b>Due Within One Year</b>
General Obligation Bonds, Series 2007	\$ 18,275,000	\$ -	\$ (18,275,000)	\$ -	\$ -
Bond discount	(186,240)	-	186,240	-	-
General Obligation Bonds, Series 2017	-	25,000,000	-	25,000,000	305,000
General Obligation Subordinate					
Promissory Note Series 2009A	754,692	-	(754,692)	-	-
Developer advances	110,000	-	(110,000)	-	-
Accrued interest on Subordinate					
Promissory Note Series 2009A	434,386	56,518	(490,904)	-	-
Accrued interest on developer advances	57,265	1,133	(58,398)	-	-
	<u>\$ 19,445,103</u>	<u>\$ 25,057,651</u>	<u>\$ (19,502,754)</u>	<u>\$ 25,000,000</u>	<u>\$ 305,000</u>

**Limited Tax (Convertible to Unlimited Tax) General Obligation Refunding and Improvement Bonds, Series 2007**

On May 30, 2007, the District issued \$20,400,000 Limited Tax (Convertible to Unlimited Tax) General Obligation Refunding and Improvement Bonds, Series 2007 (Series 2007 Bonds). Interest on the Series 2007 Bonds is payable semiannually on June 1 and December 1, commencing December 1, 2007, at interest rates which vary from 3.5% to 5%. The Series 2007 Bonds are subject to mandatory redemption beginning December 1, 2010 and each December 1 thereafter until final maturity on December 1, 2037. The Series 2007 Bonds are secured by and payable from pledged revenue which consists of the monies derived by the District from the following sources: (1) the required mill levy, (2) a portion of the specific ownership taxes and (3) any other legally available monies which the District determines to transfer to the trustee. Until such time as the debt to assessed value requirement is equal to or less than 50%, the ad valorem property tax mill levy cannot be in excess of 48.944 mills (subject to adjustment in the method of calculating the assessed valuation).

The Series 2007 Bonds maturing on or after December 1, 2018 are subject to optional redemption prior to maturity, at the option of the District, in whole or in part, on and after December 1, 2017 and on any date thereafter, at the redemption price equal to the principal amount of each Bond or portion thereof redeemed, plus accrued interest thereon to the date of redemption, without redemption premium.

**BROMLEY PARK METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

The Series 2007 Bonds were issued for the purposes of (1) advance refunding all of the District's outstanding Series 2001A General Obligation Exchange Bonds, Series 2001B General Obligation Bonds and Series 2006 Subordinate Limited Tax General Obligation Capital Appreciation bonds, (2) paying or reimbursing a portion of the costs of acquiring, constructing, relocating and installing certain public improvements and facilities, (3) funding the Series 2007 Bond reserve fund, (4) purchasing a financial guaranty insurance policy and (v) paying the costs of issuance of the Series 2007 Bonds.

On December 7, 2017, the District issued \$25,000,000 General Obligation Limited Tax (Convertible to Unlimited Tax) Refunding and Improvement Bonds, Series 2017 (as discussed below). Proceeds in the amount of \$17,939,729 were placed into escrow in part to redeem the Series 2007 Bonds. As a result of the issuance of the General Obligation Limited Tax (Convertible to Unlimited Tax) Refunding and Improvement Bonds, Series 2017, the Series 2007 Bonds are considered to be defeased and the liabilities have been removed from the statement of net position.

**General Obligation Limited Tax (Convertible to Unlimited Tax) Refunding and Improvement Bonds, Series 2017**

On December 7, 2017, the District issued General Obligation Limited Tax (Convertible to Unlimited Tax) Refunding and Improvement Bonds, Series 2017 (Series 2017 Bonds) in the principal amount of \$25,000,000. The Series 2017 bonds were issued for the purpose of (i) refund valid and outstanding bonded indebtedness of the District; (ii) finance the costs of acquisition, construction, installation and equipping of certain public improvements and facilities within and for the benefit of the District and (iii) pay costs in connection with the issuance of the Series 2017 Bonds.

The Series 2017 Bonds are secured by and payable solely from pledged revenue, which includes property taxes derived from the required mill levy, net of any costs of collection, specific ownership taxes, net of any costs of collection and any other legally available monies of the District credited to the Bond Fund. The Series 2017 Bonds are also secured by amounts held by the trustee in the reserve fund.

The Series 2017 Bonds bear interest, payable semi-annually on June 1 and December 1, of 3.87%. The payment of principal on the Series 2017 Bonds begins on December 1, 2018 and matures on December 1, 2027. The Series 2017 Bonds are subject to mandatory sinking fund redemption prior to the maturity date, in part, upon payment of par and accrued interest, without redemption premium, in such manner as determined by the trustee.

**BROMLEY PARK METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

Information regarding the present value gain and the decrease in total new debt service requirements related to the issuance of the Series 2017 Bonds was not available at the time of the issuance of the audit report.

The District's Series 2017 Bonds matures as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 305,000	\$ 951,375	\$ 1,256,375
2019	315,000	955,696	1,270,696
2020	355,000	943,506	1,298,506
2021	370,000	929,768	1,299,768
2022	410,000	915,448	1,325,448
2023-2027	23,245,000	4,320,082	27,565,082
	<u>\$ 25,000,000</u>	<u>\$ 9,015,875</u>	<u>\$ 34,015,875</u>

**Advance and Reimbursement Agreement for Capital Advances and General Obligation Subordinate Promissory Note Series 2009A**

In an Advance and Reimbursement Agreement dated April 11, 2006 (2006 Agreement), the District and The Bromley Companies, LLC (Bromley Companies) agreed that the District would recognize advances made by the Bromley Companies and would accept additional cash advances from the Bromley Companies for reimbursement by the District. The reimbursement included interest at a rate of 7.5% and was subject to the District's annual appropriation. On October 27, 2009, the District and the Bromley Companies entered into the Advance and Reimbursement Agreement for Capital Advances (2009 Agreement) whereby \$864,692 of principal and accrued interest due to the Bromley Companies under the 2006 Agreement was converted to a General Obligation Subordinate Promissory Note Series 2009A (Series 2009A Note). Pursuant to the terms of the 2009 Agreement all prior agreements and understandings between the District and the Bromley Companies (or any and all entities which constitute the Bromley Companies) were terminated. Payments on the Series 2009A Note are due annually on December 20th through the maturity date of October 26, 2049, subject to the condition precedent that the assessed valuation of all the property located within the District, as certified by the Assessor for Adams County, Colorado, shall equal or exceed twenty-five million dollars (\$25,000,000) in aggregate. This reimbursement obligation is also subordinate to the Series 2007 Bonds. The 2009A Series Note bears interest at 8% per annum and is payable from and secured by pledged revenues generated from property taxes, specific ownership taxes, and any other legally available monies determined by the District.

The outstanding balance on the Series 2009A Note plus accrued interest were paid in full on December 7, 2017 with proceeds from the Series 2017 Bond (as discussed above).

**BROMLEY PARK METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

**Additional Advances Received from the Bromley Companies**

During 2010 the District received and acknowledged a total of \$110,000 in advances from the Bromley Companies. The District did not receive any advances from the Bromley Companies during 2017. In February 2017, pursuant to District Board of Director approval, the advances of \$110,000 plus accrued interest of \$59,398 were reimbursed to the Bromley Companies.

**Authorized Debt**

On November 8, 1994 and November 4, 1997, a majority of the eligible electors of the District authorized the issuance of indebtedness in an amount not to exceed \$86,540,956 at an interest rate not to exceed 15% per annum. At December 31, 2017, the District had authorized but unissued indebtedness from these elections in the following amounts allocated for the following purposes:

	<b>Total Authorized</b>	<b>Remaining at December 31, 2017</b>
Streets	\$ 14,609,392	\$ 3,311,691
Parks and recreation	5,146,129	880,054
Water supply improvements	6,933,379	2,157,947
Sewer and drainage	6,664,556	2,524,213
Safety protection	625,000	625,000
Mosquito control	312,500	312,500
Transportation	1,250,000	1,250,000
Operations and maintenance	1,000,000	1,000,000
Debt refunding	12,000,000	311,383
Shared districts' facilities	38,000,000	38,000,000
	<u>\$ 86,540,956</u>	<u>\$ 50,372,788</u>

**NOTE 6 – FUND EQUITY**

At December 31, 2017, the District reported the following classification of fund equity.

**Nonspendable Fund Balance**

The nonspendable fund balance in the General Fund in the amount of \$4,841 represents prepaid expenditures for the ensuing fiscal year and is therefore not in a spendable form.

**BROMLEY PARK METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 6 – FUND EQUITY (CONTINUED)**

**Restricted Fund Balance**

The restricted fund balance in the General Fund in the amount of \$4,300 is comprised of the emergency reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (See Note 12).

The restricted fund balance in the Debt Service Fund in the amount of \$1,112,147 is to be used exclusively for debt service requirements (see Note 5).

The restricted fund balance in the Capital Projects Fund in the amount of \$4,310,675 is to be used exclusively for acquisition and construction of infrastructure and public improvements.

**NOTE 7 - NET POSITION**

The District's net position consists of three components – net investment in capital assets, restricted and unrestricted.

The net investment in capital assets consists of capital assets that will be owned by the District, 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 improvements of those assets. As of December 31, 2017, the District had a deficit net investment in capital assets in the amount of \$7,569,440.

Restricted net position includes amounts that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments, or as imposed by law through constitutional provisions or enabling legislation. The District's restricted net position at December 31, 2017 consists of \$4,300 for emergency reserves.

As of December 31, 2017, the District had a deficit unrestricted net position of \$5,929,675. This deficit amount is the result of the District being responsible for the repayment of bonds issued for public improvements which were conveyed to other governmental entities.

**NOTE 8 - RELATED PARTIES**

The members of the Board of Directors of the District, SBD, BPMD No. 5 and BPMD No. 6 are employees of, owners of, or otherwise associated with BPK, and/or the Bromley Companies, and/or Bromley Park Industrial Land Company, LLC, and/or RAL Holdings, LLC, (referred to herein as the Affiliates) and may have conflicts of interest in dealing with the District. BPK is the current owner of part of the property previously owned in the District by Bromley Park Associates, Ltd. The Bromley Companies is the current holder of the Series 2009 A Note (see Note 5). Specific details of transactions with the Affiliates regarding organization, advances, and debt are described elsewhere in these notes.

**BROMLEY PARK METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 9 - INTERGOVERNMENTAL AGREEMENTS**

The agreements listed below relate to one or more of the Districts and are not all-inclusive.

**City of Brighton**

Pursuant to (1) the Annexation Agreement, as amended by the First, Second, Third and Fourth Amendments, among BPK, the City, SBD, BPMD No. 2, the District and BC, (2) Agreement 2, among BPK, the City, Adams County, SBD, BPMD No. 2, BPMD No. 3 and BC, and (3) the Interdistrict IGA, as amended, among SBD, BPMD No. 2, the District, and BC (see Note 1), the parties have the following mutual responsibilities:

In general, the Districts and BPK or assignees 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. In 2001 BC transferred the responsibility to plant and maintain the medians to BPMD No. 5.

Danube Street (or of such other designation as it may be re-named at the option of the City) 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 stipulated that the City would provide water service to the Bromley Park Property 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 SBD. In consideration of BPK (assigned the role of annexor in the Annexation Agreement) designing all irrigation systems after December 8, 1998, so that they are capable of being converted to a non-potable water system, the City will provide water taps for certain public areas at no charge.

**Sewer** - The City is to provide sewage collection and treatment capacity to the full development of the BPK Property (also referred to as the Bromley Park Property). Pursuant to the fourth amendment to the Annexation Agreement, approved by the City on October 21, 1997 and entered into on November 4, 1997, the City has fulfilled its obligation to provide wastewater treatment facilities for the property draining into the Beebe Draw Basin by entering into the Beebe Draw Wastewater Agreement between the Town, SBD, BPMD No. 2, the District and BC dated November 4, 1997. The Town is the Wastewater Management Agency for the Beebe Draw

**BROMLEY PARK METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 9 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)**

Service Area. The Beebe Draw Wastewater Services Agreement was amended on August 14, 2009 (see below). Pursuant to the terms of the Interdistrict IGA, as amended, the District was designated as the entity to coordinate the financing, planning, construction, ownership and maintenance of certain infrastructure including sewer for the Districts (see Note 1).

The City remains obligated to provide transmission and treatment service to the BPK Property draining into the South Platte Basin. SBD or BPK is obligated to install, at its expense, all sanitary sewer collection and transmission lines and facilities as stipulated in the Sanitary Sewer Master Plan regardless of drainage basin.

**Storm Drainage** – Pursuant to the second amendment to Annexation Agreement approved on November 11, 1994 and in consideration of BPK’s payment of storm drainage fees, the City agreed to provide all offsite storm drainage improvements for the BPK Property. The third amendment to the Annexation Agreement entered into on May 28, 1996, provided for the ability of SBD, BPMD No. 2, the District and BC to undertake offsite storm drainage activities for property in the Beebe Draw Basin which would include being solely responsible for all offsite drainage for the Bromley Park Property within their boundaries (which is within the Beebe Draw Basin). In such event, (1) SBD, BPMD No. 2, the District and BC would pay for offsite improvements, (2) the City would forego collecting drainage fees and reimbursement, and (3) the drainage fees, as may be appropriate, would be collected by SBD, BPMD No. 2, the District and BC. As part of this undertaking, SBD, BPMD No. 2, the District and BC entered into the Interdistrict IGA, as amended, for the purpose of designating SBD to coordinate the financing, planning, construction, ownership and maintenance of certain infrastructure including storm drainage (see Note 1). The Districts and/or BPK are to construct all onsite storm drainage improvements.

**Sales and Use Tax** - Until the earlier of December 16, 2026, or the repayment of 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 .75% recreation sales and use tax) generated and collected within the Bromley Park Property (as defined in the second amendment to Annexation Agreement) to SBD. The Sales and Use Tax IGA and the Interdistrict IGA, as amended, allow for the sharing of this revenue among SBD, BPMD No. 2, the District and BC. Pursuant to the Sales and Use Tax IGA, the use of funds is determined by the Board of Directors of SBD (See Note 1). In accordance with this provision, the Board of Directors of SBD opted to retain the taxes generated by the District.

**BROMLEY PARK METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 9 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)**

**Beebe Draw Wastewater Service Agreement**

On November 4, 1997, SBD, BPMD No. 2, the District, and BC entered into the Beebe Draw Wastewater Services Agreement with the City and the Town to provide a comprehensive program to finance, design, construct, acquire, operate, maintain and use wastewater treatment and discharge facilities serving properties within the Beebe Draw drainage basin. This agreement was amended on August 14, 2009 by the First Amended and Restated Beebe Draw Wastewater Service Agreement (2009 WSA) between the City, the Town and SBD. The terms of the 2009 WSA amended and restated the 1997 agreement in its entirety, redefined the Beebe Draw Service Area, addressed future annexations east of Interstate 76, redirected certain services to the City, outlined conditions for expansion of the treatment plant, provided general rules for wastewater treatment service, established provisions for capital funding using Plant Investment Fees (PIFs) and operation and maintenance funding, provided for the Lochbuie Sewer Board, outlined specific terms for the construction of additional infrastructure within the Town or City by SBD (which is not anticipated) and provided for rates and charges to be imposed and collected. SBD is responsible for constructing and financing certain sewer lines and receives fees from all areas served by the lines, including property within the District. PIFs 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, the City and Town are to collect and remit to SBD certain fees equal to the greater of \$1,301.60 or 40% of the applicable PIF imposed by the Town for a sewer tap connection. SBD's sewer line connection fee at December 31, 2017 was \$1,301.60.

**System Development, Infrastructure Fees and Infrastructure Support Fees**

The District can impose certain system development and infrastructure fees on property within the District. As of December 31, 2017, the fees that the District can impose per single-family equivalent are as follows:

System development fee - \$2,128 per unit

Infrastructure fee - \$1,048 or \$1,853 per unit depending upon type of unit

In addition, the District imposes system development fees for commercial, office and industrial property at \$0.80, \$0.65 and \$0.32 per square foot of gross building area, respectively.

**BROMLEY PARK METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 9 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)**

On February 10, 2011, the District's Board of Directors adopted a resolution authorizing the imposition of an infrastructure support fee. The fee is due and payable each year on the first day of August until a certificate of occupancy is issued for the lot. The fee shall be imposed but waived on a dollar-for-dollar basis to the extent that the owner of such undeveloped lot provides any developer advances to the District from August 2 of the year immediately preceding the imposition of the infrastructure support fee to August 1 of the year the infrastructure support fee is imposed. At December 31, 2017, the fee was \$975 per undeveloped lot and \$7,800 per acre for undeveloped lots designated for multi-family or non-residential use within the District.

**NOTE 10 - RISK MANAGEMENT**

Except as provided in the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors or omissions, injuries to employees or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2017. 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.

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

**NOTE 11 – INTERFUND BALANCES**

At December 31, 2017, the Debt Service Fund had a balance due to the General Fund of \$140,698 as a result of costs paid on behalf of the Debt Service Fund by the General Fund. It is not anticipated that this balance will be repaid with 2018 revenues.

**BROMLEY PARK METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 12 - 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, except Enterprises.

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 District's eligible electors approve retention of such revenue.

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

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

On November 8, 1994, a majority of the District's electors authorized the District to collect and spend or retain in reserve (1) taxes of \$500,000 annually up to 40.0 mills for District operations and maintenance, (2) taxes of \$28,222,100 annually without limitation of rate to pay the District's general obligation bonds or other obligations, (3) taxes of \$43,700,000 annually without limitation of rate to pay the District's obligations under an agreement with SBD, BPMD No. 2 and BC for joint financing of public improvements and (4) other revenue up to \$6,712,500 annually, all without regard to any spending, revenue-raising or other limitation imposed by TABOR.

## **SUPPLEMENTAL INFORMATION**

**BROMLEY PARK METROPOLITAN DISTRICT NO. 3**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
**Year Ended December 31, 2017**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 1,032,563	\$ 1,032,563	\$ 1,032,534	\$ (29)
Specific ownership taxes	82,600	82,600	99,636	17,036
Interest	1,200	1,200	2,871	1,671
Total revenues	<u>1,116,363</u>	<u>1,116,363</u>	<u>1,135,041</u>	<u>18,678</u>
<b>EXPENDITURES</b>				
<u>General</u>				
Audit	3,000	6,500	6,412	88
District management and accounting	15,500	24,000	23,707	293
County treasurer fees	6,000	16,000	15,501	499
Legal	1,300	5,000	4,365	635
<u>Debt service</u>				
Bond principal	385,000	385,000	385,000	-
Bond interest	846,943	846,943	846,943	-
Paying agent fees	3,000	8,000	7,758	242
Bond issuance costs	-	149,000	149,000	-
Total expenditures	<u>1,260,743</u>	<u>1,440,443</u>	<u>1,438,686</u>	<u>1,757</u>
<b>EXCESS OF EXPENDITURES OVER REVENUES</b>	<u>(144,380)</u>	<u>(324,080)</u>	<u>(303,645)</u>	<u>20,435</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from refunding bonds issued	-	25,000,000	25,000,000	-
Transfer to escrow agent	-	(18,000,000)	(17,939,729)	60,271
Transfers out	100,000	(5,557,000)	(5,656,821)	(99,821)
Total other financing sources (uses)	<u>100,000</u>	<u>1,443,000</u>	<u>1,403,450</u>	<u>(39,550)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(44,380)	1,118,920	1,099,805	(19,115)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>48,422</u>	<u>12,342</u>	<u>12,342</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 4,042</u>	<u>\$ 1,131,262</u>	<u>\$ 1,112,147</u>	<u>\$ (19,115)</u>

**BROMLEY PARK METROPOLITAN DISTRICT NO. 3**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**CAPITAL PROJECTS FUND**  
**Year Ended December 31, 2017**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Interest	\$ -	\$ 1,500	\$ 1,558	\$ 58
Total revenues	<u>-</u>	<u>1,500</u>	<u>1,558</u>	<u>58</u>
<b>EXPENDITURES</b>				
<u>Debt Service</u>				
Developer advance repayment - principal	-	755,000	754,692	308
Developer advance repayment - interest	-	491,000	490,904	96
<u>Capital outlay</u>				
Street lighting	-	103,000	102,108	892
Total expenditures	<u>-</u>	<u>1,349,000</u>	<u>1,347,704</u>	<u>1,296</u>
<b>EXCESS OF EXPENDITURES OVER REVENUES</b>	<u>-</u>	<u>(1,347,500)</u>	<u>(1,346,146)</u>	<u>1,354</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	5,557,000	5,656,821	99,821
Total other financing sources	<u>-</u>	<u>5,557,000</u>	<u>5,656,821</u>	<u>99,821</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>4,209,500</u>	<u>4,310,675</u>	<u>101,175</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 4,209,500</u>	<u>\$ 4,310,675</u>	<u>\$ 101,175</u>

## **OTHER INFORMATION**

**BROMLEY PARK METROPOLITAN DISTRICT NO. 3**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**December 31, 2017**

**\$25,000,000 Series 2017**  
**General Obligation Limited Tax (Convertible to Unlimited Tax)**  
**Refunding and Improvement Bonds**  
**Interest Rate of 3.87**  
**Payable on June 1 and December 1**  
**Principal Due on December 1**

	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2018	\$ 305,000	\$ 951,375	\$ 1,256,375
2019	315,000	955,696	1,270,696
2020	355,000	943,506	1,298,506
2021	370,000	929,768	1,299,768
2022	410,000	915,448	1,325,448
2023	425,000	899,582	1,324,582
2024	465,000	883,134	1,348,134
2025	485,000	865,138	1,350,138
2026	530,000	846,370	1,376,370
2027	21,340,000	825,858	22,165,858
	<u>\$ 25,000,000</u>	<u>\$ 9,015,875</u>	<u>\$ 34,015,875</u>

**BROMLEY PARK METROPOLITAN DISTRICT NO. 3**  
**SCHEDULE 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>Mills Levied</u>	<u>Total Property Taxes</u>		<u>Percentage Collected to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
2003	\$ 9,870,080	38.000	\$ 375,063	\$ 374,780	99.92%
2004	\$ 13,418,360	43.680	\$ 586,114	\$ 586,391	100.05%
2005	\$ 14,956,240	44.180	\$ 660,767	\$ 660,679	99.99%
2006	\$ 16,978,410	46.368	\$ 787,255	\$ 786,901	99.95%
2007	\$ 19,486,600	46.368	\$ 903,555	\$ 900,003	99.61%
2008	\$ 19,673,690	46.368	\$ 912,230	\$ 911,117	99.88%
2009	\$ 20,078,230	46.368	\$ 930,987	\$ 930,131	99.91%
2010	\$ 18,803,580	55.000	\$ 1,034,197	\$ 1,024,206	99.03%
2011	\$ 18,842,060	54.932	\$ 1,035,032	\$ 1,023,787	98.91%
2012	\$ 17,709,350	54.932	\$ 972,810	\$ 990,457	101.81%
2013	\$ 17,701,230	54.932	\$ 972,364	\$ 963,093	99.05%
2014	\$ 16,982,300	54.932	\$ 932,872	\$ 923,603	99.01%
2015	\$ 17,022,750	54.932	\$ 935,093	\$ 955,906	102.23%
2016	\$ 21,070,780	54.932	\$ 1,157,460	\$ 1,157,200	99.98%
2017	\$ 21,096,830	54.932	\$ 1,158,891	\$ 1,158,849	100.00%
Estimated for the year ending December 31, 2018	\$ 26,407,730	60.622	\$ 1,600,889		

**NOTE:**

Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the county treasurer does not permit identification of specific year of assessment.