



Turnberry

BNC Metropolitan District No. 2

FINANCIAL STATEMENTS

**As of and for the 12-month period ended
December 31, 2019**

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INDEPENDENT AUDITOR'S REPORT

September 28, 2020

To the Board of Directors
BNC No 2 Metropolitan District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major funds of BNC No 2 Metropolitan District as of and for the year ended December 31, 2019 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 and 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 of 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities and the major funds of BNC No 2 Metropolitan District, as of December 31, 2019 and the respective changes in financial position and the budgetary comparison for the General Fund, Reserve Fund and Debt 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 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 an opinion on the financial statements that collectively comprise BNC No 2 Metropolitan District's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements.

The Supplementary information, as 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.

B F Boyer CPA PC

**Certified Public Accountants
Lakewood, CO**

BNC METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
December 31, 2019

	Governmental Activities
ASSETS	
Cash and investments	\$ 8,175
Cash and investments – restricted	1,512,988
Interfund receivable	39,332
Accounts receivable – specific ownership taxes	781
Property taxes receivable	254,128
Prepaid expenses	3,160
Capital assets, net of depreciation	167,946
Construction in process	11,616,981
Land	1,094
Total Assets	13,604,585
LIABILITIES	
Accounts payable and accrued liabilities	53,909
Interfund payable	39,332
Accrued interest payable	19,447
Current portion of municipal bonds	-
Municipal bonds	21,092,603
Total Liabilities	21,205,291
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	254,128
NET POSITION	
Non-spendable	3,160
Restricted:	
Emergency reserves	1,700
Debt service	6,814
Capital projects	1,425,056
Unassigned:	(9,291,564)
Total Net Position	(\$ 7,854,834)

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

BNC METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
For the 12-Month Period Ended December 31, 2019

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Government Activities:					
General government activities	(\$ 4,210)	\$ -	\$ -	\$ -	(\$ 4,210)
Interest and related costs on long-term debt	(922,037)	-	-	-	(922,037)
Capital project activities	(140,236)	-	-	-	(140,236)
	<u>(\$1,066,483)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,066,483)</u>
General Revenues					
					125,351
					9,868
					-
					<u>135,219</u>
					<u>(931,264)</u>
					<u>(6,923,570)</u>
					<u>(\$ 7,854,834)</u>

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

BNC METROPOLITAN DISTRICT NO. 2
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2019

	General	Debt Service	Capital Projects	Total Govt. Funds
ASSETS				
Cash and investments	\$ 8,175	\$ -	\$ -	\$ 8,175
Cash and investments - Restricted	1,700	81,432	1,429,856	1,512,988
Accounts receivable – spec ownership taxes	161	620	-	781
Interfund receivable	39,332	-	-	39,332
Property taxes receivable	52,438	201,690	-	254,128
Prepaid expenses	3,160	-	-	3,160
TOTAL ASSETS	\$ 104,966	\$ 283,742	\$ 1,429,856	\$ 1,818,564
LIABILITIES				
Accounts payable and accrued liabilities	13,203	35,906	4,800	53,909
DEFERRED INFLOWS OF RESOURCES				
Property tax revenue	52,438	201,690	-	254,128
Interfund payable	-	39,332	-	39,332
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	65,641	276,928	4,800	347,369
FUND BALANCES				
Non-spendable	3,160	-	-	3,160
Restricted:				
Emergencies (TABOR)	1,700	-	-	1,700
Debt service	-	6,814	-	6,814
Capital projects	-	-	1,425,056	1,425,056
Unrestricted	34,465	-	-	34,465
Total Fund Balances	39,325	6,814	1,425,056	1,471,195
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 104,966	\$ 283,742	\$ 1,429,856	

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

Other long-term assets are not available or otherwise cannot be converted to cash to pay for current expenditures and, therefore, are recorded as expenditures in the funds	
Property, structures and equipment, net	167,946
Construction in process	11,618,075
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	
Bonds payable	(21,092,603)
Accrued interest payable	(19,447)
Net position of governmental activities	<u>(\$7,854,834)</u>

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

BNC METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
12-Month Period Ended December 31, 2019

	General	Debt Service	Capital Projects	Total Government Funds
REVENUES				
Property taxes	\$ 25,866	\$ 99,485	\$ -	\$ 125,351
Specific ownership taxes	2,036	7,832	-	9,868
Net investment income	-	-	-	-
Total revenues	27,902	107,317	-	135,219
EXPENDITURES				
General and administration	4,210	50,030	4,807	59,047
Landscaping maintenance	-	-	-	-
Other district expenses	-	-	-	-
Debt service				
Bond interest – Series 2005 Bonds	-	458,228	-	458,228
Bond interest – Series 2019A Bonds	-	-	-	-
Bond interest – Series 2019B Bonds	-	-	-	-
Debt Issuance costs	-	394,332	-	394,332
Interest payments on Agreements w. Developers (See Note 6)	-	-	120,825	120,825
Public infrastructure acquisitions	-	-	11,618,075	11,618,075
Total Expenditures	4,210	902,590	11,743,707	12,650,507
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	23,692	(795,273)	(11,743,707)	(12,515,288)
OTHER FINANCING SOURCES (USES)				
Proceeds from Series 2019A bond issuance	-	15,130,603	-	15,130,603
Proceeds from Series 2019B bond issuance	-	5,962,000	-	5,962,000
Repayment of Series 2005 bonds	-	(7,122,018)	-	(7,122,018)
Fund transfers	-	(13,168,763)	13,168,763	-
NET CHANGE IN FUND BALANCE	23,692	6,549	1,425,056	1,455,297
FUND BALANCES – BEGINNING OF YEAR	15,633	265	-	15,898
FUND BALANCES – END OF YEAR	\$ 39,325	\$ 6,814	\$ 1,425,056	\$ 1,471,195

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

BNC METROPOLITAN DISTRICT NO. 2
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**
12-Month Period Ended December 31, 2019

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

Net change in fund balances – Total government funds	\$ 1,455,297
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The issuance of long-term debt (e.g., bonds) 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.

Issuance of Series 2019A bonds	(15,130,603)
Issuance of Series 2019B bonds	(5,962,000)
Repayment of Series 2005 bonds	5,000,000
Repayment of accrued interest on Series 2005 bonds	2,122,018

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the net capital outlay activity for the year:

Public infrastructure acquisition costs	11,618,075
Depreciation expense on property, structures and equipment	(14,604)

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.

Increase in accrued interest – Series 2019 bonds	(19,447)
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Changes in net position of governmental activities	(\$ 931,264)
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These financial statements should be read only in connection with
the accompanying notes to the financial statements.

BNC METROPOLITAN DISTRICT NO. 2
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL
12-Month Period Ended December 31, 2019

	Original Budget	Amended Budget	Actual Amounts	Positive / (Negative) Variance with Amend Budget
REVENUES				
Property taxes	\$ 25,866	\$ 25,866	\$ 25,866	\$ -
Specific ownership taxes	1,552	2,000	2,036	36
Developer advances	25,000	-	-	-
Total revenues	<u>52,418</u>	<u>27,866</u>	<u>27,902</u>	<u>36</u>
EXPENDITURES				
General and administration	45,000	4,250	4,210	40
Other district expenses	-	-	-	-
Total expenditures	<u>45,000</u>	<u>4,250</u>	<u>4,210</u>	<u>40</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>7,418</u>	<u>23,616</u>	<u>23,692</u>	<u>76</u>
OTHER FINANCING SOURCES (USES)				
Repay Developer advances	-	-	-	-
Transfers in (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>7,418</u>	<u>23,616</u>	<u>23,692</u>	<u>76</u>
FUND BALANCE – BEGINNING OF YEAR	<u>2,969</u>	<u>15,633</u>	<u>15,633</u>	<u>-</u>
FUND BALANCE – END OF YEAR	<u>\$ 10,387</u>	<u>\$ 39,249</u>	<u>\$ 39,325</u>	<u>\$ 76</u>

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

**BNC METROPOLITAN DISTRICT NO. 2
GENERAL FUND EXPENDITURE
DETAILS– BUDGET AND ACTUAL
12-Month Period Ended December 31, 2019**

	Original Budget	Amended Budget	Actual Amounts	Positive / (Negative) Variance with Amend Budget
GENERAL AND ADMINISTRATION				
1. District accounting & management fees	\$ 29,000	\$ 26,000	\$ 25,778	\$ 222
2. Administrative costs	450	200	127	73
3. Audit fees	-	-	-	-
4. Collection fees – County Treasurer	388	400	388	12
5. Board of Directors' fees	-	-	-	-
6. Election costs	-	7,100	7,055	45
7. Insurance	2,750	2,900	2,858	42
8. Legal fees	10,000	5,900	5,892	8
9. Indirect collection cost allocable to debt fund	-	(38,250)	(37,888)	(362)
10. Contingency	2,412	-	-	-
Total General and Administration	\$ 45,000	\$ 4,250	\$ 4,210	\$ 40

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

BNC METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
12-Month Period Ended December 31, 2019

NOTE 1 – DEFINITION OF REPORTING ENTITY

BNC Metropolitan District No. 2 (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on January 09, 2004, and is governed pursuant to provisions of the Colorado Special District Act (Title 32). The District operates under a service plan approved by City of Commerce City (City) on September 15, 2003. The District's service area is located in Adams County, Colorado entirely within the boundaries of the City and is comprised of approximately 61 acres of undeveloped land between Turnberry Pkwy and E 112th Ave and 315 single family homes. The District was established to provide financing for the design, acquisition, construction and installation of water, sanitation, street improvements, parks and recreational facilities, television relay and translation, mosquito control and other improvements (Public Improvements) within and without the District boundaries that benefit the taxpayers and inhabitants of the District. The District was created to provide certain essential public-purpose facilities for the use and benefit of all its anticipated residents and taxpayers of real property located within the boundaries of the District.

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 organizations 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 organizations governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the District are 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 property taxes.

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

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific

These notes are an integral part of the accompanying financial statements.

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.

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 specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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

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

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

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

Budgets

In accordance with Colorado State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate funds for the ensuing year. The appropriation is at the total fund expenditures 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.

These notes are an integral part of the accompanying financial statements.

Pooled Cash and Investments

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

Investments are carried at fair value.

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.

On November 04, 2003, District voters authorized the District to assess property taxes up to \$500,000 annually, without limitation to rate, to pay the District's operations, maintenance and other expenses. Additionally, the District voters approved a revenue change to allow the District to retain and spend all revenue, other than ad valorem taxes, in excess of TABOR spending, revenue raising or other limitations.

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

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. In 2019, the District's share of Specific ownership taxes was equal to approximately 7.9% of the property taxes collected.

Specific ownership tax is allocated proportionally between each fund based on the ratio of property tax revenue collected for each fund compared to total property revenue collected by the District.

Collection Costs

Collection costs incurred by the District related to the collection of property taxes includes all costs incurred by the District that enable and support the District's ability to collect property taxes revenue. Generally, such costs include (a) operating and reporting compliance costs that protect the District's right to collect property taxes (e.g. financial statement audit fees, fees paid to professionals to prepare mandatory periodic financial and operational reports to the City and State, etc), (b) professional fees related to applying and monitoring accounting controls over the collection of District revenues, (c) costs related to managing the District's annual property tax assessment process

These notes are an integral part of the accompanying financial statements.

and (d) insurance protecting the District from liability exposure that potentially could arise from performing these activities.

Because the District provided minimal services to District residents in 2019, the District allocated indirect collection costs between its general fund (10% cost allocation) and its debt fund (90% cost allocation). Direct collection costs such as county treasurer collection fees are proportionally allocated to each fund on the basis of each property tax revenue allocable to each fund proportion to total property tax revenue assessed by the District.

Deferred Outflows of Resources and Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net position by a government that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position by a government that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the statement of net position but are not recognized in the financial statement as revenues and expenses until the period(s) to which they relate. Deferred inflows of resources in the governmental fund financial statements of the District for the 12-month period ended December 31, 2019 are comprised of property taxes due from Adams County that will not be collected within 60 days of the end of the current calendar year. Deferred inflows of resources in the government-wide financial statements represents property taxes for which an enforceable legal claim to assets exists, but for which the levy pertains to the subsequent year.

Capital Assets

Capital assets, which include infrastructure assets, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District has assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

When purchased or constructed, the District classifies newly acquired property, equipment and structures by functional area. The estimated depreciable lives assigned to each asset class are based on the assumption that such assets are reasonably and regularly maintained and used for their intended purpose.

Bond Premiums

In the government-wide financial statements, bond premiums are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Equity

Net Position

These notes are an integral part of the accompanying financial statements.

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the government'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: non-spendable, 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:

- **Non-spendable fund balance** – The portion of a fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts) or legally or contractually required to be maintained intact.
- **Restricted fund balance** – The portion of a 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 a 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 a fund balance that is constrained by the government's intent to be used for specific purposes but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- **Unassigned fund balance** – The residual portion of a fund balance that does not meet any of the criteria described above.

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

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of December 31, 2019 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments – unrestricted	\$ 8,175
Cash and investments – restricted	1,512,988
Total cash and investments	\$ 1,521,163

Cash and investments as of December 31, 2019 consist of the following:

Deposits with financial institutions	\$ 12,769
Investments	1,508,394

These notes are an integral part of the accompanying financial statements.

Total cash and investments

\$ 1,521,163

These notes are an integral part of the accompanying financial statements.

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, 2019, the District's cash deposits had a bank and carrying balance of \$12,769.

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 listed below, which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial 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.

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 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 purchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

These notes are an integral part of the accompanying financial statements.

As of December 31, 2019, the District's investments were comprised of the following:

Investment	Maturity	Amortized Cost
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted Average Under 60 Days	\$ 1,508,394
		\$ 1,508,394

CSAFE

The District holds investments in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing CSAFE. CSAFE operates similarly to a money market fund and each share is equal in value to \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. CSAFE measures its investments at amortized cost, which value is not materially different (less than 0.005% difference) than the fair value measurement of such investments. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption period notice. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. No limitations exist on the District's ability to withdraw funds invested in CSAFE. CSAFE is rated AAAM by Standard & Poor's.

NOTE 4 – CAPITAL ASSETS

An analysis of the changes in capital assets for the 12-month period ended December 31, 2019, follows:

	Balance at Dec. 31, 2018	Additions	Dedications	Balance at Dec. 31, 2019	Accumulated Depreciation
Capital assets not being depreciated					
Land	\$ -	\$ 1,094	\$ -	\$ 1,094	
Construction in process	-	11,616,981	-	11,616,981	
Total capital assets not being depreciated	-	11,618,075	-	11,618,075	
Capital assets subject to depreciation					
Perimeter fencing	-	-	-	-	-
Landscaping in public open spaces	-	-	-	-	-
Community pool facility	365,100	-	-	365,100	(197,154)
Total capital assets subject to depreciation	365,100	-	-	365,100	(197,154)
Governmental activities – Capital assets, net	\$ 365,100	\$ 11,618,075	\$ -	\$ 11,983,175	(\$ 197,154)

In 2006, the District contributed to funding the construction of a public swimming pool facility located in BNC Metropolitan District No. 1.

These notes are an integral part of the accompanying financial statements.

In 2019, the District acquired from CCC Note, LLC public infrastructure totaling \$11,618,075 related to acquiring (1) 10 tracts of open spaces totaling 1.094 acres, (2) streets, (3) landscaping of open spaces, (4) water supply infrastructure and (5) sewer and storm drain infrastructure. The District plans on dedicating this public infrastructure to Commerce City and South Adams County Water & Sanitation District in 2020. As of December 31, 2019, CCC Note, LLC had not yet turned over ownership of 4.6 acres of developed open space to the District.

NOTE 5 – LONG-TERM DEBT

The following is a summary of the changes in the District's long-term debt for the 12-month period ended December 31, 2019:

	Balance at Dec. 31, 2018	Additions	Retirements	Balance at Dec. 31, 2019	Due within one year
Series 2005 G.O. Bonds	\$ 5,000,000	\$ -	(\$ 5,000,000)	\$ -	\$ -
Accrued Interest – Series 2005 G.O. Bonds	2,122,018	458,228	(2,580,246)	-	-
Series 2019A G.O. Bonds	-	15,130,603	-	15,130,603	-
Accrued Interest – Series 2019A G.O. Bonds	-	11,607	-	11,607	-
Series 2019B G.O. Bonds	-	5,962,000	-	5,962,000	-
Accrued Interest – Series 2019B G.O. Bonds	-	7,840	-	7,840	-
Total	\$ 7,122,018	\$ 21,570,278	(\$7,280,246)	\$ 21,412,050	\$ -

Details regarding the District's long-term obligations are as follows:

Series 2019A General Obligation Capital Appreciation Refunding and Improvement Bond (Senior Bonds)

On December 23, 2019, the District issued Limited Tax (Convertible to Unlimited Tax) Capital Appreciation Refunding and Improvement Bond, Series 2019A in the amount of \$15,130,603. The Senior Bonds bear 3.50% interest. The Senior Bond is structured as a capital appreciation instrument. Interest on this Bond will accrue from the original issue date to December 1, 2022 (the "Accretion Period"), during which time interest accruing on this Bond will compound on each June 1 and December 1. Such interest shall constitute appreciated principal of this Bond and the final accreted principal amount of this bond will be \$16,755,000 as of December 1, 2022. Interest payments on the Senior Bonds will be payable semi-annually on June 1 and December 1, beginning on December 1, 2022. Mandatory sinking fund principal payments are due annually on December 1, beginning on December 1, 2024. The Senior Bonds mature on December 1, 2049.

The proceeds from the sale of the Senior Bonds were used as follows:

Bond proceeds	\$ 15,130,603
Less:	
Refund the Series 2005 bonds	(2,477,057)
Underwriter's discount	(151,306)
Legal, accounting and other costs of issuance	(183,406)
Net bond proceeds available for funding costs of public improvements	\$ 12,318,834

These notes are an integral part of the accompanying financial statements.

The Senior Bonds are secured by and payable solely from Senior Pledged Revenue, net of any costs of collection, which is comprised of the following:

- a) all Senior Property Tax Revenues (generated by the imposition of the Senior Required Mill Levy);
- b) all Senior Specific Ownership Taxes (attributable to the Senior Required Mill Levy); and
- c) any other legally available amounts that the District determines, in its absolute discretion, to transfer to the Trustee for application as Senior Pledged Revenue.

Amounts on deposit in the Senior Bond Fund and, prior to the Conversion Date, amounts on deposit in the Senior Surplus Fund also secure payment of the Senior Bonds. Available Senior Pledged Revenue, if any, is to be accumulated in the Senior Surplus Fund in accordance with the Senior Indenture up to the Maximum Surplus Amount of \$1,513,060.

Prior to the Conversion Date, Senior Pledged Revenue that is not needed to pay debt service on the Senior Bonds in any year will be deposited to and held in the Senior Surplus Fund, up to the Maximum Surplus Amount. Pursuant to the Senior Indenture, the Senior Surplus Fund will be terminated upon the Conversion Date, if it occurs, and any moneys therein applied to any legal purpose of the District. The balance in the Senior Surplus Fund at December 31, 2019, was \$0.

The Senior Bonds may be redeemed by the District at any time prior to maturity, without redemption premium.

Outstanding bond principal and interest on the Senior Bonds mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ -	\$ -
2021	-	-	-
2022	-	-	-
2023	20,000	587,125	607,125
2024	110,000	586,425	696,425
2025 to 2029	1,800,000	2,798,250	4,598,250
2030 to 2034	2,465,000	2,434,600	4,899,600
2035 to 2039	3,185,000	1,954,925	5,139,925
2040 to 2044	4,070,000	1,337,350	5,407,350
2045 to 2047	5,125,000	554,225	5,679,225
Total	\$ 16,775,000	\$ 10,252,900	\$ 27,027,900

The District's detail debt service schedule for its Senior Bonds is provided on page 27.

Series 2019B Subordinate General Obligation Limited Tax Bonds (Subordinate Bonds)

On December 23, 2019, the District issued Subordinate General Obligation Limited Tax Bonds, Series 2019B in the amount of \$5,962,000. The stated interest rate on the Subordinate Bonds is 6.00% per annum, and the Bonds are payable annually on December 15, beginning December 15, 2020, from, and to the extent of, Subordinate Pledged Revenue available, if any, and mature on December 16, 2059. The Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date. Unpaid interest on the Subordinate Bonds compounds annually on each December 15. In the event any amounts due and

These notes are an integral part of the accompanying financial statements.

owing on the Subordinate Bonds remain outstanding on December 16, 2059, such amounts shall be deemed discharged and shall no longer be due and outstanding.

The proceeds from the sale of the Subordinate Bonds were used as follows:

Bond proceeds	\$ 5,962,000
Less:	
Underwriter's discount	(59,620)
Net bond proceeds available for funding costs of public improvements	\$ 5,902,380

The Subordinate Bonds are secured by and payable from Subordinate Pledged Revenue, net of any costs of collection, which includes:

- a) all Subordinate Property Taxes (generated by the imposition of the Subordinate Required Mill Levy);
- b) all Subordinate Specific Ownership Taxes (attributable to the Subordinate Required Mill Levy);
- c) the amounts, if any, in the Senior Bond Surplus Fund after the termination of such fund pursuant to the Series 2019A Senior Bond Indenture; and
- d) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Subordinate Bond Fund.

The Subordinate Bonds may be redeemed by the District at any time prior to maturity, without redemption premium.

Debt Authorization

Debt Authorization – Service Plan

The District's Service Plan, which was approved by the City on September 15, 2003, authorizes the District, BNC Metropolitan District No 2 (BNC1) and BNC Metropolitan District No. 3 (BNC3) to issue up to \$60 million in debt among the three districts. The District's Service Plan also establishes a Maximum Mill levy the District is permitted to impose on taxable property within the District for the payment of debt. As long as the District's total outstanding debt exceeds 50% of the assessed valuation of all taxable property within the District, the Maximum Debt Mill Levy is 50 mills, as adjusted by the State of Colorado for changes in the ratio of taxable valuation to assessed valuation of real property since August 21, 2000. As of August 21, 2000, the ratio was 9.15%. The ratio for 2019 was 7.20%, which caused the District's Maximum Mill Levy for debt service for 2019 to be 63.542.

These notes are an integral part of the accompanying financial statements.

As of December 31, 2019, total remaining debt issuance authorization under the District's Service Plan is as follows:

	<u>BNC Metro 1</u>	<u>BNC Metro 2</u>	<u>BNC Metro 3</u>	<u>Combined Total</u>
Authorized maximum debt issuance per Service Plan				\$60,000,000
Less:				
Series 2004 Bonds	\$ 6,020,000	\$ -	\$ -	
Series 2005 Bonds	-	5,000,000	-	
Series 2013A Bonds	5,500,000	-	-	
Series 2013B Bonds	2,210,000	-	-	
Series 2017A Bonds	10,340,000	-	-	
Series 2017B Bonds	1,641,000	-	-	
Series 2019A Bonds	-	16,755,000	-	
Series 2019B Bonds	-	5,962,000	-	
Total debt issued	25,711,000	27,717,000	-	(53,428,000)
Refunding of debt	(10,830,222)	(2,477,057)	-	13,307,279
Total Issued Debt, net of refunding debt	\$ 14,880,778	\$ 25,239,943	\$ -	(40,120,721)
Total Remaining Debt Authorized by Service Plan				\$19,879,279

The combined financing plan for the District, BNC2 and BNC3 which was included in the respective District's 2003 service plans submitted to the City projected (1) issuing debt totaling \$30 million to fund the installation of public infrastructure across all three districts and (2) the full build-out of all residential lots across all three districts to be completed by 2011. As of December 31, 2019, the District is fully built out, BNC2 is partially built out, BNC3 is undeveloped and total debt issued to fund the installation of public infrastructure across all three districts has exceeded the 2003 combined financial plan by approximately \$10.1 million.

Debt Authorization – TABOR

On November 4, 2003, the District's authorized the issuance of indebtedness in an amount not to exceed \$120,000,000 for infrastructure improvements and operations at an interest rate not to exceed 15% and \$60,000,000 for refunding the District's debt.

The District's authorized but unissued indebtedness in the following amounts allocated for the following purposes is as follows:

	<u>Authorized Nov. 2003 Election</u>	<u>Authorization Used</u>		<u>Remaining Authorization</u>
		<u>Series 2005 Bonds</u>	<u>Series 2019 Bonds</u>	
Street improvements	\$ 21,000,000	\$ 1,543,001	\$ 12,011,195	\$ 7,445,804
Park and recreational facilities	16,000,000	2,791,583	2,904,264	10,304,153
Water supply facilities	11,000,000	256,973	1,626,926	9,116,101
Sanitation facilities	9,500,000	372,752	3,697,558	5,429,690
Television relay facilities	1,000,000	-	-	1,000,000
Mosquito control facilities	1,000,000	35,691	-	964,309

These notes are an integral part of the accompanying financial statements.

Operations and maintenance	500,000	-	-	500,000
Intergovernmental agreements	60,000,000	-	-	60,000,000
Subtotal	120,000,000	5,000,000	20,239,943	94,760,057
Refunding of debt	60,000,000	-	2,477,057	57,522,943
Total	\$180,000,000	\$ 5,000,000	\$ 22,717,000	\$152,283,000

Per C.R.S 32-1-1101(2), the remaining, unused debt issuance authorization obtained from the District’s electors will expire as follows:

- \$94,760,057 will expire in November 2023 - 20 years after the original debt authorization election.
- Debt refunding authorization will expire when the District’s current general obligation debt is paid down to a balance of \$400,000 or less

NOTE 6 – CONTINGENT OBLIGATIONS

The District has entered into two contingent obligation agreements with the Developers (as defined in Note 9). The District has neither registered nor filed a notice of claim of exemption regarding these contingent obligation agreements with the Colorado Securities Commissioner (“Commissioner”). Interpretative Order No. 06-IN-001 issued by the Commissioner provides that neither a registration application nor notice of claim of exemption is required to be filed with the Commissioner for a contractual obligation to repay a developer for advanced funds if such obligation provides that it is not transferable. None of these contingent obligation agreements are transferrable to third parties. The contingent obligations of the District contemplated in the agreements identified below are subject to annual appropriation and are not multiple-fiscal year obligations for the purposes of Article X, Section 20 of the Colorado Constitution. The following contingent obligations exist, but are not necessarily owing, as of December 31, 2019:

2017 Tri-Party Facilities Acquisition and Reimbursement Agreement. On August 10, 2017, the District entered into a Facilities Acquisition and Reimbursement Agreement with CCC Note, LLC and Lennar Colorado, LLC (Lennar) pursuant to which the District agreed to reimburse CCC Note, LLC for up to a maximum of \$25 million in construction costs incurred by both CCC Note, LLC and Lennar related to the installation of public improvements within the boundaries of the District (2017 Tri-Party Agreement). Per the 2017 Tri-Party Agreement, Lennar agreed to construct the public improvements and direct all District payments for such public infrastructure to CCC Note, LLC. The District agreed to reimburse CCC Note, LLC for such amounts, subject to annual appropriation by the District. The contingent obligations incurred under this 2017 Tri-Party Agreement accrue simple interest at 8% per annum. The 2017 Tri-Party Agreement will terminate upon the bankruptcy or dissolution of CCC Note, LLC.

2017 Facilities Funding & Acquisition Agreement. On October 24, 2017, the District entered into a Facilities Funding & Acquisition Agreement with CCC Note, LLC (2017 FFA Agreement) pursuant to which CCC Note, LLC agreed to construct public improvements within the boundaries of the District and the District agreed to acquire such public infrastructure at cost as certified by an independent engineer. Contingent obligations incurred under this Agreement accrue simple interest at 8% per annum. The District agreed to reimburse CCC Note, LLC for such amounts, subject to annual appropriation by the District. The 2017 FFA Agreement will terminate upon the bankruptcy or dissolution of CCC Note, LLC.

These notes are an integral part of the accompanying financial statements.

In 2019, reimbursable costs incurred by and related payments to CCC Note, LLC under both the 2017 FFA Agreement and the 2017 Tri-Party Agreement are as follows:

	Public Infras. Costs	Accrued Interest	Total
Beginning Balance (Jan. 01, 2019)	\$ 347,803	\$ 25,918	\$ 373,721
Reimbursable costs	11,270,272	94,907	11,365,179
Payments to CCC Note, LLC	(11,618,075)	(120,825)	(11,738,900)
Ending Balance (Dec. 31, 2019)	\$ -	\$ -	\$ -

NOTE 7 – NET POSITION (DEFICIT)

Non-Spendable Net Position

The District's non-spendable net position as of December 31, 2019 in the general fund, debt service fund and capital project fund totaled \$3,160, \$0, and \$0, respectively.

Restricted Net Position

The District's restricted net position as of December 31, 2019 in the general fund, debt service fund and capital projects fund totaled \$1,700, \$44,702 and \$1,425,056, respectively. The restricted net position within the general fund is due to spending restrictions established by TABOR. See Note 11 for further details. The restricted net position within the debt service fund is comprised of funds that are restricted to servicing the Series 2017 Bonds. The restricted net position within the capital project fund is comprised of funds restricted for funding the construction of public infrastructure.

Unassigned Net Position

The District's unassigned net position as of December 31, 2019 totaled (\$9,291,564). This deficit amount was a result of the District being responsible for the repayment of bonds issued for public improvements conveyed to the City of Thornton and the District.

NOTE 8 – AGREEMENTS

Cost Sharing Agreement with BNC 2 and BNC3

On October 24, 2017, the District entered into an agreement with BNC Metropolitan District No. 1 (BNC1) and BNC Metropolitan District No. 3 (BNC3) to share the costs of installing five public improvements projects located within and without the boundaries of the three districts (Cost Sharing IGA). When this Cost Sharing IGA was ratified by all three districts, the directors serving on all three boards were employees or owners of the Developers.

These notes are an integral part of the accompanying financial statements.

The five public improvements subject to funding under the Cost Sharing IGA (and related estimated project costs per the Cost Sharing IGA) are as follows;

	Location of Infrastructure	BNC1	District	BNC3	Total
Potomac Street Improvements (from E 108 th Ave to 112 th Ave)	BNC2	\$ 464,166	\$ 596,785	\$ 265,238	\$ 1,326,189
108 th Avenue (from Turnberry Pkwy to Potomac St)	BNC2	604,678	769,590	-	1,374,268
Turnberry Parkway (from 108 th Ave to Potomac St)	BNC2	1,680,603	2,138,950	-	3,819,553
Open space landscaping (Turnberry subdivision filing 3)	BNC1	548,410	-	-	548,410
Revere Street (South side of 104 th Avenue)	BNC3	1,116,906	1,116,906	3,350,718	5,584,530
Total Estimated Cost Allocation		\$4,414,765	\$4,622,232	\$3,615,957	\$12,652,949

As of December 31, 2019, the status of each of the five projects is as follows:

- The Potomac Street improvement project – completed in 2017
- 108th Avenue installation project – completed in 2018
- Turnberry Parkway installation project – partially completed / under construction
- Open space landscaping in Turnberry Filing No. 3 – completed in 2017
- Revere Street (South side of 104th Avenue) installation project – not yet started

BNC1’s maximum funding commitment under the Cost Sharing IGA is limited to \$3,944,802 of the net cash proceeds from the issuance of the District’s 2017 bonds – regardless of the actual costs of the five projects ultimately allocated to the District. This Cost Sharing IGA may be terminated by either (1) mutual consent of all three districts or (2) all three districts accept the allocation of actual costs incurred to construct all five public infrastructure projects.

On December 23, 2019, the District, BNC1 and BNC3 amended the Cost Sharing IGA to appoint BNC3 as the entity responsible for constructing the remaining public improvement projects. Also, per the amendment, the District agreed to transfer all cash from the District’s senior and subordinate project funds (which were funded from the District’s 2019 bond proceeds) to BNC3. As of December 31, 2019, total cash held in the District’s senior and subordinate project fund totaled \$1,429,855. Any such funds not utilized by BNC3 by December 31, 2022 will be returned to the District. When this Cost Sharing IGA was ratified by all three districts, the directors serving on all three boards were employees or owners of the Developers.

NOTE 9 – RELATED PARTIES

The owners and developers of the land within the District was 104th Avenue Investment Partners, LLC (104 AIP, LLC), BCX Development Partners, Inc (BCX), Lennar Colorado, LLC (Lennar) and Catellus CC Note, LLC (CCC Note, LLC) (collectively, the “Developers”). All remaining undeveloped land located within the District’s boundaries (approximately 61 acres) is owned by CCC Note, LLC.

For the 12-month period ended December 31, 2019, the District’s board was comprised of three directors – two of whom were employees/owners of CCC Note, LLC and one who is employed by a company whose owners also control

These notes are an integral part of the accompanying financial statements.

CCC Note, LLC. To qualify themselves to serve as directors on the District's board, all three directors relied on option contracts to purchase land tracts within the District from CCC Note, LLC. As of December 31, 2019, none of the Directors exercised their options to purchase land within the District.

Two of the three directors on the District's board also served on BNC Metropolitan District No. 1's (BNC1) board. All three directors on the District's board also served as directors on BNC Metropolitan District No. 3's (BNC3) board. The District is a party to a 2017 Intergovernmental Cost-Sharing Agreement with BNC2 and BNC3. (See Note 8)

As of December 31, 2019, active related party transactions and agreements between the District and the Developers were as follows:

- The District is a party to a 2017 Intergovernmental Cost-Sharing Agreement with BNC1 and BNC3 (See Note 8)
- The District is a party to the 2017 Tri-Party Facilities Acquisition and Reimbursement Agreement with Lennar and CCC Note, LLP (See Note 6)
- The District is party to a 2017 Facilities Funding & Acquisition Agreement with CCC Note, LLC (See Note 6)

CCC Note, LLC was the owner of the District 2005 General Obligation Bonds which were refunded on December 23, 2019. (See Note 5). The owner of the District's Series 2019 Subordinate Bonds is Catellus Acquisition Company, LLC – a company under common control with and related to CCC Note, LLC.

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). 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, 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.

NOTE 11 – 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.

These notes are an integral part of the accompanying financial statements.

On November 04, 2003, District voters authorized the District to assess property taxes at no more than \$500,000 annually, without limitation to rate, to pay the District's operations, maintenance and other expenses. Additionally, the District voters approved a revenue change to allow the District to retain and spend all revenue, other than ad valorem taxes, in excess of TABOR spending, revenue raising or other limitations.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). TABOR prohibits the District from using its emergency reserves to compensate for economic conditions and revenue shortfalls.

TABOR is complex and subject to legal interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, may require judicial interpretation.

NOTE 12 – SUBSEQUENT EVENTS

On May 5, 2020, five directors were elected to the 5-member Board all of whom reported no conflicts of interest or relationships with the Developers, BNC1, BNC3 or the HOA.

On March 27, 2020, CCC Note, LLC transferred ownership of 4.6 acres of public open space developed by the District to the Turnberry Meadows Homeowners Association, Inc.

In April and May 2020, the District transferred \$1,432,992 to BNC3 in accordance with the terms of the December 23, 2019 amendment to the Cost Sharing IGA. (See Note 8)

On April 30, 2020 (5 days before the election of all directors on the Board), the District granted CCC Note, LLC's petition to exclude approximately 68.8 acres (including 67 undeveloped single family home lots) from the District conditional upon CCC Note, LLC entering into and exclusion agreement ("Exclusion Agreement") with the District. In accordance with 32-1-503(1) CRS, the 68.8 acres of excluded land shall still be obligated to the same extent as all other property within the District with respect to and shall be subject to the levy of taxes for the payment of that proportion of the outstanding indebtedness of the District and interest thereon existing as of April 30, 2020. The District and CCC Note, LLC entered into the Exclusion Agreement on April 30, 2020.

Per the Exclusion Agreement,

- the owners of the 68.8 acres of land excluded from the District is subject to paying an "Annual Operations Fee" to the District. The Annual Operations Fee is calculated as equal to 14.472 mills multiplied by the County Assessor's most recent certified final assessed valuation of the excluded property. The Annual Operations Fee is due and payable to the District each year by April 15th. Until paid, the Annual Operations Fee will constitute a perpetual and prior lien of the District against the excluded property as set forth in Section 32-1-1001(1)(j), C.R.S.;
- the District agreed to not assess any fees of any kind on the excluded property (other than the Annual Operations Fee); and
- On or prior to the date that a lot with a completed residential unit within the boundaries of the excluded property (each, a "Lot" and collectively, the "Lots") is sold to a third party homebuyer after such residential unit is first completed, the owner of such Lot will ensure that the third-party homebuyer of such Lot will complete and deliver to the District a Petition for Inclusion concurrent with the closing of the sale of such Lot (each, an "Inclusion Petition" and collectively, "Inclusion Petitions") to have such Lot re-included within the

These notes are an integral part of the accompanying financial statements.

boundaries of the District. Following the date any Lot is re-included into the boundaries of the District, such Lot will no longer be subject to paying an Annual Operations Fee to the District.

These notes are an integral part of the accompanying financial statements.

SUPPLEMENTARY INFORMATION

BNC METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND –
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
12-Month Period Ended December 31, 2019

	Original Budget	Amended Budget	Actual Amounts	Positive / (Negative) Variance with Amend Budget
REVENUES				
Property taxes	\$ 99,485	\$ 99,485	\$ 99,485	\$ -
Specific ownership taxes	5,969	7,800	7,832	32
Net investment income	-	-	-	-
Total revenues	<u>105,454</u>	<u>107,285</u>	<u>107,317</u>	<u>32</u>
EXPENDITURES				
Collection fees – County Treasurer	1,492	1,500	1,492	8
Indirect collection costs	-	38,250	37,888	362
Bond paying agent fees	2,476	11,000	10,650	350
Contingency	3,000	-	-	-
Debt service				
Bond interest – 2005 Series Bonds	98,611	458,300	458,228	72
Bond interest – 2019A Series Bonds	-	-	-	-
Bond principal – 2019B Series Bonds	-	-	-	-
Bond issuance costs	-	395,000	394,332	668
Total expenditures	<u>105,579</u>	<u>904,050</u>	<u>902,590</u>	<u>1,460</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(125)</u>	<u>(796,765)</u>	<u>(795,273)</u>	<u>1,492</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Series 2019A bond issuance	-	15,130,603	15,130,603	-
Proceeds from Series 2019B bond issuance	-	5,962,000	5,962,000	-
Repayment of Series 2005 Bonds	-	(7,122,018)	(7,122,018)	-
Transfers to Capital Project Fund	-	(13,168,800)	13,168,763	37
Total other financing sources (uses)	<u>-</u>	<u>801,785</u>	<u>801,822</u>	<u>37</u>
NET CHANGE IN FUND BALANCE	<u>(125)</u>	<u>5,020</u>	<u>6,549</u>	<u>1,529</u>
FUND BALANCE – BEGINNING OF YEAR	<u>125</u>	<u>265</u>	<u>265</u>	<u>-</u>
FUND BALANCE – END OF YEAR	<u>\$ -</u>	<u>\$ 5,285</u>	<u>\$ 6,814</u>	<u>\$ 1,529</u>

BNC METROPOLITAN DISTRICT NO. 2
CAPITAL PROJECTS FUND –
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
12-Month Period Ended December 31, 2019

	Original Budget	Amended Budget	Actual Amounts	Positive / (Negative) Variance with Amend Budget
REVENUES				
Net investment income	\$ -	\$ -		\$ -
Developer advances	4,800,000	-	-	-
Total revenues	4,800,000	-	-	-
EXPENDITURES				
Engineering & management fees	238,088	5,000	4,807	193
Interest payments on Agreements w. Developers (See Note 6)	-	121,000	120,825	175
Capital projects				
Major capital projects	4,561,912	11,619,000	11,618,075	925
Total expenditures	4,800,000	11,745,000	11,743,707	1,293
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(11,745,000)	(11,743,707)	1,293
OTHER FINANCING SOURCES (USES)				
Transfers in from debt fund	-	13,168,800	13,168,763	(37)
Total other financing sources (uses)	-	10,068,000	10,067,932	(37)
NET CHANGE IN FUND BALANCE	-	1,423,800	1,425,056	1,256
FUND BALANCE – BEGINNING OF YEAR	-	-	-	-
FUND BALANCE – END OF YEAR	\$ -	\$1,423,800	\$1,425,056	\$ 1,256

BNC METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2019

The District's repayment schedule for its Series 2019A general obligation bonds is as follows:

Year Ended December 31,	Principal	Accreted Interest	Interest	Total
2020	\$ -	\$ -	\$ -	\$ -
2021	-	-	-	-
2022	-	-	-	-
2023	-	20,000	587,125	607,125
2024	99,336	10,664	586,425	696,425
2025	243,824	26,176	582,575	852,575
2026	320,583	34,417	573,125	928,125
2027	329,613	35,386	560,700	925,699
2028	361,220	38,780	547,925	947,925
2029	370,251	39,749	533,925	943,925
2030	401,857	43,143	519,575	964,575
2031	415,403	44,597	504,000	964,000
2032	447,010	47,990	487,900	982,900
2033	465,071	49,929	470,575	985,575
2034	496,678	53,322	452,550	1,002,550
2035	514,739	55,261	433,300	1,003,300
2036	550,861	59,139	413,350	1,023,350
2037	568,922	61,078	392,000	1,022,000
2038	609,559	65,441	369,950	1,044,950
2039	632,135	67,865	346,325	1,046,325
2040	672,772	72,228	321,825	1,066,825
2041	695,349	74,652	295,750	1,065,751
2042	735,986	79,014	268,800	1,083,800
2043	763,077	81,923	240,275	1,085,275
2044	808,230	86,770	210,700	1,105,700
2045	839,837	90,163	179,375	1,109,375
2046	889,504	95,496	146,825	1,131,825
2047	921,111	98,889	112,350	1,132,350
2048	970,779	104,221	76,650	1,151,650
2047	1,006,901	108,099	39,025	1,154,025
	<u>\$ 15,130,608</u>	<u>\$1,644,392</u>	<u>\$ 10,252,900</u>	<u>\$ 27,027,900</u>

The original face value of these bonds totaled \$15,130,608. Interest is payable each year on June 1st and December 1st, and principal payments are due each year on December 1st.

No debt-to-maturity schedule is provided for the Series 2019B Subordinate Bonds because such obligations are payable from Subordinate Pledged Revenue, if and when such revenue is available to repay these bonds.

BNC METROPOLITAN DISTRICT NO. 2
**SUMMARY OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED**
December 31, 2019

Year Ended December 31,	Prior Year Assessed Valuation for Current Year tax Levy	Mills Levied		Total Property Taxes		Percent Collected to Levied
		Operations	Debt	Levied	Collected (Note A)	
2016	\$ 461,500	13.000	50.000	\$ 29,075	\$ 29,075	100.0%
2017	454,560	13.000	50.000	28,637	28,637	100.0%
2018	1,204,730	13.000	55.277	82,255	82,255	100.0%
2019	1,799,750	14.372	55.277	125,351	125,351	100.0%
2020	\$ 3,623,420	14.472	55.663	\$ 254,128	[TBD]	[TBD]

NOTE A: Property taxes collected in any one year may include collection of delinquent property taxes levied in prior years.

OTHER SUPPLEMENTARY INFORMATION

BNC METROPOLITAN DISTRICT NO. 2
CHANGE IN TOTAL OVERLAPPING MILL LEVY
December 31, 2019

	2020 Mill Levy *	2019 Mill Levy**	Change
BNC Metropolitan District No. 2	70.135	69.649	0.486
Brighton School District No. 27J	48.810	49.092	(0.282)
Commerce City North Infrastructure General Improvement District	20.000	27.000	(7.000)
Adams County	26.917	26.864	0.053
South Adams Fire District No. 4	14.750	14.750	-
Rangeview Library District	3.677	3.666	0.011
City of Commerce City	3.104	3.280	(0.176)
South Adams County Water and Sanitation District	2.449	2.714	(0.265)
Urban Drainage and Flood Control	0.900	0.726	0.174
Urban Drainage and Flood Control – South Platte	0.097	0.094	0.003
Total Mill Levy	190.839	197.835	(6.996)

* -- For property tax collections in 2020

** -- For property tax collections in 2019

BNC METROPOLITAN DISTRICT NO. 2

HISTORICAL DEBT RATIOS

December 31, 2019

	2015	2016	2017	2018	2019
General Obligation Bonds	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 21,092,603
Accrued, unpaid interest - Bonds	\$ 741,392	\$ 1,172,329	\$ 1,651,400	\$ 2,122,018	\$ 19,447
Other TABOR debt	\$ -	\$ -	\$ -	\$ -	\$ -
Combined assessed property values within the District	\$ 461,500	\$ 454,560	\$ 1,204,730	\$ 1,799,750	\$ 3,623,420
Ratio of debt to assessed property values	1,244.1%	1,357.9%	552.1%	395.7%	582.7%