

BROADLANDS METROPOLITAN DISTRICT NO. 2

Financial Statements

Year Ended December 31, 2020

with

Independent Auditors' Report

C O N T E N T S

	<u>Page</u>
<u>Independent Auditors' Report</u>	I
<u>Management's Discussion and Analysis</u>	III
<u>Basic Financial Statements</u>	
Balance Sheet/Statement of Net Position - Governmental Funds	1
Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities - Governmental Funds	2
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	3
Notes to Financial Statements	4
<u>Supplemental Information</u>	
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected (Unaudited)	16
<u>Continuing Disclosure Obligation (Unaudited)</u>	
Ten Largest Taxpayers in the District (Unaudited)	17
Assessed Valuation of Classes of Property in the District (Unaudited)	18
Selected Debt Ratios of the District (Unaudited)	19



Crady, Puca & Associates

Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Broadlands Metropolitan District No. 2
City and County of Broomfield, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Broadlands Metropolitan District No. 2 (the "District") as of and for the year ended December 31, 2020, 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 Broadlands Metropolitan District No. 2 as of December 31, 2020, 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages III – VII be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Broadlands Metropolitan District No. 2's basic financial statements. The Summary of Assessed Valuation, Mill Levy and Property Taxes Collected on page 16 and the Continuing Disclosure Obligation on pages 17-19 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information 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.

Crady, Puca & Associates

Aurora, Colorado
April 22, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis is designed to provide an analysis of the District's financial condition and operating results and to inform the reader of the District's financial issues and activities.

The Management's Discussion and Analysis (MD & A) should be read in conjunction with the District's financial statements.

Financial Highlights

- The net position (deficit) of the District increased by \$483,924 in 2020 to \$(10,376,079). A negative net position (deficit) is typical in a metropolitan district, which transfers its capital assets to the controlling government entity (city, town, etc.) after construction is complete but retains the related debt in the district until it is paid off.
- Budgeted revenue exceeded actual revenue by \$11,200 and budgeted expenditures exceeded actual expenditures by \$186,812.
- The District has two bond issues outstanding, the Series 2014 General Obligation Refunding Bonds, which are scheduled to be fully retired in 2024, and the Series 2013 General Obligation Refunding Bonds, which are scheduled to be fully retired in 2034.

The District has no tangible capital assets.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets, liabilities, deferred inflows of resources and deferred outflows of resources, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements identify functions of the District that are principally to be supported by ad valorem taxes (governmental activities). The governmental activities of the District include the financing of governmental infrastructure including streets, water, sanitation, fire and safety protection, park and recreation improvements and transportation services constructed or acquired by the District.

The government-wide financial statements can be found on pages 1-2 of this report.

Fund financial statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows, outflows and balances of spendable resources. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

All of the District's activities are reported in a single governmental fund, the general fund, which focuses on how money flows in and out of that fund and the balance left at year-end available for spending in future periods.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for this fund in the basic financial statements to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 1-3 of this report.

Notes to financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 4-15 of this report.

Government-wide Financial Analysis

The assets of the District are classified as current assets. Cash and investments, receivables, and prepaid expenses are current assets. These assets are available to provide resources for the near-term operations of the District. The majority of the current assets are property taxes receivable, and cash and investments.

Current and noncurrent liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued interest, and current debt payable. The liquidation of current liabilities is anticipated to be either from current available resources, current assets or new resources that become available during fiscal year 2021.

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has one type of item that qualifies for reporting in this category, the deferred loss on refunding.

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has one type of item that qualifies for reporting in this category, deferred property taxes.

Current assets increased by \$1,920, mainly due to an increase cash and investments and property taxes receivable partially offset by decreases in prepaid expenses and receivables from the county treasurer.

Current liabilities increased by \$14,431 mainly due to increase in the current portion of long term debt.

Noncurrent liabilities decreased by \$567,494 due to the increase in the current portion of long term debt and the repayment of long term debt.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$10,376,079 at the close of the most recent fiscal year.

	December 31,	
	<u>2020</u>	<u>2019</u>
Assets:		
Current assets	\$ 1,122,777	\$ 1,120,857
Total assets	<u>1,122,777</u>	<u>1,120,857</u>
Deferred outflow of resources:		
Deferred loss on refunding	<u>735,083</u>	<u>804,879</u>
Total deferred outflow of resources	<u>735,083</u>	<u>804,879</u>
Liabilities:		
Current liabilities	603,901	589,470
Long-term liabilities	<u>10,706,494</u>	<u>11,273,987</u>
Total liabilities	<u>11,310,395</u>	<u>11,863,457</u>
Deferred inflows of resources:		
Deferred property taxes	<u>923,544</u>	<u>922,282</u>
Total deferred inflows of resources	<u>923,544</u>	<u>922,282</u>
Net position(deficit):		
Restricted	1,529	1,468
Unrestricted net position	<u>(10,377,608)</u>	<u>(10,861,471)</u>
Total net position	<u>\$ (10,376,079)</u>	<u>\$ (10,860,003)</u>

Review of Change in Net Position

	Year Ended December 31,	
	2020	2019
Revenues:		
General revenue:		
Property taxes	\$ 920,433	\$ 884,463
Specific ownership taxes	51,361	56,564
Interest income	3,829	13,412
Total revenue	975,623	954,439
Expenses:		
Governmental activities:		
General government	38,537	33,661
Interest and other fiscal charges	453,162	466,147
Total expenses	491,699	499,808
Total change in net position	483,924	454,631
Net position - beginning of year	(10,860,003)	(11,314,634)
Net position - end of year	\$ (10,376,079)	\$ (10,860,003)

Total net position increased \$483,924 mainly due to steady property taxes and other revenues and the paydown of the outstanding debt.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's one governmental fund, the General Fund, reported an ending fund balance of \$196,021.

Unassigned fund balance for the District at the end of the fiscal year was \$194,042.

General Fund Budgetary Highlights

The fund balance for the General Fund increased by \$82, resulting in an ending fund balance of \$196,021. The fund balance increased as a result of a unused contingencies and decreased legal and miscellaneous expenses partly offset by the decision of the Board of Directors to apply a portion of the beginning fund balance towards principal and interest on the bonds. Budgeted revenue exceeded actual revenue by \$11,200, principally due to decreases in specific ownership taxes received and interest income. Actual expenditures were \$186,812 less than budgeted expenditures, principally due to decreases in legal expenditures and unused contingencies.

Long-Term Debt

At the end of the current fiscal year, the District had total outstanding general obligation bond indebtedness of \$11,300,000. The District's Series 2014 Bonds are due in 2024 and pay interest at the rate of 2.55% semiannually on June 1 and December 1 and the Series 2013 Bonds are due in 2034 and pay interest between the rates of .75% and 4.00% semiannually on June 1 and December 1.

Additional information on the District's long-term debt can be found in note 3 on pages 11-13 of this report.

Next Year's Budgets and Rates

The assessed valuation of the property in the District increased for 2021 by under .14% so while debt service (principal and interest) on the Series 2014 and 2013 Bonds continue to increase each year, the District was able to maintain the mill levy of 10.100 mills for 2020 at the same level for 2021.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Broadlands Metropolitan District No. 2
John W. Simmons
304 Inverness Way South, Suite 490
Englewood, CO 80112

BROADLANDS METROPOLITAN DISTRICT NO. 2

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2020

	<u>General</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS				
Cash and investments	\$ 193,396	\$ 193,396	\$ -	\$ 193,396
Cash and investments - restricted	1,529	1,529	-	1,529
Receivable - County Treasurer	3,858	3,858	-	3,858
Property taxes receivable	923,544	923,544	-	923,544
Prepaid expenses	<u>450</u>	<u>450</u>	<u>-</u>	<u>450</u>
Total Assets	<u>1,122,777</u>	<u>1,122,777</u>	<u>-</u>	<u>1,122,777</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding	<u>-</u>	<u>-</u>	<u>735,083</u>	<u>735,083</u>
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>735,083</u>	<u>735,083</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,122,777</u>	<u>\$ 1,122,777</u>		
LIABILITIES				
Accounts payable	\$ 3,212	\$ 3,212	-	3,212
Accrued interest on bonds	-	-	30,689	30,689
Long-term liabilities:				
Due within one year	-	-	570,000	570,000
Due in more than one year	<u>-</u>	<u>-</u>	<u>10,706,494</u>	<u>10,706,494</u>
Total Liabilities	<u>3,212</u>	<u>3,212</u>	<u>11,307,183</u>	<u>11,310,395</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred property taxes	<u>923,544</u>	<u>923,544</u>	<u>-</u>	<u>923,544</u>
Total Deferred Inflows of Resources	<u>923,544</u>	<u>923,544</u>	<u>-</u>	<u>923,544</u>
FUND BALANCES/NET POSITION				
Fund Balances:				
Nonspendable:				
Prepays	450	450	(450)	-
Restricted:				
Emergencies	1,529	1,529	(1,529)	-
Unassigned	<u>194,042</u>	<u>194,042</u>	<u>(194,042)</u>	<u>-</u>
Total Fund Balances	<u>196,021</u>	<u>196,021</u>	<u>(196,021)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,122,777</u>	<u>\$ 1,122,777</u>		
Net Position:				
Restricted for:				
Emergencies			1,529	1,529
Unrestricted			<u>(10,377,608)</u>	<u>(10,377,608)</u>
Total Net Position			<u>\$ (10,376,079)</u>	<u>\$ (10,376,079)</u>

The notes to the financial statements are an integral part of these statements.

BROADLANDS METROPOLITAN DISTRICT NO. 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES GOVERNMENTAL FUNDS

For the Year Ended December 31, 2020

	<u>General</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES				
Accounting and audit	\$ 9,214	\$ 9,214	\$ -	\$ 9,214
Director fees	900	900	-	900
Insurance	3,074	3,074	-	3,074
Legal	10,710	10,710	-	10,710
Miscellaneous expenses	223	223	-	223
Treasurer's fees	13,816	13,816	-	13,816
Bond principal	555,000	555,000	(555,000)	-
Bond interest expense	382,004	382,004	71,158	453,162
Trustee fees	600	600	-	600
	<u>975,541</u>	<u>975,541</u>	<u>(483,842)</u>	<u>491,699</u>
Total Expenditures				
GENERAL REVENUES				
Property taxes	920,433	920,433	-	920,433
Specific ownership taxes	51,361	51,361	-	51,361
Interest income	3,829	3,829	-	3,829
	<u>975,623</u>	<u>975,623</u>	<u>-</u>	<u>975,623</u>
Total General Revenues				
NET CHANGES IN FUND BALANCES	82	82	(82)	
CHANGE IN NET POSITION			483,924	483,924
FUND BALANCES/NET POSITION:				
BEGINNING OF YEAR	<u>195,939</u>	<u>195,939</u>	<u>(11,055,942)</u>	<u>(10,860,003)</u>
END OF YEAR	<u>\$ 196,021</u>	<u>\$ 196,021</u>	<u>\$ (10,572,100)</u>	<u>\$ (10,376,079)</u>

The notes to the financial statements are an integral part of these statements.

BROADLANDS METROPOLITAN DISTRICT NO. 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2020

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 922,282	\$ 920,433	\$ (1,849)
Specific ownership taxes	55,335	51,361	(3,974)
Interest income	<u>9,206</u>	<u>3,829</u>	<u>(5,377)</u>
Total Revenues	<u>986,823</u>	<u>975,623</u>	<u>(11,200)</u>
EXPENDITURES			
Accounting and audit	9,500	9,214	286
Director fees	1,000	900	100
Insurance	3,600	3,074	526
Legal	18,000	10,710	7,290
Miscellaneous expenses	3,000	223	2,777
Treasurer's fees	13,834	13,816	18
Bond principal	555,000	555,000	-
Bond interest expense	382,004	382,004	-
Trustee fees	600	600	-
Emergency reserve	1,468	-	1,468
Contingency	<u>174,347</u>	<u>-</u>	<u>174,347</u>
Total Expenditures	<u>1,162,353</u>	<u>975,541</u>	<u>186,812</u>
NET CHANGE IN FUND BALANCE	(175,530)	82	175,612
FUND BALANCE:			
BEGINNING OF YEAR	<u>175,530</u>	<u>195,939</u>	<u>20,409</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 196,021</u>	<u>\$ 196,021</u>

The notes to the financial statements are an integral part of these statements.

BROADLANDS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2020

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Broadlands Metropolitan District No. 2, located in the City and County of Broomfield, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized on November 18, 1997, as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to finance and construct certain public infrastructure improvements that benefit the citizens of the District. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB Pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

BROADLANDS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2020

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues.

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*.

Major individual governmental funds are reported as separate columns in the fund financial statements. The District has no fiduciary funds.

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 the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

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 material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

BROADLANDS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2020

Budgetary Accounting

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

Assets, Liabilities, Net Position and Deferred Outflows/Inflows of Resources

Fair Value of Financial Instruments

The District's financial instruments include investments, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2020, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at net asset value.

Estimates

The preparation of these financial statements in conformity with GAAP which requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

BROADLANDS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2020

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Original Issue Discount and Loss from Refunding

Original issue discount from the Series 2013 Bonds is being amortized over the respective term of the bonds using the interest method. Accumulated amortization of the original issue discount amounted to \$19,815 at December 31, 2020. The loss from refunding of the Series 2013 and 2014 Bonds are being amortized over the respective term of the bonds using the straight-line method. Accumulated amortization of the loss from refunding amounted to \$522,311 at December 31, 2020.

Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. All capital assets acquired or constructed by the District have been conveyed to other governments.

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 taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

BROADLANDS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2020

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Fund Balance

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

The nonspendable fund balance in the General Fund in the amount of \$450 represents prepaid expenditures.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$1,529 of the General Fund balance has been restricted in compliance with this requirement.

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a 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

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

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all other funds can report negative amounts.

BROADLANDS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2020

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Note 2: Cash and Investments

As of December 31, 2020, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	\$ 193,396
Cash and investments - Restricted	<u>1,529</u>
Total	\$ <u>194,925</u>

Cash and investments as of December 31, 2020 consist of the following:

Deposits with financial institutions	\$ 8,780
Investments - COLOTRUST	<u>186,145</u>
	\$ <u>194,925</u>

BROADLANDS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2020

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. 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.

The District does not have a formal policy for deposits. As of December 31, 2020, none of the District’s deposits were exposed to custodial credit risk.

Investments

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District’s investment is not required to be categorized within the fair value hierarchy. This investment’s value is calculated using the net asset value method (NAV) per share.

Credit Risk

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

None of the District’s investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

BROADLANDS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2020

As of December 31, 2020, the District had the following investments:

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”) is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint ventures established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. The trusts operate similarly to a money market fund with each share maintaining a value of \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians’ internal records identify the investments owned by COLOTRUST. At December 31, 2020, the District had \$186,145 invested in COLOTRUST PLUS+.

Note 3: Long Term Debt

A description of the long-term obligations as of December 31, 2020, is as follows:

General Obligation Refunding Bonds Series 2013

On March 28, 2013, the District issued \$10,000,000 of General Obligation Refunding Bonds Series 2013 (“2013 Bonds”) dated March 28, 2013 for the purpose of refinancing a portion of the District’s General Obligation Refunding Bonds Series 2004 and to pay the costs of issuing the bonds. The bonds bear interest between the rates of .75% to 4.00%, payable semiannually on each June 1 and December 1, commencing on June 1, 2013. The bonds mature on December 1, 2034 and are subject to a mandatory sinking fund redemption commencing on December 1, 2013. The Bonds maturing on December 1, 2021 and 2022 are not subject to optional redemption prior to their maturities. Bonds maturing on and after December 1, 2023 are subject to redemption prior to their maturities, at the option of the District, as a whole or in integral multiples of \$5,000, on December 1, 2022, and on any date thereafter, upon payment of par and accrued interest, without redemption premium. The 2013 Bonds are secured by Pledged Revenues including ad valorem taxes levied to sufficiently pay the interest and principal of the Bonds as they become due and payable.

BROADLANDS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2020

The Series 2013 Bond Resolution provides that the occurrence or existence of any one or more of the following events shall be an event of default thereunder: (a) payment of the principal of or redemption premium on any Bond is not made by the District when due; (b) payment of any interest on any Bond is not made by the District when due; (c) the District defaults in the performance of any other of its covenants in the Bond Resolution, and such default continues for 60 days after written notice specifying such default and requiring the same to be remedied is given to the District by the owners of 25% in aggregate principal amount of the Bonds then outstanding; or (d) the District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the debt represented by the Bonds. Upon the occurrence and continuance of an event of default, the owner of any Bond may proceed to protect and enforce the rights of any Bond owner under the Bond Resolution by mandamus or such other suit, action, or special proceedings in equity or at law, in any court of competent jurisdiction. All such proceedings shall be instituted, had, and maintained for the equal benefit of all owners of the Bonds then outstanding.

General Obligation Refunding Bonds Series 2014

On January 9, 2014, the District issued \$4,480,000 of General Obligation Refunding Bonds Series 2014 (“2014 Bonds”) dated January 9, 2014 for the purpose of refinancing the balance of the District’s General Obligation Refunding Bonds Series 2004 and to pay the costs of issuing the bonds. The bonds bear interest at the rate of 2.55%, payable semiannually on each June 1 and December 1, commencing on June 1, 2014. The bonds mature on December 1, 2024, and are subject to a mandatory sinking fund redemption commencing on December 1, 2014. The Series 2014 Bonds are subject to redemption prior to their maturities, at the option of the District, as a whole or in integral multiples of \$5,000, on December 1, 2016, and on any date thereafter, upon payment of par and accrued interest, without redemption premium. The 2014 Bonds are secured by Pledged Revenues including ad valorem taxes levied to sufficiently pay the interest and principal of the Bonds as they become due and payable.

The Series 2014 Bond Resolution provides that the occurrence or existence of any one or more of the following events shall be an event of default thereunder: (a) payment of the principal of or redemption premium on any Bond is not made by the District when due; (b) payment of any interest on any Bond is not made by the District when due; (c) the District defaults in the performance of any other of its covenants in the Bond Resolution, and such default continues for 60 days after written notice specifying such default and requiring the same to be remedied is given to the District by the owners of 25% in aggregate principal amount of the Bonds then outstanding; or (d) the District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the debt represented by the Bonds. Upon the occurrence and continuance of an event of default, the owner of any Bond may proceed to protect and enforce the rights of any Bond owner under the Bond Resolution by mandamus or such other suit, action, or special proceedings in equity or at law, in any court of competent jurisdiction. All such proceedings shall be instituted, had, and maintained for the equal benefit of all owners of the Bonds then outstanding.

BROADLANDS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2020

Advance Refunding

The 2013 Bonds were issued to provide resources to purchase securities to be placed in an irrevocable trust for the purpose of generating resources for \$8,900,000 of future debt service payments of the Series 2004 Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$1,000,728. This amount is recorded as a deferred outflow and is being amortized over the remaining life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the remaining life of the old debt at the time of the refunding by \$1,723,256 and resulted in an economic gain of \$1,247,925.

The 2014 Bonds were issued to provide resources to purchase securities to be placed in an irrevocable trust for the purpose of generating resources for \$4,175,000 of future debt service payments of the Series 2004 Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$256,665. This amount is recorded as a deferred outflow and is being amortized over the remaining life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the remaining life of the old debt at the time of the refunding by \$396,699 and resulted in an economic gain of \$347,545.

The following is an analysis of changes in long-term debt for the period ending December 31, 2020:

	Balance 1/1/2020	Additions	Deletions	Balance 12/31/2020	Current Portion
<u>General Obligation Bonds:</u>					
Series 2013	\$ 9,495,000	\$ -	\$ 75,000	\$ 9,420,000	\$ 75,000
Series 2014	2,360,000	-	480,000	1,880,000	495,000
Total	<u>11,855,000</u>	<u>-</u>	<u>555,000</u>	<u>11,300,000</u>	<u>570,000</u>
Original issue discount - Series 2013	(26,013)	-	(2,507)	\$ (23,506)	-
	<u>\$ 11,828,987</u>	<u>\$ -</u>	<u>\$ 552,493</u>	<u>\$ 11,276,494</u>	<u>\$ 570,000</u>

BROADLANDS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2020

The following is a summary of the annual long-term debt principal and interest requirements.

	Principal	Interest	Total
2021	\$ 570,000	\$ 368,264	\$ 938,264
2022	600,000	353,766	953,766
2023	615,000	338,504	953,504
2024	650,000	322,860	972,860
2025	710,000	301,574	1,011,574
2026-2030	4,140,000	1,094,574	5,234,574
2031-2034	4,015,000	351,882	4,366,882
	<u>\$ 11,300,000</u>	<u>\$ 3,131,424</u>	<u>\$ 14,431,424</u>

Debt Authorization

As of December 31, 2020, the District had remaining voted debt authorization of approximately \$13,032,854. The District has not budgeted to issue any new debt during 2021.

Note 4: Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer 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.

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 4, 1997, a majority of the District’s electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

BROADLANDS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2020

Note 5: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool (“Pool”) which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials’ liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other 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 6: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Balance Sheet/Statement of Net Position – Governmental Funds includes an adjustments column. The adjustments have the following elements:

- 1) Long-term liabilities such as bonds payable and accrued bond interest payable are not due and payable in the current period and, therefore, are not in the funds; and,
- 2) original issue discount and loss from refunding are reported as deferred charges and amortized over the term of the related debt in the government-wide financial statements.

The Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities – Governmental Funds includes an adjustments column. The adjustments have the following elements:

- 1) Governmental funds report original issue discount and loss from refunding as an expenditure, however, in the statement of activities, the original issue discount and loss from refunding are amortized over the term of the related debt;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method in the Statement of Activities; and
- 3) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

BROADLANDS METROPOLITAN DISTRICT NO. 2

SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED

(UNAUDITED)

December 31, 2020

<u>Year Ended</u> <u>December 31,</u>	<u>Prior</u> <u>Year Assessed</u> <u>Valuation</u> <u>for Current</u> <u>Year Property</u> <u>Tax Levy</u>	<u>Mills Levied</u>	<u>Total Property Tax</u>		<u>Percent</u> <u>Collected</u> <u>to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
2005	\$ 52,661,430	10.000	\$ 526,600	\$ 523,827	99.47%
2006	\$ 58,318,960	10.000	\$ 583,200	\$ 582,519	99.88%
2007	\$ 63,306,360	10.000	\$ 633,100	\$ 637,308	100.66%
2008	\$ 71,305,830	12.620	\$ 899,900	\$ 895,144	99.47%
2009	\$ 71,724,620	13.340	\$ 956,806	\$ 953,095	99.61%
2010	\$ 69,868,060	13.700	\$ 957,192	\$ 956,763	99.96%
2011	\$ 69,954,220	13.530	\$ 946,480	\$ 945,600	99.91%
2012	\$ 66,430,950	14.300	\$ 949,963	\$ 947,467	99.74%
2013	\$ 66,359,330	14.600	\$ 968,846	\$ 971,580	100.28%
2014	\$ 68,539,230	12.400	\$ 849,886	\$ 848,900	99.88%
2015	\$ 68,644,245	12.400	\$ 851,189	\$ 849,903	99.85%
2016	\$ 78,721,990	10.600	\$ 834,453	\$ 829,915	99.46%
2017	\$ 78,775,780	10.600	\$ 835,023	\$ 835,548	100.06%
2018	\$ 83,477,980	10.600	\$ 884,867	\$ 883,341	99.83%
2019	\$ 83,467,967	10.600	\$ 884,760	\$ 884,463	99.97%
2020	\$ 91,314,956	10.100	\$ 922,282	\$ 920,433	99.80%
Estimated for year ending December 31, 2021	\$ 91,440,040	10.100	\$ 923,544		

NOTE

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.

CONTINUING DISCLOSURE OBLIGATION
(UNAUDITED)

BROADLANDS METROPOLITAN DISTRICT NO. 2

TEN LARGEST TAXPAYERS IN THE DISTRICT
DECEMBER 31, 2020
(UNAUDITED)

<u>Taxpayer Name</u>	<u>2020 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation (1)</u>
Broadlands Station LLC	\$ 4,096,190	4.48%
Public Service CO of Colorado	1,609,990	1.76%
TCF National Bank	509,560	0.56%
Safeway Inc #2624	232,090	0.25%
Eight Falls LLC	196,590	0.21%
TCF Equipment Finance	170,320	0.18%
Safeway Stores 45 Inc	169,940	0.19%
Private Homeowner #1	123,770	0.13%
Private Homeowner #2	118,160	0.13%
Private Homeowner #3	117,070	0.13%
	<u>\$ 7,343,680</u>	<u>8.02%</u>

(1) Based on a 2020 certified assessed valuation of \$91,440,040.

Source: City and County of Broomfield Assessor's Office

BROADLANDS METROPOLITAN DISTRICT NO. 2

ASSESSED VALUATION OF CLASSES OF PROPERTY IN THE DISTRICT
DECEMBER 31, 2020
(UNAUDITED)

<u>Class</u>	<u>Total 2020 Assessed Valuation</u>	<u>Percent of Total Assessed Valuation</u>
Residential	\$ 84,173,620	92.05%
Commercial	5,382,700	5.89%
Vacant	102,950	0.11%
State assessed	1,780,190	1.95%
Natural resources	580	0.00%
Total	<u>\$ 91,440,040</u>	<u>100.00%</u>

Source: City and County of Broomfield Assessor's Office

BROADLANDS METROPOLITAN DISTRICT NO. 2

SELECTED DEBT RATIOS OF THE DISTRICT
DECEMBER 31, 2020
(UNAUDITED)

Direct debt	\$	11,300,000
2020 District assessed valuation (District property only)	\$	91,440,040
Ratio of debt to assessed valuation		12.36%
2020 estimated statutory actual value (District property only)	\$	1,194,053,190
Ratio of debt to estimated statutory actual value		0.95%