

BUCKLEY YARD METROPOLITAN DISTRICT NO. 2
Arapahoe County, Colorado

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2022

**BUCKLEY YARD METROPOLITAN DISTRICT NO. 2
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2022**

| | |
|--|-----------|
| INDEPENDENT AUDITOR’S REPORT | 1 |
| BASIC FINANCIAL STATEMENTS | |
| GOVERNMENT-WIDE FINANCIAL STATEMENTS | |
| STATEMENT OF NET POSITION | 1 |
| STATEMENT OF ACTIVITIES | 2 |
| FUND FINANCIAL STATEMENTS | |
| BALANCE SHEET – GOVERNMENTAL FUNDS | 3 |
| STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS) – GOVERNMENTAL FUNDS | 4 |
| RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS) OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES | 5 |
| GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (DEFICIT) – BUDGET AND ACTUAL | 6 |
| NOTES TO BASIC FINANCIAL STATEMENTS | 7 |
| SUPPLEMENTARY INFORMATION | |
| DEBT SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL | 25 |
| CAPITAL PROJECTS FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL | 26 |
| OTHER INFORMATION | |
| SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY | 28 |
| SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED | 29 |



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Buckley Yard Metropolitan District No. 2
Arapahoe County, Colorado

Opinions

We have audited the financial statements of the governmental activities and each major fund of Buckley Yard Metropolitan District No. 2 (the District) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2022, and the respective changes in financial position thereof, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate to those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary and other information (together, the information) as identified in the table of contents is presented for the purposes of additional analysis and legal compliance and is not a required part of the basic financial statements.

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

Fiscal Group Partners, LLC

Arvada, Colorado
September 29, 2023

BASIC FINANCIAL STATEMENTS

BUCKLEY YARD METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2022

| | Governmental Activities |
|--------------------------------------|----------------------------|
| ASSETS | |
| Cash and Investments | \$ 1,869 |
| Cash and Investments - Restricted | 7,790,786 |
| Receivable from County Treasurer | 104 |
| Prepaid Expenses | 2,571 |
| Property Taxes Receivable | 42,249 |
| Total Assets | 7,837,579 |
| LIABILITIES | |
| Accounts Payable | 16,209 |
| Accrued Interest Payable | 35,417 |
| Noncurrent Liabilities: | |
| Due in More Than One Year | 8,443,467 |
| Total Liabilities | 8,495,093 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred Property Tax Revenue | 42,249 |
| Total Deferred Inflows of Resources | 42,249 |
| NET POSITION | |
| Restricted for: | |
| Emergency Reserves | 100 |
| Unrestricted | (699,863) |
| Total Net Position | \$ (699,763) |

See accompanying Notes to Basic Financial Statements..

**BUCKLEY YARD METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

| | Program Revenues | | | Net Revenues (Expenses) and Change in Net Position |
|---|----------------------------|--|--|---|
| | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| FUNCTIONS/PROGRAMS | | | | |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| General Government | \$ 21,885 | \$ - | \$ - | \$ (21,885) |
| Interest and Related Costs on Long-Term Debt | 804,093 | - | - | (804,093) |
| Total Governmental Activities | <u>\$ 825,978</u> | <u>\$ -</u> | <u>\$ -</u> | <u>(825,978)</u> |
| GENERAL REVENUES | | | | |
| Property Taxes | | | | 22,468 |
| Specific Ownership Taxes | | | | 1,417 |
| Interest Income | | | | 102,330 |
| Total General Revenues | | | | <u>126,215</u> |
| CHANGE IN NET POSITION | | | | (699,763) |
| Net Position - Beginning of Year | | | | - |
| NET POSITION - END OF YEAR | | | | <u>\$ (699,763)</u> |

See accompanying Notes to Basic Financial Statements..

**BUCKLEY YARD METROPOLITAN DISTRICT NO. 2
BALANCE SHEET –
GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

| ASSETS | General | Debt Service | Subdistrict Debt Service | Capital Projects | Total Governmental Fund |
|---|------------------|---------------------|--------------------------------|---------------------|-------------------------------|
| Cash and Investments | \$ 1,869 | \$ - | \$ - | \$ - | \$ 1,869 |
| Cash and Investments - Restricted | 100 | 1,513,844 | - | 6,276,842 | 7,790,786 |
| Receivable from County Treasurer | 9 | 95 | - | - | 104 |
| Prepaid Expenses | 2,571 | - | - | - | 2,571 |
| Property Taxes Receivable | 9,134 | 22,561 | 10,554 | - | 42,249 |
| Total Assets | \$ 13,683 | \$ 1,536,500 | \$ 10,554 | \$ 6,276,842 | \$ 7,837,579 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS) | | | | | |
| LIABILITIES | | | | | |
| Accounts Payable | \$ 16,209 | \$ - | \$ - | \$ - | \$ 16,209 |
| Total Liabilities | 16,209 | - | - | - | 16,209 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred Property Tax Revenue | 9,134 | 22,561 | 10,554 | - | 42,249 |
| Total Deferred Inflows of Resources | 9,134 | 22,561 | 10,554 | - | 42,249 |
| FUND BALANCES | | | | | |
| Nonspendable: | | | | | |
| Prepaid Insurance | 2,571 | - | - | - | 2,571 |
| Restricted for: | | | | | |
| Emergency Reserves | 100 | - | - | - | 100 |
| Debt Service | - | 1,513,939 | - | - | 1,513,939 |
| Capital Projects | - | - | - | 6,276,842 | 6,276,842 |
| Unassigned | (14,331) | - | - | - | (14,331) |
| Total Fund Balances (Deficits) | (11,660) | 1,513,939 | - | 6,276,842 | 7,779,121 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits) | \$ 13,683 | \$ 1,536,500 | \$ 10,554 | \$ 6,276,842 | |

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

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

| | |
|---------------------------------------|--------------------|
| Bonds Payable | (8,369,000) |
| Accrued Interest on Bonds Payable | (66,213) |
| Accrued Interest Payable | (35,417) |
| Developer Advance Payable | (8,220) |
| Accrued Interest on Developer Advance | (34) |
| | <u>(8,488,924)</u> |

| | |
|---|---------------------|
| Net Position of Governmental Activities | <u>\$ (699,763)</u> |
|---|---------------------|

See accompanying Notes to Basic Financial Statements..

BUCKLEY YARD METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022

| | General | Debt Service | Capital Projects | Total Governmental Fund |
|---|--------------------|---------------------|---------------------|-------------------------------|
| REVENUES | | | | |
| Property Taxes | \$ 1,851 | \$ 20,617 | \$ - | \$ 22,468 |
| Specific Ownership Taxes | 117 | 1,300 | - | 1,417 |
| Interest Income | 37 | 21,087 | 81,206 | 102,330 |
| Total Revenues | <u>2,005</u> | <u>43,004</u> | <u>81,206</u> | <u>126,215</u> |
| EXPENDITURES | | | | |
| General: | | | | |
| Accounting | 9,612 | - | - | 9,612 |
| County Treasurer's Fees | 28 | 315 | - | 343 |
| Dues and Membership | 200 | - | - | 200 |
| Legal Services | 11,567 | - | - | 11,567 |
| Miscellaneous | 478 | - | - | 478 |
| Debt Service: | | | | |
| Bond Interest - Series 2022 | - | 146,389 | - | 146,389 |
| Capital Projects: | | | | |
| Bond Issue Costs | - | - | 555,725 | 555,725 |
| Total Expenditures | <u>21,885</u> | <u>146,704</u> | <u>555,725</u> | <u>724,314</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (19,880) | (103,700) | (474,519) | (598,099) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Bond Proceeds - Series 2022 | - | - | 8,369,000 | 8,369,000 |
| Developer Advance | 8,220 | - | - | 8,220 |
| Transfers from Other Funds | - | 1,617,639 | - | 1,617,639 |
| Transfers to Other Funds | - | - | (1,617,639) | (1,617,639) |
| Total Other Financing Sources (Uses) | <u>8,220</u> | <u>1,617,639</u> | <u>6,751,361</u> | <u>8,377,220</u> |
| NET CHANGE IN FUND BALANCES | (11,660) | 1,513,939 | 6,276,842 | 7,779,121 |
| Fund Balances - Beginning of Year | - | - | - | - |
| FUND BALANCES (DEFICITS) - END OF YEAR | <u>\$ (11,660)</u> | <u>\$ 1,513,939</u> | <u>\$ 6,276,842</u> | <u>\$ 7,779,121</u> |

See accompanying Notes to Basic Financial Statements..

**BUCKLEY YARD METROPOLITAN DISTRICT NO. 2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES (DEFICITS) OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

Net Change in Fund Balances - Total Governmental Funds \$ 7,779,121

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

The issuance of long-term debt (e.g., Bonds, Developer advances) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds record the effect of premiums, discounts, and similar items when debt is first issued as expenditures, whereas these amounts are deferred and amortized in the statement of activities.

| | |
|--------------------------------|-------------|
| Bond Issuance - Series 2022 | (8,369,000) |
| Developer Advance - Operations | (8,220) |

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

| | |
|---|-----------|
| Accrued Bond Interest - 2022B Bonds | (66,213) |
| Accrued Interest on 2022A Bonds - Change in Current Liability | (35,417) |
| Accrued Interest on Developer Advance - Change in Liability | (34) |
| | (699,763) |

| | |
|---|--------------|
| Change in Net Position of Governmental Activities | \$ (699,763) |
|---|--------------|

**BUCKLEY YARD METROPOLITAN DISTRICT NO. 2
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (DEFICIT) –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2022**

| | Original and Final Budget Amounts | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|--|--------------------|---|
| REVENUES | | | |
| Property Taxes | \$ 1,852 | \$ 1,851 | \$ (1) |
| Specific Ownership Taxes | 130 | 117 | (13) |
| Interest Income | - | 37 | 37 |
| Total Revenues | <u>1,982</u> | <u>2,005</u> | <u>23</u> |
| EXPENDITURES | | | |
| General and Administrative: | | | |
| Accounting | 15,000 | 9,612 | 5,388 |
| County Treasurer's Fees | 28 | 28 | - |
| Dues and Membership | 1,000 | 200 | 800 |
| Insurance and Bonds | 2,500 | - | 2,500 |
| Legal Services | 25,000 | 11,567 | 13,433 |
| Miscellaneous | 5,000 | 478 | 4,522 |
| Contingency | 1,472 | - | 1,472 |
| Total Expenditures | <u>50,000</u> | <u>21,885</u> | <u>28,115</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (48,018) | (19,880) | 28,138 |
| OTHER FINANCING SOURCES (USES) | | | |
| Developer Advance | 48,118 | 8,220 | (39,898) |
| Total Other Financing Sources (Uses) | <u>48,118</u> | <u>8,220</u> | <u>(39,898)</u> |
| NET CHANGE IN FUND BALANCE | 100 | (11,660) | (11,760) |
| Fund Balance - Beginning of Year | - | - | - |
| FUND BALANCE (DEFICIT) - END OF YEAR | <u>\$ 100</u> | <u>\$ (11,660)</u> | <u>\$ (11,760)</u> |

See accompanying Notes to Basic Financial Statements..

BUCKLEY YARD METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 DEFINITION OF REPORTING ENTITY

Buckley Yard Metropolitan District No. 2 (the District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court on November 10, 2021, recorded on November 19, 2021, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Service Plan approved by the City of Aurora (the City), on August 9, 2021. The District's service area is located in the City, Arapahoe County (the County), Colorado. The District was established to provide for the planning, design, acquisition, construction, installation, relocation, and redevelopment of the public improvements within and without the boundaries of the District.

Pursuant to a resolution of the Board of Directors of the District (the Board) adopted on March 1, 2022 (and effective March 24, 2022), the Board established the Buckley Yard Metropolitan District No. 2 – Subdistrict (the Subdistrict), the boundaries of which are within the boundaries of the District. Under State law, a subdistrict is an independent quasi-municipal corporation possessing all of the rights, privileges, and immunities of the special district creating the subdistrict.

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

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity. The financial operations of the Subdistrict are included within these financial statements.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

BUCKLEY YARD METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements - (Continued)

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District has determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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

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

BUCKLEY YARD METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The Subdistrict 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 of the District.

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

Budgets

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

The District amended its budget for the year ended December 31, 2022.

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.

Property Taxes

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

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

BUCKLEY YARD METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress and are not included in the calculation of the net investment in capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, deferred property tax revenue is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Equity

Net Position

For government-wide presentation purposes, when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Nonspendable Fund Balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

BUCKLEY YARD METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

Restricted Fund Balance – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

Committed Fund Balance – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance – The portion of fund balance that is constrained by the government's intent to be used for specific purposes but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above.

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

Deficits

The General Fund reported a deficit in the fund financial statements as of December 31, 2022. The deficit will be eliminated with the receipt of funds advanced by the Developer in 2023.

State Audit Law

Colorado Revised Statutes require that local governments submit audited financial statement for the calendar year end by July 31, or September 30 if granted an extension, of the following year. The District was not in compliance with the statutory requirement.

BUCKLEY YARD METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2022 are classified in the accompanying financial statements as follows:

Statement of Net Position:

| | |
|-----------------------------------|--------------|
| Cash and Investments | \$ 1,869 |
| Cash and Investments - Restricted | 7,790,786 |
| Total Cash and Investments | \$ 7,792,655 |

Cash and investments as of December 31, 2022, consist of the following:

| | |
|--------------------------------------|--------------|
| Deposits with Financial Institutions | \$ 23,888 |
| Investments | 7,768,767 |
| Total Cash and Investments | \$ 7,792,655 |

Cash Deposits

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

On December 31, 2022, the District's cash deposits had a bank balance and carrying balance of \$23,888.

Investments

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

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

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

BUCKLEY YARD METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

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

At December 31, 2022, the District had the following investments:

| <u>Investment</u> | <u>Maturity</u> | <u>Amount</u> |
|--|-----------------------------------|---------------------|
| Colorado Local Government Liquid Asset Trust (COLOTRUST PLUS+) | Weighted-Average Under 60 Days | <u>\$ 7,768,767</u> |

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, and highest rated commercial paper.

BUCKLEY YARD METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

A designated custodial bank serves as custodian for the Trust’s portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust’s investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian’s internal records segregate investments owned by the Trust. COLOTRUST PRIME and COLOTRUST PLUS+ are rated AAAM by Standard & Poor’s. COLOTRUST EDGE is rated AAAs/S1 by Fitch Ratings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

NOTE 4 LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District’s long-term obligations for the year ended December 31, 2022:

| | Balance - December 31, 2021 | Additions | Reductions | Balance - December 31, 2022 | Due Within One Year |
|------------------------------------|-----------------------------------|--------------|------------|-----------------------------------|------------------------|
| Bonds Payable | | | | | |
| Series 2022A - Bonds | \$ - | \$ 6,800,000 | \$ - | \$ 6,800,000 | \$ - |
| Series 2022B - Bonds | - | 1,569,000 | - | 1,569,000 | - |
| Accrued Interest on Bonds Payable: | | | | | |
| Series 2022B - Bonds | - | 66,213 | - | 66,213 | - |
| Subtotal of Bonds Payable | - | 8,435,213 | - | 8,435,213 | - |
| Other Debts | | | | | |
| Developer Advances: | | | | | |
| Operating | - | 8,220 | - | 8,220 | - |
| Accrued Interest on | | | | | |
| Developer Advances: | | | | | |
| Operating | - | 34 | - | 34 | - |
| Subtotal of Other Debts | - | 8,254 | - | 8,254 | - |
| Total Long-Term Obligations | \$ - | \$ 8,443,467 | \$ - | \$ 8,443,467 | \$ - |

Limited Tax General Obligation Bonds, Series 2022A (the “Senior Bonds”) and **Subordinate Limited Tax General Obligation Bonds, Series 2022B(3)** (the “Subordinate Bonds”) and together with the Senior Bonds, (the “Bonds”). The District issued the Bonds on July 27, 2022, in the amount of \$6,800,000 and \$1,569,000 for the Senior Bonds and Subordinate Bonds, respectively.

Proceeds of the Bonds

Proceeds from the sale of the Senior Bonds were used to: (a) pay or reimburse Project Costs; (b) fund capitalized interest on the Senior Bonds; (c) fund the Reserve Fund in the amount of the Reserve Requirement; and (d) pay costs of issuance of the Senior Bonds.

Proceeds from the sale of the Subordinate Bonds were used to pay or reimburse Project Costs and pay costs of issuance of the Subordinate Bonds.

BUCKLEY YARD METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Senior Bonds Details

The Senior Bonds bear interest at 6.25%, payable semi-annually on June 1 and December 1, beginning on December 1, 2022. Principal payments on the Senior Bonds are due annually on each December 1, beginning on December 1, 2030. The Senior Bonds mature on December 1, 2052.

To the extent principal of any Senior Bond is not paid when due, principal shall remain outstanding until paid and shall continue to bear interest at the rate then borne by the Senior Bond. To the extent interest on any Senior Bond is not paid when due, such interest shall compound on each interest payment date, at the rate then borne by the Senior Bond.

The Senior Bonds are not subject to early termination or acceleration. The Senior Bonds do not have any unused lines of credit and no assets have been pledged as collateral on the Senior Bonds.

Optional Redemption of Bonds

The Bonds are subject to redemption prior to maturity, at the option of the District, on September 1, 2027, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed as follows:

| <u>Date of Redemption</u> | <u>Redemption Premium</u> |
|---------------------------------------|---------------------------|
| September 1, 2027, to August 31, 2028 | 3.00% |
| September 1, 2028, to August 31, 2029 | 2.00% |
| September 1, 2029, to August 31, 2030 | 1.00% |
| September 1, 2030, and thereafter | 0.00% |

Senior Pledged Revenue

The Senior Bonds are secured by and payable solely from and to the extent of Senior Pledged Revenue derived by the District from the following sources:

- (a) the Senior Tax Revenue;
- (b) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Senior Required Mill Levy;
- (c) the Capital Facilities Fee Tax Revenue;
- (d) the Subdistrict Debt Service Revenues; and
- (e) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

BUCKLEY YARD METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Senior Tax Revenue

The Senior Tax Revenue, prior to the expiration of the EA Mill Levy Revenue Term, is the revenue derived from the imposition of the Senior Required Mill Levy less the amount of the EA Mill Levy Revenue. Upon expiration of the EA Mill Levy Revenue Term, the Senior Tax Revenue is the revenue generated from the imposition of the Senior Required Mill Levy.

The EA Mill Levy Revenue is the portion of the District's ad valorem revenue required to be paid to Aurora CentreTech Metropolitan District ("ACT") each year. Such amount is computed as an amount equal to the annual ad valorem tax revenue that would be derived from the West Parcel if the EA Mill Levy were imposed on the West Parcel.

Senior Required Mill Levy

The Senior Required Mill Levy is an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the Senior Bonds as they come due, and if necessary, to replenish the Reserve Fund to the Reserve Requirement, and to fund the Surplus Fund to the Maximum Surplus Amount but not in excess of 50 mills (as adjusted for changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut, or abatement on or after January 1, 2004) minus the ACT Debt Mill Levy prior to the ACT Debt Mill Levy Termination Date.

The ACT Debt Mill Levy is the debt service mill levy imposed by ACT each year on the portion of the District comprising the West Parcel.

Subdistrict Debt Service Revenues

The Subdistrict Debt Service Revenues is the moneys derived from the Subdistrict from its imposition of the Subdistrict Required Mill Levy which is an ad valorem mill levy imposed upon all taxable property of the Subdistrict each year in the amount of 50 mills, as adjusted, minus the number of mills equal to the Senior Required Mill Levy.

Reserve Fund

The Senior Bonds are additionally secured by the Reserve Fund, which will initially be funded with proceeds of the Senior Bonds in the amount of the Reserve Requirement of \$621,250. Amounts on deposit in the Reserve Fund on the final maturity date of the Senior Bonds are to be applied to the payment of the Senior Bonds on such date.

Moneys in the Reserve Fund shall be used by the Trustee, if necessary, only to prevent a default in the payment of the principal of, premium if any, or interest on the Senior Bonds, and the Reserve Fund is pledged to the payment of the Senior Bonds.

Surplus Fund

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 Surplus Fund, up to the Maximum Surplus Amount of \$680,000. The Surplus Fund is to be maintained for so long as any Senior Bond is Outstanding and is pledged to the payment of the Senior Bonds.

BUCKLEY YARD METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Events of Default of the Senior Bonds

Events of default occur if the District fails to impose the Senior Required Mill Levy, or to apply the Senior Pledged Revenues as required by the Senior Indenture and does not comply with other customary terms and conditions consistent with normal municipal financing as described in the Senior Indenture. Acceleration of the Senior Bonds shall not be an available remedy for an Event of Default.

Subordinate Bonds Details

The Subordinate Bonds bear interest at a rate of 9.25% per annum payable annually on December 15, beginning on December 15, 2022, to the extent of available Subordinate Pledged Revenue and mature on December 15, 2052. The Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest. Unpaid interest on the Subordinate Bonds compounds annually on each December 15.

All of the Subordinate Bonds and interest thereon will be deemed paid, satisfied, and discharged on the Termination Date of December 16, 2062, regardless of the amount of principal and interest paid prior to the Termination Date.

The Subordinate Bonds are not subject to acceleration. The Subordinate Bonds do not have any unused lines of credit and no assets have been pledged as collateral on the Subordinate Bonds.

Subordinate Bonds Pledged Revenue

The Subordinate Bonds are secured by and payable solely from and to the extent of Subordinate Pledged Revenue consisting of the following:

- (a) the Subordinate Tax Revenue;
- (b) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Subordinate Required Mill Levy;
- (c) the Subordinate Capital Facilities Fee Tax Revenue;
- (d) the Subordinate Subdistrict Debt Service Revenues; and
- (e) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

Subordinate Tax Revenue

If the EA Mill Levy Revenue has not been deducted from the Senior Tax Revenue or has not otherwise been paid from another District revenue source to ACT, and the EA Mill Levy Revenue Term has not expired, the Subordinate Tax Revenue is the moneys derived from imposition of the Subordinate Required Mill Levy less the amount of the EA Mill Levy Revenue.

BUCKLEY YARD METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Subordinate Required Mill Levy

The Subordinate Required Mill Levy is an ad valorem mill levy imposed upon all taxable property of the District each year in the amount of 50 mills, as adjusted, *minus* the number of mills equal to the Senior Bond Mill Levy, *or* if no Senior Bonds are then outstanding and the ACT Debt Mill Levy Termination Date has not yet occurred, *minus* the number of mills equal to the ACT Debt Mill Levy or such lesser amount sufficient to pay all the principal of, premium, if any, and interest on the Bonds in full.

Subordinate Subdistrict Debt Service Revenues

The Subordinate Subdistrict Debt Service Revenues is all Subdistrict Debt Service Revenues remaining after the application thereof to the payment of the Senior Bonds and any other Senior Bonds then outstanding.

Events of Default of the Subordinate Bonds

Events of default occur if the District fails to impose the Subordinate Required Mill Levy, or to apply the Subordinate Pledged Revenues as required by the Subordinate Indenture and does not comply with other customary terms and conditions consistent with normal municipal financing as described in the Subordinate Indenture. Acceleration of the Subordinate Bonds shall not be an available remedy for an Event of Default.

The District's Senior Bonds will mature as follows:

| <u>Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|---------------------|---------------------|----------------------|
| 2023 | \$ - | \$ 425,000 | \$ 425,000 |
| 2024 | - | 425,000 | 425,000 |
| 2025 | - | 425,000 | 425,000 |
| 2026 | - | 425,000 | 425,000 |
| 2027 | - | 425,000 | 425,000 |
| 2028-2032 | 280,000 | 2,108,750 | 2,388,750 |
| 2033-2037 | 695,000 | 1,959,063 | 2,654,063 |
| 2038-2042 | 1,115,000 | 1,692,501 | 2,807,501 |
| 2043-2047 | 1,665,000 | 1,280,000 | 2,945,000 |
| 2048-2052 | 3,045,000 | 670,311 | 3,715,311 |
| Total | <u>\$ 6,800,000</u> | <u>\$ 9,835,625</u> | <u>\$ 16,635,625</u> |

Due to the cash flow nature of the Subordinate Bonds, principal and interest payments on the Subordinate Bonds cannot be predicted with certainty and are not presented in the above maturity schedule.

Developer Advances see Note 6.

BUCKLEY YARD METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Debt Authorization

On November 2, 2021, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$384,000,000 at an interest rate not to exceed 18% per annum. At December 31, 2022, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

| | Authorized November 2, 2021 Election | Authorization Used | | Remaining at December 31, 2022 |
|-------------------------|--|-----------------------|----------------------------|--------------------------------------|
| | | Senior 2022A Bonds | Subordinate 2022B Bonds | |
| Streets | \$ 16,000,000 | \$ 1,900,000 | \$ - | \$ 14,100,000 |
| Parks and Recreation | 16,000,000 | 1,800,000 | - | 14,200,000 |
| Water | 16,000,000 | 1,900,000 | - | 14,100,000 |
| Sanitation/Storm Sewer | 16,000,000 | 1,200,000 | 1,569,000 | 13,231,000 |
| Public Transportation | 16,000,000 | - | - | 16,000,000 |
| Mosquito Control | 16,000,000 | - | - | 16,000,000 |
| Safety Protection | 16,000,000 | - | - | 16,000,000 |
| Fire Protection | 16,000,000 | - | - | 16,000,000 |
| TV Relay/Translation | 16,000,000 | - | - | 16,000,000 |
| Security | 16,000,000 | - | - | 16,000,000 |
| Operations/Maintenance | 16,000,000 | - | - | 16,000,000 |
| Refunding | 160,000,000 | - | - | 160,000,000 |
| Intergovernmental Agmts | 16,000,000 | - | - | 16,000,000 |
| Private Agreements | 16,000,000 | - | - | 16,000,000 |
| Debt (In-District) | 16,000,000 | - | - | 16,000,000 |
| Total | \$ 384,000,000 | \$ 6,800,000 | \$ 1,569,000 | \$ 375,631,000 |

Debt Authorization (Continued)

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$16,000,000.

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

NOTE 5 NET POSITION

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

Restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position for emergencies as of December 31, 2022.

The District has a deficit in unrestricted net position.

BUCKLEY YARD METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 6 AGREEMENTS

Infrastructure Acquisition and Reimbursement Agreement

The District and Buckley Yard REF Acquisition LLC (the Developer) entered into an Infrastructure Acquisition and Reimbursement Agreement on July 11, 2022 (the ARA) which establishes the terms and conditions pursuant to which the District is to reimburse eligible costs funded by the Developer and/or acquire completed public improvements constructed by the Developer.

The Developer may initiate a request for the District's acceptance of eligible costs of public infrastructure (the District Eligible Costs). Upon certification of costs by an engineer and adoption of a resolution of the District accepting the costs, the Certified District Eligible Costs will bear simple interest at the rate of 8% per annum from the date of the District Acceptance Resolution until paid in full.

As of December 31, 2022, no District Eligible Costs have been accepted by the District.

Funding and Reimbursement Agreement (Operations and Maintenance)

On July 11, 2022, the District and the Developer entered into a Funding and Reimbursement Agreement (Operations and Maintenance) (the Operations Funding Agreement or OFA) pursuant to which the Developer will advance funds to the District for purposes of paying general operating, administrative and maintenance costs, and the District will reimburse the Developer for such advances, together with simple interest thereon at the rate of 8% from the date of such advance to the date of repayment of such amount.

Under the OFA, the Developer may loan funds to the District in sums not to exceed the aggregate of \$50,000 per annum for two years, up to a total of \$100,000. The Developer's obligation will terminate on December 31, 2024, subject to the extension of additional one-year terms.

As of December 31, 2022, outstanding advances under the agreement totaled \$8,220 and accrued interest totaled \$34.

Exclusion Agreement

The District, Aurora CentreTech Metropolitan District (as previously defined as ACT) and the Developer entered into an Exclusion Agreement dated April 28, 2022.

The West Parcel of the Development was previously within the boundaries of ACT. ACT petitioned for exclusion of the West Parcel from its boundaries and the District petitioned for inclusion of the West Parcel into its boundaries, both of which have been approved by the Arapahoe County District Court.

As of the effective date of the Exclusion Order, ACT had outstanding debt comprised of General Obligation Refunding and Improvement Bonds, Series 1998A and General Obligation Refunding Bonds, Series 1998C which mature on December 1, 2028 (the "1998 ACT Debt"), the repayment of which the West Parcel is partially responsible. The West Parcel will be assessed the debt mill levy imposed by ACT for so long as the 1998 ACT Debt is outstanding.

BUCKLEY YARD METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 6 AGREEMENTS (CONTINUED)

Exclusion Agreement (Continued)

Pursuant to the Exclusion Agreement, the District covenants to remit to ACT an amount equal to the EA Mill Levy Revenue in every year beginning in tax levy year 2022 (for tax collection year 2023) and in every year thereafter through tax levy year 2028 (for tax collection year 2029). The EA Mill Levy Revenue is an annual amount equal to what would be collected on the assessed valuation of the West Parcel if assessed 34 mills (subject to adjustment for changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut, abatement on or after January 1, 2021) less the debt mill levy imposed by ACT on the West Parcel, (subject to adjustment) (the EA Mill Levy). The Exclusion Agreement terminates when all of the EA Mill Levy Revenue for tax collection years 2023 through 2029 has been remitted to ACT.

The EA Mill Levy is not an additional mill levy to be imposed by the District (or any other person); rather, such number of mills is solely for the purpose of calculating the annual amount of the EA Mill Levy Revenue that is to be paid to ACT by the District from the tax revenue generated from imposition of the Senior Required Mill Levy.

The Exclusion Agreement will terminate when all of the EA Mill Levy Revenue for tax collection years 2023 through 2029 has been remitted to ACT.

Revenue Pledge Agreement

The Subdistrict and the District entered into the Revenue Pledge Agreement concurrently upon the issuance of the Bonds for the purpose of setting forth the Subdistrict's obligation to provide ad valorem property tax revenue derived from the taxable property of the Subdistrict (and specific ownership tax revenue allocable thereto) in order to pay a portion of the debt service on the Bonds (and other District Bonds, if any).

ARI Mill Levy

Pursuant to the Service Plan, the District is required to impose an ARI Mill Levy for the purpose of funding the costs of regional improvements generally intended to encompass street and transportation related improvements of a regional nature, and for related overhead and administration costs.

The ARI Mill Levy is equal to (i) one mill for collection beginning in the first year of collection of a debt service mill levy of the District and continuing in each year thereafter through the 20th year; (ii) five mills from the 21st year through the earlier to occur of; (A) the 40th year of imposition of the ARI Mill Levy or (B) the date of repayment of the District's debt incurred for the purpose of financing Service Plan contemplated public improvements (other than regional improvements); and (iii) for an additional ten years, the ARI Mill Levy is to be equal to the average debt service mill levy imposed by the District for the ten years prior to the date of repayment of the District's debt incurred for the purpose financing Service Plan contemplated public improvements (other than regional improvements).

BUCKLEY YARD METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 6 AGREEMENTS (CONTINUED)

ARI Mill Levy (Continued)

The Service Plan allows for the creation of an Aurora Regional Improvement Authority (an ARI Authority) established by an intergovernmental agreement (an ARI Establishment Agreement), for the purpose of providing regional improvements. Alternatively, the District may enter into an intergovernmental agreement governing the use of the revenue derived by the District from imposition of the ARI Mill Levy (the ARI Revenue) for the regional improvements identified in such agreement (each an ARI IGA).

As of December 31, 2022, no ARI Authority has been established and no ARI IGA exists.

NOTE 7 RELATED PARTIES

The majority members of the Board of Directors are employees, owners or otherwise associated with the Developer, and may have conflicts of interest in dealing with the District. The District has entered into various funding agreements with the Developer.

NOTE 8 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (the 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, workers compensation, and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

BUCKLEY YARD METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue, and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

On November 20, 2020, 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 TABOR.

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.

NOTE 10 INTERFUND AND OPERATING TRANSFERS

The transfer from the Capital Projects Fund to the Debt Service Fund is related to the issuance of the Series 2022 Bonds.

SUPPLEMENTARY INFORMATION

**BUCKLEY YARD METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND –
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2022**

| | Budget | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Property Taxes | \$ 20,616 | 20,616 | \$ 20,617 | \$ 1 |
| Specific Ownership Taxes | 1,443 | 1,443 | 1,300 | (143) |
| Facility Fees | 100,850 | - | - | - |
| Interest Income | - | 20,000 | 21,087 | 1,087 |
| Total Revenues | <u>122,909</u> | <u>42,059</u> | <u>43,004</u> | <u>945</u> |
| EXPENDITURES | | | | |
| County Treasurer's Fees | 309 | 315 | 315 | - |
| Bond Interest - Series 2022 | - | 146,389 | 146,389 | - |
| Transfers to other Districts | 10,832 | - | - | - |
| Contingency | 5,000 | 5,000 | - | 5,000 |
| Total Expenditures | <u>16,141</u> | <u>151,704</u> | <u>146,704</u> | <u>5,000</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 106,768 | (109,645) | (103,700) | 5,945 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer from Other Funds | 1,367,500 | 1,617,639 | 1,617,639 | - |
| Total Other Financing Sources (Uses) | <u>1,367,500</u> | <u>1,617,639</u> | <u>1,617,639</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | 1,474,268 | 1,507,994 | 1,513,939 | 5,945 |
| Fund Balance - Beginning of Year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 1,474,268</u> | <u>\$ 1,507,994</u> | <u>\$ 1,513,939</u> | <u>\$ 5,945</u> |

**BUCKLEY YARD METROPOLITAN DISTRICT NO. 2
CAPITAL PROJECTS FUND –
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2022**

| | Original and Final Budget Amounts | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|--|---------------------|---|
| REVENUES | | | |
| Interest Income | \$ - | \$ 81,206 | \$ 81,206 |
| Total Revenues | - | 81,206 | 81,206 |
| EXPENDITURES | | | |
| Bond Issue Costs | 156,000 | 555,725 | (399,725) |
| Capital Outlay | 8,876,500 | - | 8,876,500 |
| Total Expenditures | 9,032,500 | 555,725 | 8,476,775 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (9,032,500) | (474,519) | 8,557,981 |
| OTHER FINANCING SOURCES (USES) | | | |
| Bond Proceeds - Series 2022 | 10,400,000 | 8,369,000 | (2,031,000) |
| Transfers to Other Funds | (1,367,500) | (1,617,639) | (250,139) |
| Total Other Financing Sources (Uses) | 9,032,500 | 6,751,361 | (2,281,139) |
| NET CHANGE IN FUND BALANCE | - | 6,276,842 | 6,276,842 |
| Fund Balance - Beginning of Year | - | - | - |
| FUND BALANCE - END OF YEAR | <u>\$ -</u> | <u>\$ 6,276,842</u> | <u>\$ 6,276,842</u> |

OTHER INFORMATION

BUCKLEY YARD METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2022

\$6,800,000 Limited Tax General Obligation Bonds
Series 2022A
Issue Date July 27, 2022
Interest Rate of 6.250%
Interest Due June 1 and December 1
Principal Due December 1

| <u>Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|---------------------|---------------------|----------------------|
| 2023 | \$ - | \$ 425,000 | \$ 425,000 |
| 2024 | - | 425,000 | 425,000 |
| 2025 | - | 425,000 | 425,000 |
| 2026 | - | 425,000 | 425,000 |
| 2027 | - | 425,000 | 425,000 |
| 2028 | - | 425,000 | 425,000 |
| 2029 | - | 425,000 | 425,000 |
| 2030 | 85,000 | 425,000 | 510,000 |
| 2031 | 90,000 | 419,688 | 509,688 |
| 2032 | 105,000 | 414,062 | 519,062 |
| 2033 | 110,000 | 407,500 | 517,500 |
| 2034 | 130,000 | 400,625 | 530,625 |
| 2035 | 135,000 | 392,500 | 527,500 |
| 2036 | 155,000 | 384,063 | 539,063 |
| 2037 | 165,000 | 374,375 | 539,375 |
| 2038 | 190,000 | 364,063 | 554,063 |
| 2039 | 200,000 | 352,188 | 552,188 |
| 2040 | 225,000 | 339,688 | 564,688 |
| 2041 | 235,000 | 325,625 | 560,625 |
| 2042 | 265,000 | 310,937 | 575,937 |
| 2043 | 280,000 | 294,375 | 574,375 |
| 2044 | 310,000 | 276,875 | 586,875 |
| 2045 | 330,000 | 257,500 | 587,500 |
| 2046 | 360,000 | 236,875 | 596,875 |
| 2047 | 385,000 | 214,375 | 599,375 |
| 2048 | 420,000 | 190,312 | 610,312 |
| 2049 | 445,000 | 164,062 | 609,062 |
| 2050 | 485,000 | 136,250 | 621,250 |
| 2051 | 515,000 | 105,937 | 620,937 |
| 2052 | 1,180,000 | 73,750 | 1,253,750 |
| Total | <u>\$ 6,800,000</u> | <u>\$ 9,835,625</u> | <u>\$ 16,635,625</u> |

Due to the cash flow nature of the Subordinate Bonds, principal and interest payments on the Subordinate Bonds cannot be predicted with certainty and are not presented in this Schedule of Debt Service Requirements to Maturity.

**BUCKLEY YARD METROPOLITAN DISTRICT NO. 2
 SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
 DECEMBER 31, 2022**

| Year Ended December 31, | Prior Year Assessed Valuation for Current Year Property Tax Levy | Mills Levied for | | | | Total Property Taxes | | Percent Collected to Levied |
|---|---|------------------|--------------|------------|-------|-------------------------|-----------|-----------------------------------|
| | | General | Debt Service | ACT Pledge | ARI | Levied | Collected | |
| 2022 | \$ 370,367 | 5.000 | 55.664 | 0.000 | 0.000 | \$ 22,468 | \$ 22,468 | 100.00 % |
| Estimated for the Year Ending December 31, | | | | | | | | |
| 2023 | \$ 830,433 | 10.000 | 21.664 | 5.503 | 1.000 | \$ 31,695 | | |

**BUCKLEY YARD METROPOLITAN DISTRICT NO. 2 - SUBDISTRICT
 SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
 DECEMBER 31, 2022**

| Year Ended December 31, | Prior Year Assessed Valuation for Current Year Property Tax Levy | Mills Levied for | | | | Total Property Taxes | | Percent Collected to Levied |
|---|---|------------------|--------------|------------|-------|-------------------------|-----------|-----------------------------------|
| | | General | Debt Service | ACT Pledge | ARI | Levied | Collected | |
| 2022 | \$ - | 0.000 | 0.000 | 0.000 | 0.000 | \$ - | \$ - | - % |
| Estimated for the Year Ending December 31, | | | | | | | | |
| 2023 | \$ 370,367 | 0.000 | 28.497 | 0.000 | 0.000 | \$ 10,554 | | |