

BUCKLEY METROPOLITAN DISTRICT NO. 2
Arapahoe County, Colorado

FINANCIAL STATEMENTS

With Independent Auditor's Report

December 31, 2023

BUCKLEY METROPOLITAN DISTRICT NO. 2

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Buckley Metropolitan District No. 2 (the District) as of and for the year ended December 31, 2023, 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, 2023, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information as 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 Focus Partners LLC

Arvada, Colorado
March 29, 2024

BASIC FINANCIAL STATEMENTS

BUCKLEY METROPOLITAN DISTRICT NO. 2

STATEMENT OF NET POSITION

December 31, 2023

	<u>Governmental Activities</u>
Assets	
Cash and investments	\$ 278
Cash and investments - restricted	24,682,866
Receivable - County Treasurer	139
Due from other governments	2,041
Property taxes receivable	35,899
Non-current capital obligations receivable (see Note 7)	25,473,195
Total Assets	<u>50,194,418</u>
Liabilities	
Accounts payable - Due to Buckley Metropolitan District #1	56,610
Due to other governments	668
Service obligation payable - Due to Buckley Metropolitan District #1	47,323
Noncurrent liabilities:	
Accrued interest payable	3,666,282
Due in more than one year	29,160,000
Total Liabilities	<u>32,930,883</u>
Deferred Inflow of Resources	
Property tax revenue	35,899
Total Deferred Inflow of Resources	<u>35,899</u>
Net Position	
Restricted for:	
Debt service	1,408
Capital outlay	24,626,638
Unrestricted	(7,400,410)
Total Net Position	<u>\$ 17,227,636</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

BUCKLEY METROPOLITAN DISTRICT NO. 2

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2023

Functions/Programs:	Expenses	Program Revenues		Net (Expense)	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Primary government				Governmental Activities	
General government	\$ 2,926,440	\$ -	\$ -	\$ -	\$ (2,926,440)
Interest on long-term debt and related costs	1,854,868	-	-	1,433,234	(421,634)
Total primary government	<u>\$ 4,781,308</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,433,234</u>	<u>(3,348,074)</u>
General Revenues:					
					32,547
					2,132
					1,327,828
					<u>1,362,507</u>
					Change in net position
					(1,985,567)
					Net position - beginning
					<u>19,213,203</u>
					Net position - ending
					<u>\$ 17,227,636</u>

BUCKLEY METROPOLITAN DISTRICT NO. 2

**BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Assets				
Cash and investments	\$ 278	\$ -	\$ -	\$ 278
Cash and investments - restricted	-	37	24,682,829	24,682,866
Due from County Treasurer	38	101	-	139
Due from other governments	-	2,041	-	2,041
Due from other funds	771	-	-	771
Property taxes receivable	9,723	26,176	-	35,899
Total Assets	<u>10,810</u>	<u>28,355</u>	<u>24,682,829</u>	<u>24,721,994</u>
Liabilities, Deferred Inflow of Resources and Fund Balances				
Liabilities				
Accounts payable - Due to Buckley Metropolitan District #1	419	-	56,191	56,610
Due to other governments	668	-	-	668
Due to other funds	-	771	-	771
Total Liabilities	<u>1,087</u>	<u>771</u>	<u>56,191</u>	<u>58,049</u>
Deferred Inflow of Resources				
Property tax revenue	9,723	26,176	-	35,899
Total Deferred Inflow of Resources	<u>9,723</u>	<u>26,176</u>	<u>-</u>	<u>35,899</u>
Fund Balances				
Restricted for:				
Debt service	-	1,408	-	1,408
Capital projects	-	-	24,626,638	24,626,638
Unassigned	-	-	-	-
Total Fund Balances	<u>-</u>	<u>1,408</u>	<u>24,626,638</u>	<u>24,628,046</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 10,810</u>	<u>\$ 28,355</u>	<u>\$ 24,682,829</u>	

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

Long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds:

Capital obligation receivable 25,473,195

Long-term liabilities, including developer advances and accrued interest, are not due and payable in the current period and therefore are not reported in the funds:

Service obligation payable - Due to Buckley Metropolitan District #1 (47,323)

Bonds payable (29,160,000)

Accrued interest on bonds payable (3,666,282)

Net position of governmental activities \$ 17,227,636

BUCKLEY METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 8,815	\$ 23,732	\$ -	\$ 32,547
Specific ownership tax	577	1,555	-	2,132
Intergovernmental revenue	-	62,800	-	62,800
Investment income	26	2,635	1,325,167	1,327,828
Total revenues	<u>9,418</u>	<u>90,722</u>	<u>1,325,167</u>	<u>1,425,307</u>
Expenditures				
General government				
County treasurer's fees	132	356	-	488
Transfers to Buckley Metropolitan District #1	8,618	-	-	8,618
Transfers to other governments	668	-	-	668
Bank and trustee fees	-	118	63,401	63,519
Debt Service				
Bond interest	-	88,846	-	88,846
Capital				
Transfer to Buckley Metropolitan District #1	-	-	2,840,399	2,840,399
Total expenditures	<u>9,418</u>	<u>89,320</u>	<u>2,903,800</u>	<u>3,002,538</u>
Net change in fund balances	<u>-</u>	<u>1,402</u>	<u>(1,578,633)</u>	<u>(1,577,231)</u>
Fund balances - beginning	<u>-</u>	<u>6</u>	<u>26,205,271</u>	<u>26,205,277</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 1,408</u>	<u>\$ 24,626,638</u>	<u>\$ 24,628,046</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

BUCKLEY METROPOLITAN DISTRICT NO. 2

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2023

Net change in fund balances - total governmental funds	\$ (1,577,231)
Amounts reported for governmental activities in the statement of activities are different because:	
Some revenues and expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Increase in capital obligation receivables due from District Nos. 3 and 4	1,370,434
Increase in service obligation due to District No. 1	(12,748)
Accrued interest payable - change in liability	<u>(1,766,022)</u>
Change in net position of governmental activities	<u>\$ (1,985,567)</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

BUCKLEY METROPOLITAN DISTRICT NO. 2

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

For the Year Ended December 31, 2023

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
Revenues			
Property taxes	\$ 8,815	\$ 8,815	\$ -
Specific ownership tax	529	577	48
Investment income	500	26	(474)
Total revenues	<u>9,844</u>	<u>9,418</u>	<u>(426)</u>
Expenditures			
General government			
County treasurer's fees	264	132	132
Administration and operations- Buckley Metropolitan District #1	8,422	8,618	(196)
Transfers to other governments	658	668	(10)
Contingency	500	-	500
Total expenditures	<u>9,844</u>	<u>9,418</u>	<u>426</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying Notes to Financial Statements are an integral part of these statements.

BUCKLEY METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 1 – Reporting Entity

Buckley Metropolitan District No. 2 (the District) was organized on June 30, 2020, as a quasi-municipal organization established under the State of Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in the City of Aurora, Colorado (the City).

The District was organized in conjunction with three other districts, Buckley Metropolitan District No. 1 (District No. 1), Buckley Metropolitan District No. 3 (District No. 3) and Buckley Metropolitan District No. 4 (District No. 4), (collectively the Districts). The Districts were established to provide for the planning, design, acquisition, construction, installation, relocation and redevelopment of public improvements from proceeds of debt issued by the Districts. Upon completion of construction, the Districts intend to dedicate public improvements to the County or other local governments. Certain street improvements, traffic and safety controls, landscaping, park and recreation improvements and drainage improvements not required to be dedicated may continue to be maintained by the Districts. Under the terms of the District Coordinating Services Agreement (Note 7), District No. 1 is the Coordinating District for the Districts. The District along with Districts Nos. 3 and 4 are Financing Districts. The Financing Districts are responsible for all costs, fees, charges and expenses incurred by the Coordinating District. The Coordinating District is responsible for administrative services for all of the Districts. In November 2021, the Districts entered into a Capital Pledge Agreement (Note 7) whereby the Districts agreed that the District shall issue bonds to finance projects and Districts 1, 3 and 4 will provide ad valorem tax revenue along with other revenue to pay the debt service obligations.

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

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

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

Note 2 – Summary of Significant Accounting Policies

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

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

BUCKLEY METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except for 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 obligation debt of the governmental funds.

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

BUCKLEY METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

Budgets

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

Pooled Cash

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 of the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or, if in equal installments at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County remits 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.

Capital Assets

Capital assets, which include open space, landscape and parks, are reported in the applicable governmental activities column of the government-wide financial statements. Capital assets are defined by the District as those assets with a 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 net investment in capital assets.

BUCKLEY METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements for which the District retains title are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

Deferred Inflow 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 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, deferred property tax revenue is deferred and recognized as inflows 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 as they are needed.

Fund Balance

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

Non-spendable fund balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaids) or is legally or contractually required to be maintained intact.

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

Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision making authority, the Board of Directors prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors.

BUCKLEY METROPOLITAN DISTRICT NO. 2

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

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 above criteria.

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires District management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Note 3 – Cash and Investments

Cash and investments are reflected on the December 31, 2023 Statement of net position as follows:

Statement of net position:	
Cash and investments – unrestricted	\$ 278
Cash and investments – restricted	24,682,866
Total cash and investments	<u>\$ 24,683,144</u>

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. As of December 31, 2023, the federal insurance limit was \$250,000. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

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

At December 31, 2023, the District had no cash deposits.

BUCKLEY METROPOLITAN DISTRICT NO. 2

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

Investments

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

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

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- 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

The District generally limits its investments to those 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 year or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements. As of December 31, 2023, the District had the following investment:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average maturity less than 60 days	<u>\$ 24,683,144</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. The District holds all its investments in the COLOTRUST PLUS+ portfolio.

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

BUCKLEY METROPOLITAN DISTRICT NO. 2

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

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 PLUS+ is rated AAAm by Standard & Poor’s. 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 District’s outstanding long-term obligations at December 31, 2023, are as follows:

Governmental activities, direct borrowing debt	Balance at December 31, 2022	Additions	Deletions	Balance at December 31, 2023	Due within one year
G.O. Limited Tax Bonds Series 2021	\$ 29,160,000	\$ –	\$ –	\$ 29,160,000	\$ –
Total	<u>\$ 29,160,000</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 29,160,000</u>	<u>\$ –</u>

Direct Borrowing Debt

General Obligation Limited Tax Bonds Series 2021

On November 30, 2021, the District issued a \$29,160,000 General Obligation Limited Tax Bonds Series 2021 (Series 2021 Bonds). This issuance was undertaken to fund or reimburse the costs of public improvements related to the development of property in the Districts and pay the costs of issuing the bonds. The bonds mature on December 1, 2051. The bonds are cash flow bonds in that interest and principal is paid upon the collection of pledged revenues. Per the terms of the Capital Pledge Agreement (see Note 7), pledged revenues will be collected from No. 1, 3, and 4 as well as the District. The amounts pledged to the payment of the Bonds are subject to the lien of such pledge without any physical delivery, filing, or further act.

For the purpose of paying the principal of, premium if any, and interest on the Bonds, the District is required to levy on all of the taxable property of the District annual taxes in each of the years 2021 to 2050 in the amount of the Required Mill Levy. The Required Mill Levy is defined as the amount of 35 mills less the number of mills necessary to pay any unlimited mill levy debt of the District, or such lesser mill levy which will fund the Bond Fund in an amount sufficient to pay all of the principal of and interest on the Bonds in full. If there are changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement; the mill levy is required to be increased or decreased to reflect such changes so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. A change in the ratio of actual valuation is deemed to be a change in the method of calculating assessed valuation.

BUCKLEY METROPOLITAN DISTRICT NO. 2

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

On December 2, 2061, any unpaid principal and interest shall deemed to be paid, satisfied and discharged. Interest is payable annually on December 1 each year at a rate of 6%. The Bonds are subject to redemption prior to maturity beginning on December 1, 2026 with a 3% premium which decreases 1% each year.

For the year ended December 31, 2023, the District paid \$88,846 in interest on the bonds.

The following table sets forth the estimated debt service payment schedule for the principal and interest on the Series 2021 Bonds:

	Principal	Interest	Total
2024	\$ -	\$ 136,009	\$ 136,009
2025	-	908,187	908,187
2026	-	1,437,165	1,437,165
2027	-	1,814,727	1,814,727
2028	-	2,119,345	2,119,345
2029-2033	-	12,665,609	12,665,609
2034-2038	-	14,411,331	14,411,331
2039-2043	6,193,000	9,921,094	16,114,094
2044-2048	12,721,000	5,502,900	18,223,900
2049-2051	10,246,000	1,237,560	11,483,560
Totals	<u>\$ 29,160,000</u>	<u>\$ 50,153,927</u>	<u>\$ 79,313,927</u>

The Bonds are “cash flow” bonds and have no fixed principal or interest payment schedule. The payments with respect to the Bonds shown above reflect the forecasted principal and interest payments shown in the Financial Forecast prepared in connection with the Limited Offering Memorandum dated November 18, 2021.

Debt Authorization

Pursuant to the Service Plan, the Districts are permitted to issue bond indebtedness of up to \$75,000,000, exclusive of debt for regional improvements, which may be issued up to the amount of \$20,000,000. After the issuance of the Bonds, the Districts will have \$45,840,000 available for local public improvements.

On May 5, 2020, a majority of the qualified electors of the District authorized the issuance of indebtedness at an interest rate not to exceed 18% per annum.

BUCKLEY METROPOLITAN DISTRICT NO. 2

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

As of December 31, 2023, the District had authorized but unissued indebtedness from this election in the following amounts allocated for the following purposes:

Purpose	Total Authorized	Principal amount used by District No. 2 Bonds	Remaining at December 31, 2023
Water	\$ 95,000,000	\$ (7,290,000)	\$ 87,710,000
Street	95,000,000	(7,290,000)	87,710,000
Safety protection	95,000,000	-	95,000,000
Fire protection	95,000,000	-	95,000,000
Security services	95,000,000	-	95,000,000
TV relay	95,000,000	-	95,000,000
Park and recreation	95,000,000	(7,290,000)	87,710,000
Sanitation	95,000,000	(7,290,000)	87,710,000
Mosquito control	95,000,000	-	95,000,000
Public transportation	95,000,000	-	95,000,000
Special assessments	95,000,000	-	95,000,000
Operations and maintenance	95,000,000	-	95,000,000
Refunding	950,000,000	-	950,000,000
Private contract debt	95,000,000	-	95,000,000
Intergovernmental agreements	95,000,000	-	95,000,000
Total	\$2,280,000,000	\$ (29,160,000)	\$ 2,250,840,000

Note 5 – Net Position

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

Restricted assets include net position that is restricted for use either externally imposed by creditors, grantors, contributors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

At December 31, 2023 the District had restricted net position as follows:

	Governmental Activities
Debt service	\$ 1,408
Capital outlay	24,626,638
Restricted net position	\$ 24,628,046

The District has unrestricted deficit net position of (\$7,400,410) as of December 31, 2023. The deficit is a result of the District's responsibility for the repayment of bonds issued for public improvements. The proceeds of the bonds were provided to other governmental entities for the improvements so the District's records do not reflect the capital improvements.

BUCKLEY METROPOLITAN DISTRICT NO. 2

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

Note 6 – Related Parties

All members of the Board of Directors are associated with the Developer and related companies and may have conflicts of interest with respect to certain transactions which come before the Board.

Note 7 – District Agreements

Capital Pledge Agreement

The District entered into the Capital Pledge Agreement with District No. 1, District No. 3, District No. 4 and UMB Bank on November 30, 2021. Under the agreement the Districts agree that District No. 2 will issue General Obligation Limited Tax Bonds in the principal amount of \$29,160,000 pursuant to an indenture of trust dated November 30, 2021 for the purpose of financing the costs of acquiring, constructing and installing a portion of the water, street, sanitation and park and recreation facilities of the Districts. In order to pay the debt service, the Districts agree to provide ad valorem property tax revenue and other revenue received to District No. 2. Each District agreed to be liable for the repayment of the bonds in accordance with their relative assessed valuations.

Districts Nos. 1, 3 and 4 agreed to impose a Mandatory Capital Levy as follows:

	<u>Mandatory Capital Levy</u>
District No. 1	35 mills
District No. 3	50 mills
District No. 4	35 mills

Each of the mills above may be reduced by the number of mills necessary to pay any unlimited mill levy debt of each District or if a lesser mill levy will pay all of the principal and interest on the District No. 2 Bonds in full and any Refunding Obligations.

In addition to the Mandatory Capital Levy, the Districts Nos. 1, 3 and 4 agreed to provide capital revenue from capital fees, the portion of the specific ownership tax collected as a result of the imposition of the Mandatory Capital Levy and any PILOT revenues to District No. 2. A PILOT is defined as an arrangement which provides for a tax equivalency payment in lieu of taxes against property that is classified by the county assessor as exempt from ad valorem property taxation.

A Capital Obligation Receivable was determined based on the amount of debt and accrued interest outstanding attributable to District Nos. 1, 3 and 4 in connection with the Series 2021 Bonds (see Note 4). Amounts due from each District are determined based on each District's pro-rated share of future estimated ad valorem taxes. For December 31, 2023, this estimate resulted in a balance due from Districts 3 and 4 of \$25,473,195 which represents the estimated portion of tax revenues collectible from Districts 3 and 4 for the payment of bond principal and accrued interest. No amounts are due from District 1 because of the negligible tax base included within District No. 1. The difference between amounts due from District Nos. 3 and 4 and the total outstanding liabilities associated with the bonds are anticipated to be paid from District No. 2's ad valorem tax revenue.

BUCKLEY METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

District Coordinating Services Agreement

The District entered into the District Coordinating Services Agreement with District No. 1, District No. 3, and District No. 4 effective January 1, 2022. Based on the agreement, District No. 1 will own, operate and maintain all public improvements within the boundaries of all the districts that are not dedicated to the City, County or other public entity or an owners' association. District No. 1 may also provide trash service, architectural review, and covenant enforcement services to property within the boundaries of the districts. District No. 1 is also to provide administrative services for District Nos. 2-4 (the Financing Districts) in compliance with all statutes, ordinances and regulations. In exchange for the services provided, the Financing Districts are responsible for all costs, fees, charges and expenses incurred by District No. 1 in connection with providing administrative, operating and maintenance services.

District No. 1 is to provide a preliminary budget to the Financing Districts by October 15 each year. The Financing Districts shall either approve the budget or propose in writing additions and/or deletions to the preliminary budget by November 1. All of the Districts shall discuss and attempt in good faith to reach an agreement with respect to the budget on or before November 15 each year. Districts 2-4 on or before the 15th of each month shall deposit with District No. 1 an amount equal to 1/12th of the annual costs as determined by the budget.

District No. 1 is authorized to fix and impose fees, rates, tolls, penalties and charges for services or facilities furnished by District No. 1 to provide a source of funding to pay for the operations and maintenance services. The Financing Districts agree to cooperate with District No. 1 in the collection of all fees including foreclosure against the statutory perpetual lien associated with such fees.

The Districts have not yet established a revenue base sufficient to pay operational expenditures to District No. 1. Until an independent revenue base is established, continuation of operations in the Districts will be dependent upon funding by the Developer. District No. 1 has entered into multiple Funding and Reimbursement Agreements with developers in order to secure funding for operations of all the Districts.

During 2023, the District included a liability on the Statement of Net Position of \$47,323 for its share of amounts due to District No. 1 for accumulated administration and operations costs.

City of Aurora Intergovernmental Agreement

In connection with the District's service plan, the District entered into the Intergovernmental Agreement with District No. 1, District No. 3, District No. 4 and the City of Aurora. The Districts agreed to dedicate public improvements to the City or other appropriate jurisdiction or owners association. The Districts are authorized but not obligated to own, operate and maintain public improvements not required to be dedicated.

The agreement also requires the District to impose the Aurora Regional Improvement Mill Levy (ARI Mill Levy) to be conveyed to the City for use in the planning, designing, constructing, installing, acquiring, relocating, redeveloping or financing regional improvements which benefit the service users and taxpayers of the District.

BUCKLEY METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

At December 31, 2023, \$668 was payable from the District to the City of Aurora for the ARI mill levy collected and not yet remitted to the City.

Note 8 – Commitments

Public Improvement Construction Agreement – KCM Aurora One, LLC

In April 2023, the District, District No. 1 and KCM Aurora One, LLC (Property Owner) entered into a Public Improvement Construction Agreement and Advance and Reimbursement and Facilities Acquisition Agreement. The Agreement establishes the terms and conditions for the Property Owner to expend funds on behalf of the District No. 1 for District Eligible Costs and the terms for District No. 1 or District No. 2 to reimburse the Property Owner for such expenditures. The Agreement establishes guidelines to be followed by the Districts' Boards to evaluate a request to accept public improvement and guidelines to be followed in evaluating requests from the Property Owner to accept District costs which may be eligible for reimbursement.

Requests for reimbursement, public improvement acquisition and professional cost acceptance will be submitted to District No. 1 with support that accompanies the requests as outlined in the agreements. Following receipt of any of the applications and support, the District No. 1's legal counsel, engineer and accountant shall review the application and support within 30 days. Within 30 days of receipt of the application and accountant's review, District No. 1 is required to schedule a meeting for the Board to accept the District Eligible Costs and related Public Improvements by resolution adoption.

The District or District No. 1 shall repay Certified District Eligible Costs approved by District No. 1 pursuant to the Agreement from the proceeds of loans or bonds issued by or made available to the District or District No. 1, including, Bonds, and/or other legally available funds of the District or District No. 1 not otherwise required for necessary operations, maintenance, capital improvements, and debt service costs.

Certified District Eligible Costs accepted in accordance with this Agreement bear simple interest at a rate of eight percent (8%) per annum from the date such costs are incurred by the Property Owner until the earlier of the date a Reimbursement Obligation is issued or the date of payment of such amount in full.

If requested by the Property Owner, the District or District No. 1 shall issue one or more promissory notes payable to the Property Owner, in such principal amounts equal to the Certified District Eligible Costs (the "Reimbursement Obligations"). The Reimbursement Obligations shall be secured by the District or District No. 1 pledge of an ad valorem property tax in the maximum amount permitted by the District's Service Plan and its electoral authorization, the proceeds of any bonds or other indebtedness issued by the District or District No. 1, and any other legally available revenues of the District or District No. 1 that are pledged to the payment thereof. Such Reimbursement Obligations will mature on a date or dates, and bear interest at a market rate not more than 8%, to be determined at the time of issuance of such Reimbursement Obligations. The District or District No. 1 will be permitted to prepay any Reimbursement Obligation, in whole or in part, at any time without redemption premium or other penalty, but with interest accrued to the date of prepayments on the principal amount prepaid.

BUCKLEY METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

Note 9 – Interfund Receivables and Payables

Due to the General Fund and from the Debt Service Fund of \$771 included in the Balance Sheet reflects funds provided as needed to fund debt service obligations. The amounts are anticipated to be funded from the property tax receivable collected in the following year.

Note 10 – 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 District Property and Liability Pool (the Pool) as of December 31, 2023. The Pool is an organization created by an intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

Note 11 – 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 May 5, 2020, a majority of the District's electors authorized the District to increase taxes \$20,000,000 annually to pay the District's administration, covenant enforcement, design review, operations, maintenance and other expenses, without limitation on the mill levy rate imposed. The proceeds of such taxes and investment income thereon may be collected and spent by the District as a voter-approved revenue change without regard to spending, revenue-raising, or the limitations contained in TABOR or Section 29-1-301, C.R.S. The electors also authorized the District to collect, retain and spend any revenue from sources other than ad valorem taxes annually without regard to any limitations imposed by TABOR.

BUCKLEY METROPOLITAN DISTRICT NO. 2

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

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. As of December 31, 2023, the District has provided but did not fund an Emergency Reserve, which may be a violation of the Constitutional Amendment.

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 interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation.

SUPPLEMENTARY INFORMATION

BUCKLEY METROPOLITAN DISTRICT NO. 2

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DEBT SERVICE FUND**

For the Year Ended December 31, 2023

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Property taxes	\$ 23,732	\$ 23,732	\$ 23,732	\$ -
Specific ownership tax	1,424	1,424	1,555	(131)
Intergovernmental revenue	54,809	65,740	62,800	2,940
Investment income	10,000	10,000	2,635	7,365
Total revenues	<u>89,965</u>	<u>100,896</u>	<u>90,722</u>	<u>10,174</u>
Expenditures				
General government				
County treasurer's fees	712	356	356	-
Bank and trustee fees	4,000	4,000	118	3,882
Contingency	10,000	10,000	-	10,000
Debt Service				
Bond interest	75,253	86,540	88,846	(2,306)
Total expenditures	<u>89,965</u>	<u>100,896</u>	<u>89,320</u>	<u>11,576</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>1,402</u>	<u>(1,402)</u>
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>6</u>	<u>6</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,408</u>	<u>\$ 1,408</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

BUCKLEY METROPOLITAN DISTRICT NO. 2

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND**

For the Year Ended December 31, 2023

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
Revenues			
Investment income	\$ 450,000	\$ 1,325,167	\$ 875,167
Total revenues	<u>450,000</u>	<u>1,325,167</u>	<u>875,167</u>
Expenditures			
General government			
Bank and trustee fees	22,500	63,401	(40,901)
Capital Outlay			
Transfer to Buckley Metropolitan District #1	26,299,221	2,840,399	23,458,822
Total expenditures	<u>26,321,721</u>	<u>2,903,800</u>	<u>23,417,921</u>
Net change in fund balances	<u>(25,871,721)</u>	<u>(1,578,633)</u>	<u>24,293,088</u>
Fund balances - beginning	<u>25,871,721</u>	<u>26,205,271</u>	<u>333,550</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 24,626,638</u>	<u>\$ 24,626,638</u>

The accompanying Notes to Financial Statements are an integral part of these statements.