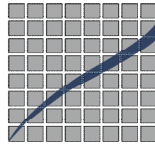


BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2
EL PASO COUNTY, COLORADO

FINANCIAL STATEMENTS
DECEMBER 31, 2024

TABLE OF CONTENTS

Independent auditor's report	i
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements	
Statement of net position	1
Statement of activities	2
Fund financial statements	
Balance sheets - governmental funds	3
Statements of revenues, expenditures, and changes in fund balances - governmental funds	4
Reconciliation of the statements of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities	5
General fund - statement of revenues, expenditures, and changes in fund balance (budget and actual)	6
Notes to financial statements	7
SUPPLEMENTARY INFORMATION	
Debt service fund - schedule of revenues, expenditures, and changes in fund balance (budget and actual)	20
Capital projects fund - schedule of revenues, expenditures, and changes in fund balance (budget and actual)	21



BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors

Bradley Heights Metropolitan District No. 2

El Paso County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Bradley Heights Metropolitan District No. 2 ("District") as of and for the year ended December 31, 2024, 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 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, 2024, the respective changes in financial position, and the 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the 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.

Emphasis of Matter

As discussed in Note 13, these financial statements have been restated to correct for a misclassification of facility fees, a misclassification of assurance deposits and capital assets, and for capital assets purchased that were not properly recognized through accounts payable in the previously issued December 31, 2023 financial statements. Our opinions are not modified with respect to these matters.

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 Responsibilities 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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks 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 judgment, 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 with 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.

Other Matters

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 which 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 purposes of additional analysis 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. Such 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BiggsKofford, P.C.

Colorado Springs, Colorado
July 8, 2025

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2

STATEMENT OF NET POSITION

DECEMBER 31, 2024

	Governmental Activities
<u>ASSETS</u>	
Cash and investments	\$ 17,476
Cash and investments - restricted	3,495,692
Facility fees receivable	9,036
Due from Bradley Heights Metropolitan District No. 1	394
Due from Bradley Heights Metropolitan District No. 3	29
Receivable from County Treasurer	101
Property taxes receivable	142,897
Project assurances	1,452,639
Capital assets:	
Capital assets, non-depreciable	32,708,618
Total assets	37,826,882
<u>LIABILITIES</u>	
Accounts payable	446,115
Prepaid fees	3,007
Noncurrent liabilities:	
Retainage payable	1,518,443
Due in more than one year	40,544,487
Total liabilities	42,512,052
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred property taxes	142,897
Total deferred inflows of resources	142,897
<u>NET POSITION</u>	
Restricted for:	
Debt service	24,518
Capital projects	3,050,835
Emergency reserve	200
Unrestricted	(7,903,620)
Total net position	\$ (4,828,067)

The accompanying notes and independent auditor's report should be read with these financial statements.

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2024

FUNCTIONS / PROGRAMS	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government					
Government activities:					
General government	\$ 10,467	\$ 796,714	\$ 540	\$ -	\$ 786,787
Interest and related costs on long-term debt	1,856,545	-	-	-	(1,856,545)
Total government activities	\$ 1,867,012	\$ 796,714	\$ 540	\$ -	(1,069,758)
GENERAL REVENUES					
Property taxes					13,169
Specific ownership taxes					1,231
Investment income					80,481
Total general revenues					94,881
Change in net position					(974,877)
Net position, beginning of year					(3,853,190)
Net position, end of year					\$ (4,828,067)

The accompanying notes and independent auditor's report
should be read with these financial statements.

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2

BALANCE SHEETS - GOVERNMENTAL FUNDS

DECEMBER 31, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and investments	\$ 17,476	\$ -	\$ -	\$ 17,476
Cash and investments - restricted	200	170	3,495,322	3,495,692
Facility fees receivable	-	9,036	-	9,036
Due from Bradley Heights Metropolitan District No. 1	394	-	-	394
Due from Bradley Heights Metropolitan District No. 3	-	29	-	29
Receivable from County Treasurer	25	76	-	101
Property taxes receivable	51,293	91,604	-	142,897
Due from other funds	446,074	15,207	-	461,281
Total assets	\$ 515,462	\$ 116,122	\$ 3,495,322	\$ 4,126,906
LIABILITIES				
Accounts payable	\$ 446,115	\$ -	\$ -	\$ 446,115
Prepaid fees	3,007	-	-	3,007
Due to other funds	16,794	-	444,487	461,281
Total liabilities	465,916	-	444,487	910,403
DEFERRED INFLOWS OF RESOURCES				
Deferred property taxes	51,293	91,604	-	142,897
Total deferred inflows of resources	51,293	91,604	-	142,897
FUND BALANCES				
Restricted for:				
Debt service	-	24,518	-	24,518
Capital projects	-	-	3,050,835	3,050,835
Emergency reserve	200	-	-	200
Committed for:				
Trash services	649	-	-	649
Unassigned:				
Unrestricted	(2,596)	-	-	(2,596)
Total fund balance	(1,747)	24,518	3,050,835	3,073,606
Total liabilities, deferred inflows of resources, and fund balances	\$ 515,462	\$ 116,122	\$ 3,495,322	
Amounts reported in governmental activities in the statement of net position are different because:				
Capital assets and project assurances used in governmental activities are not financial resources and, therefore, are not reported in the funds:				
Project assurances				1,452,639
Capital assets, non-depreciable				32,708,618
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:				
Retainage payable				(1,518,443)
Accrued interest on bonds payable				(5,544,487)
Bonds payable				(35,000,000)
Net position of governmental activities				\$ (4,828,067)

The accompanying notes and independent auditor's report should be read with these financial statements.

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<u>REVENUES</u>				
Property taxes	\$ 3,292	\$ 9,877	\$ -	\$ 13,169
Specific ownership taxes	308	923	-	1,231
Investment income	-	3,633	76,848	80,481
Facility fees	-	282,905	-	282,905
Trash services fees	3,809	-	-	3,809
Wastewater recovery fee	-	-	510,000	510,000
Transfer from Bradley Heights Metropolitan District No. 3	-	540	-	540
Total revenues	7,409	297,878	586,848	892,135
<u>EXPENDITURES</u>				
Current:				
Bank charges	71	174	4,214	4,459
County Treasurer fees	49	147	-	196
Transfer to Bradley Heights Metropolitan District No. 1	3,551	-	-	3,551
Trash expense	2,208	-	-	2,208
Utilities	53	-	-	53
Debt service:				
Paying agent fee	-	4,000	-	4,000
Bond interest payments	-	309,015	-	309,015
Capital projects:				
Capital outlay	-	-	3,834,043	3,834,043
Construction management fees	-	-	132,008	132,008
Total expenditures	5,932	313,336	3,970,265	4,289,533
Excess of revenues over expenditures	1,477	(15,458)	(3,383,417)	(3,397,398)
<u>OTHER FINANCING SOURCES AND USES</u>				
Assurance refund	-	-	4,597,043	4,597,043
Total other financing sources and uses	-	-	4,597,043	4,597,043
Net change in fund balance	1,477	(15,458)	1,213,626	1,199,645
Fund balance, beginning of year	(3,224)	39,976	1,837,209	1,873,961
Fund balance, end of year	\$ (1,747)	\$ 24,518	\$ 3,050,835	\$ 3,073,606

The accompanying notes and independent auditor's report should be read with these financial statements.

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024

Net change in fund balance \$ 1,199,645

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

Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable assets over the estimated useful lives of the assets. Capital outlay, assurance refunds, and the conveyance of capital assets to other governments in the current period are as follows:

<u>Capital outlay</u>	3,966,051
<u>Assurance refund</u>	<u>(4,597,043)</u>

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

<u>Change in accrued interest on bonds payable</u>	<u>(1,543,530)</u>
--	--------------------

<u>Change in net position</u>	<u><u>\$ (974,877)</u></u>
-------------------------------	----------------------------

The accompanying notes and independent auditor's report
should be read with these financial statements.

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2

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

YEAR ENDED DECEMBER 31, 2024

	Original Budget	Final Budget	Actual	Variance
<u>REVENUES</u>				
Property taxes	\$ 2,356	\$ 3,292	\$ 3,292	\$ -
Specific ownership taxes	165	308	308	-
Trash services fees	-	3,809	3,809	-
Total revenues	2,521	7,409	7,409	-
<u>EXPENDITURES</u>				
Bank charges	-	71	71	-
County Treasurer fees	35	49	49	-
Transfer to Bradley Heights Metropolitan District No. 1	2,413	3,551	3,551	-
Trash expense	-	2,208	2,208	-
Utilities	-	53	53	-
Total expenditures	2,448	5,932	5,932	-
Net change in fund balance	\$ 73	\$ 1,477	1,477	\$ -
Fund balance, beginning of year			(3,224)	
Fund balance, end of year			\$ (1,747)	

The accompanying notes and independent auditor's report should be read with these financial statements.

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

1. DEFINITION OF REPORTING ENTITY

Bradley Heights Metropolitan District No. 2 ("District"), a quasi-municipal corporation and political subdivision of the state of Colorado, was formed in September 2005, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in El Paso County, Colorado ("County"). The District was organized to plan, design, acquire, construct, install, relocate, redevelop, and finance public improvements including water, sewer, storm sewer, detention, flood, and other drainage improvements needed in its service area.

The District was organized in conjunction with Bradley Heights Metropolitan District No. 1 ("District No. 1") and Bradley Heights Metropolitan District No. 3 ("District No. 3"). District No. 1 is the coordinating district and the District and District No. 3 are the taxing districts as defined by the Coordinated Services Agreement, dated July 13, 2021.

The District follows 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 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 operational and administrative functions are contracted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide and fund financial statements

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

The statement of net position reports all financial and capital resources of the District. The difference between the assets plus deferred outflows of resources and the liabilities plus deferred inflows of resources 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 charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are properly excluded from program revenues and are reported as general revenues.

Measurement focus, basis of accounting, and financial statement position

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.

See independent auditor's report.

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. 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* accounts for all financial resources of the District except those required to be accounted for in another fund.

The *debt service fund* accounts for the servicing of general long-term debt and revenues generated and received by the District that are required to be used for repayment of debt.

The *capital projects fund* accounts for financial resources to be used for the acquisition and construction of capital equipment and facilities.

General fund deficit

As of December 31, 2024, the District reported a deficit in the general fund. This deficit is expected to be eliminated with the receipt of property taxes in the future.

Budgets

In accordance with state budget law, the District holds public hearings in the fall each year to approve the budget and appropriate funds for the ensuing year. The appropriation is at the total fund expenditures, fund balance remaining, 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 annual budget for the year ended December 31, 2024.

Pooled cash and investments

The District follows the practice of pooling cash and investments of funds to maximize investment earnings. Except when required by trust or other agreements, 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 balance.

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

Property taxes, net of estimated uncollectable amounts, are recorded initially as deferred revenues in the year they are levied and measurable. The deferred property tax revenues are recorded as revenues in the year they are available or collected.

See independent auditor's report.

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

Capital assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable 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 and a useful life greater than one year. Such assets are recorded at cost or estimated cost if purchased or constructed. Contributed capital assets are recorded at estimated acquisition value at the date of contribution.

Maintenance and repairs are charged to expense as incurred. At the time of retirement or disposition of depreciable assets, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss, if any, is reflected in revenues or expenses.

Capital assets which are anticipated to be conveyed to other governmental entities are not depreciated or included in the calculation of net investment in capital assets component of the District's net position.

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 represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time. Accordingly, property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Interfund balances and transactions

The District reports interfund balances and transfers that are representative of lending and borrowing arrangements between funds in the fund financial statements as due to other funds and due from other funds, respectively. The interfund balances have been eliminated in the government-wide statements.

Net position and fund balances

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 balances

Fund balances for governmental funds are 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. 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:

The *nonspendable fund balance* is the portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventories) or is legally or contractually required to be maintained intact.

The *restricted fund balance* is 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.

The *committed fund balance* is 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.

See independent auditor's report.

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

The *assigned fund balance* is 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.

The *unassigned fund balance* is the residual portion of fund balance that does not meet any of the criteria described above.

For fund presentation purposes, 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 the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events

The District has evaluated subsequent events through the date of the attached independent auditor's report, the date these financial statements were available to be issued.

New accounting pronouncements

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections* ("Statement No. 100"). This statement enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. On January 1, 2024, the District adopted the requirements of Statement No. 100. Management determined the adoption of Statement No. 100 had a material impact on the District's financial statements (Note 13).

3. CASH AND INVESTMENTS

Cash and investments as of December 31, 2024, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 17,476
Cash and investments - restricted	<u>3,495,692</u>
	<u>\$ 3,513,168</u>

The carrying amounts of cash and investments, which equal estimated fair value, as of December 31, 2024, are as follows:

Deposits with financial institutions	\$ 17,676
Investments	<u>3,495,492</u>
	<u>\$ 3,513,168</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. The eligible collateral is determined by the PDPA. The 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 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.

See independent auditor's report.

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

As of December 31, 2024, the District's cash deposits had a bank balance of \$17,676 and a carrying balance of \$17,676.

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 below which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. The District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

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

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

- Obligations of the US and certain US government agency securities
- Certain international agency securities
- General obligation and revenue bonds of US local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certificates of deposit in Colorado PDPA approved banks or savings banks
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2024, the District had the following in investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 3,495,492</u>

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust ("COLOTRUST" or "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 offers three portfolios: COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund in which each share is equal in value to \$1, offer daily liquidity. Both portfolios may invest in US Treasury securities and repurchase agreements collateralized by US Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of US 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 transactional share price. COLOTRUST EDGE may invest in US Treasury securities, repurchase agreement collateralized by US Treasury securities, certain obligations of US government agencies, and highest rated commercial paper, and any security allowed under CRS 24-75-601.

See independent auditor's report.

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

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 FitchRatings. COLOTRUST records its investment at fair value and the District records its investment in COLOTRUST at NAV as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2024, is as follows:

	Balance 01-01-24	Additions	Dispositions	Reclassifications	Balance 12-31-24
<u>Governmental activities</u>					
Capital assets, not depreciable:					
Construction in progress	\$ 28,575,129	\$ 4,008,782	\$ -	\$ -	\$ 32,583,911
Land	-	124,707	-	-	124,707
Capital assets, not depreciable	<u>\$ 28,575,129</u>	<u>\$ 4,133,489</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,708,618</u>

5. LONG-TERM OBLIGATIONS

The following is a summary of long-term debt of the District during the year ended December 31, 2024:

	Balance 01-01-24	Additions	Repayments / Amortization	Balance 12-31-24	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2021 Bonds	\$ 35,000,000	\$ -	\$ -	\$ 35,000,000	\$ -
Accrued interest on Series 2021 Bonds	4,000,957	1,852,545	(309,015)	5,544,487	-
Total bonds payable	<u>39,000,957</u>	<u>1,852,545</u>	<u>(309,015)</u>	<u>40,544,487</u>	<u>-</u>
Total long-term obligations	<u>\$ 39,000,957</u>	<u>\$ 1,852,545</u>	<u>\$ (309,015)</u>	<u>\$ 40,544,487</u>	<u>\$ -</u>

Series 2021A(3) General Obligation Limited Tax Bonds

On August 26, 2021, the District issued Series 2021A(3) General Obligation Limited Tax Bonds ("Series 2021 Bonds") for the purpose of: (i) paying the project costs; and (ii) paying other costs incurred in connection with the issuance of the bonds. The Series 2021 Bonds were issued in the amount of \$35,000,000; bear interest at 4.75% per annum, calculated on the basis of a 360-day year of twelve 30-day months; are payable to the extent of pledged revenues available on December 1 each year; and mature on December 1, 2051. On December 2, 2053, no payments will be due and the Series 2021 Bonds will be deemed to be paid, satisfied, and discharged regardless of the amount of principal and interest paid prior to that date. Accordingly, the timing of repayment is uncertain and a maturity schedule is not included in these financial statements.

See independent auditor's report.

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

Pledged revenues

The Series 2021 Bonds are secured by and payable from the pledged revenue consisting of monies derived by the District and District No. 3 from the following sources, net of any collection costs: (i) required mill levy; (ii) capital fees; (iii) pledged fees; (iv) portion of the specific ownership tax which is collected as a result of imposition of the required mill levy; and (v) any other legally available monies which the District determines to be treated as pledged revenue. Required mill levy means an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal, premium if any, and interest on the bonds as they become due and payable. The mill levy is adjusted for changes in the ratio of actual value to assessed value of property within the District.

The Series 2021 Bonds are also secured by capital revenue that the District receives from District No. 3 (Note 7).

Optional redemption

The Series 2021 Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, on September 1, 2026, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium on the principal amount redeemed, as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
September 1, 2026 to August 31, 2027	3.00%
September 1, 2027 to August 31, 2028	2.00%
September 1, 2028 to August 31, 2029	1.00%
September 1, 2029 and thereafter	0.00%

Events of default

The District has events of default in two categories: events of default under the indenture and events of default under the capital pledge agreement.

Events of default under the indenture

The occurrence of any one or more of the following events or the existence of any one or more of the following conditions constitutes an event of default under the indenture.

- i. The District fails to impose the required mill levy or to apply the pledged revenues.
- ii. The District fails to observe or perform any other of the material covenants, agreements, duties, or conditions on the part of the District in the agreement, and such failure is not remedied to the satisfaction of the trustee after the District receives written notice from the trustee or the District of the occurrence of such failure.
- iii. The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the bonds.

Upon the occurrence and continuance of an event of default, the trustee has the following rights and remedies which may be pursued:

- i. Receivership: Upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the trustee and of the owners of the bonds, the trustee is entitled as a matter of right to the appointment of a receiver or receivers of the trust estate, and of the revenues, income, product, and profits thereof pending such proceedings, subject however, to constitutional limitations inherent in the sovereignty of the District; but notwithstanding the appointment of any receiver or other custodian, the trustee is entitled to the possession and control of any cash, securities, or other instruments at the time held by, or payable or deliverable under the provisions of the indenture to, the trustee.

See independent auditor's report.

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

ii. Suit for judgment: The trustee may proceed to protect and enforce its rights and the rights of the owners of the bonds under the act, the bonds, the bond resolution, the indenture, and any provision of law by such suit, action, or special proceedings as the trustee, being advised by counsel, deems appropriate.

iii. Mandamus or other suit: The trustee may proceed by mandamus or any other suit, action, or proceeding at law or in equity, to enforce all rights of the owners of the bonds.

Notwithstanding anything in the indenture to the contrary, acceleration of the bonds shall not be an available remedy for an event of default under the indenture.

Events of default under the capital pledge agreement

The occurrence of any one or more of the following events or the existence of any one or more of the following conditions constitutes an event of default under the capital pledge agreement; however, there will be no event of default until the trustee or the District notifies District No. 3 in writing of the existence thereof:

i. District No. 3 fails to impose the mandatory capital levy.

ii. District No. 3 fails to promptly remit its pledged district capital revenue to the District.

iii. District No. 3 fails to observe or perform any other of the material covenants, agreements, duties, or conditions on the part of District No. 3 in the agreement, and such failure is not remedied to the satisfaction of the trustee or the District within 30 days after District No. 3 receives written notice from the trustee or the District of the occurrence of such failure.

iv. Any representation or warranty made by District No. 3 in the agreement proves to have been untrue or incomplete in any material respect when made or deemed made.

v. District No. 3 files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the bonds.

Upon the occurrence and continuance of an event of default, the District, District No. 3, or the trustee may proceed to protect and enforce their rights against the party or parties causing the event of default by mandamus or such other suit or action available in equity or at law. In the event of any litigation or other proceeding to enforce any of the terms, covenants or conditions, the prevailing party in such litigation or other proceeding will obtain, as part of its judgment or award, its reasonable attorneys' fees, and costs. Nothing should be construed as requiring any district's consent or participation in any such enforcement action, the intent being that the trustee can enforce this agreement independently from any such consent or participation of the District and District No. 3.

Notwithstanding the foregoing or anything else herein to the contrary, no remedy will lie at law or in equity for any event of default consisting solely of the failure of the District to pay the principal of and interest on the bonds, it being acknowledged by the District and the trustee that: (i) the amount of District No. 3's capital revenue is limited; and (ii) acceleration will not be an available remedy for an event of default.

See independent auditor's report.

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

Debt authorization

As of December 31, 2024, the District's debt authorized, authorization used, and amounts authorized but unissued are as follows:

	<u>Electoral Authorization</u>	<u>2010 Amended Service Plan Authorization</u>
Amount authorized	\$ 505,000,000	\$ 35,000,000
Authorization used:		
Series 2021A(3) Bonds	<u>(35,000,000)</u>	<u>(35,000,000)</u>
Authorized but unissued indebtedness	<u>\$ 470,000,000</u>	<u>\$ -</u>

On November 1, 2005, the District's voters authorized the issuance of indebtedness at an interest rate not to exceed 18%. The service plan set the maximum mill levy at 30 mills.

6. NET POSITION

The District has net position consisting of: net investment in capital assets, restricted, and unrestricted.

net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of debt that is attributable to the acquisition, construction, or improvement of those assets.

As of December 31, 2024, the District had net investment in capital assets as follows:

Net investment in capital assets:	
Capital assets	\$ 124,707
Related long-term obligations	<u>(124,707)</u>
Net investment in capital assets	<u>\$ -</u>

Restricted net position includes balances with external restrictions 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 a restricted net position as of December 31, 2024, as follows:

Restricted net position:	
Debt service (Note 5)	\$ 24,518
Capital projects (Note 4)	3,050,835
Emergency reserve (Note 11)	<u>200</u>
	<u>\$ 3,075,553</u>

The District has a deficit in unrestricted net position as of December 31, 2024. This deficit is the result of the District being responsible for the repayment of bonds issued for public improvements, of which a significant portion were conveyed to other governmental entities and which costs were removed from the District's financial records.

7. AGREEMENTS

District coordinating services agreement

Effective July 13, 2021, the District, District No. 1, and District No. 3 entered into a District Coordinating Services Agreement. Under this agreement, District No. 1 became the coordinating district, and the District and District No. 3 were designated as the financing districts. District No. 1 will continue to own, operate, and maintain public improvements within the districts' boundaries and perform the administrative services on behalf of the District and District No. 3.

See independent auditor's report.

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

Capital pledge agreement

To provide for the payment of the Series 2021A(3) Bonds, the District entered into a Capital Pledge Agreement with District No. 3 and the trustee of the bonds dated August 26, 2021. Under this agreement, the District is to receive all of District No. 3's capital revenue and agrees to remit the capital revenue to the trustee of the bonds as soon as practicable upon receipt in accordance with the terms of the Series 2021 Bonds indenture of trust. The District should apply such revenue, together with all other pledged revenue (Note 5) in its possession, to the payment of the principal, premium if any, and interest on the bonds due in accordance with the terms of the Series 2021 Bonds indenture. District No. 3's capital revenue consists of monies derived from the following sources, net of any collection costs: (i) mandatory capital levy; (ii) portion of the specific ownership tax which is collected as a result of imposition of the mandatory capital levy; and (iii) any PILOT revenues received from any PILOT recorded against property within District No. 3's boundaries. Mandatory capital levy means an ad valorem mill levy imposed upon all taxable property of District No. 3 each year in an amount of 30.000 mills, or such lesser mill levy which will (together with any PILOT revenues) be sufficient to pay the principal, premium if any, and interest on the Series 2021 Bonds as they become due and payable.

Capital facility fees

Effective March 9, 2021, the District imposed a one-time fee on residential dwelling units, apartment units, and commercial units in the amount of \$2,999 for low density single-family residencies, \$2,499 for moderate density residencies, \$1,999 for high density multi-family apartments, and \$0.95 per square foot for commercial units constructed within the District's boundaries to provide payment for the facilities and services provided by the District. Facility fees are to be recorded separately from other revenues, and are to be used only for the purpose of paying for the initial capital direct and indirect costs associated with the construction, installation, and acquisition of public improvements within the District. These fees are accounted for within the debt service fund.

Trash services fee

Effective February 13, 2024, the District imposed a service fee for trash and recycling services consisting of a recurring fee in the amount of \$60 per quarter and a transfer fee of \$60 due upon the transfer of a residential unit to another homeowner. Trash and recycling fees are to be accounted for separately from other revenues and are to be used only for trash and recycling collection.

Declaration and agreement for payment in lieu of taxes - Phase No. 1

On July 30, 2024, the District entered into a Declaration and Agreement for Payment in Lieu of Taxes with Lincoln Capital Acquisition, LLC in which Lincoln Capital Acquisition, LLC agreed to pay the District the sum of \$1,434,488 in lieu of taxes for property within the District within 30 business days of the property obtaining a final determination of real estate ad valorem tax exempt status. Lincoln Capital Acquisition, LLC. and the property will not be assessed or subject to the District mill levies as long as the property maintains its real estate ad valorem tax exempt status. The property did not obtain a final determination of the real estate ad valorem tax exempt status as of December 31, 2024.

Declaration and agreement for payment in lieu of taxes - Phase No. 2

On July 30, 2024, the District entered into a Declaration and Agreement for Payment in Lieu of Taxes with Lincoln Capital Acquisition, LLC in which Lincoln Capital Acquisition, LLC agreed to pay the District the sum of \$1,237,369 in lieu of taxes for property within the District within 30 business days of the property obtaining a final determination of real estate ad valorem tax exempt status. Lincoln Capital Acquisition, LLC. and the property will not be assessed or subject to the District mill levies as long as the property maintains its real estate ad valorem tax exempt status. The property did not obtain a final determination of the real estate ad valorem tax exempt status as of December 31, 2024.

Wastewater recovery fees

On April 18, 2025, The District entered into an agreement with Colorado Springs Utilities ("CSU") in which the District conveyed water facilities extensions and appurtenances that it installed and paid for to CSU. CSU agreed to collect recovery charges from customers in order to reimburse the District for the conveyed capital assets. During the year ended December 31, 2024, the District received \$510,000 in wastewater recovery fees directly from a customer outside of the terms of this agreement.

See independent auditor's report.

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

8. RELATED PARTIES

The developers of the property within the District are Bradley Heights Investments, LLC; Ros Equity, LLC; and Challenger Communities, LLC. Members of the board of directors are officers, employees, or associated with the developers and may have conflicts of interest in dealing with the District.

9. ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the developers.

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

The District pays annual premiums to the Pool for liability, property, 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.

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 within the state of Colorado.

Spending and revenue limits are determined based on the prior 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. Revenues in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenues.

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.

District management believes the District 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 likely require judicial interpretation.

On November 1, 2005, the District's voters authorized the District to collect, spend, and retain all revenues without regard to the limitations contained within Article X, Section 20 of the Colorado Constitution.

12. COMMITMENTS

As of December 31, 2024, the District had construction-related contract commitments that have not been incurred of approximately \$2,628,309 related to various projects in the capital projects fund.

See independent auditor's report.

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

13. CORRECTION OF ERRORS ON PREVIOUSLY ISSUED FINANCIAL STATEMENTS

The previously issued December 31, 2023 financial statements included the following errors:

- The District misclassified assurance deposits of \$5,107,043 as capital assets.
- The District did not properly recognize capital assets purchased of \$862,407 through accounts payable at year end.
- The District previously recorded facility fees pledged to debt service of \$77,974 in the capital projects fund instead of in the debt service fund.

	As Previously Reported	Adjustment Increase (Decrease)	As Restated
Government-wide financial statements:			
Financial statement line items:			
Assurance deposits	\$ -	\$ 6,049,682	\$ 6,049,682
Capital assets	33,761,404	(5,186,275)	28,575,129
Accounts payable	-	863,407	863,407
Governmental fund financial statements:			
Financial statement line items:			
Accounts payable	-	863,407	863,407
Capital outlay	22,071,413	863,407	22,934,820
Debt service fund balance	(37,998)	77,974	39,976
Capital projects fund balance	2,778,590	(941,381)	1,837,209

* * * * *

See independent auditor's report.

SUPPLEMENTARY INFORMATION

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2

DEBT SERVICE FUND - SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (BUDGET AND ACTUAL)

YEAR ENDED DECEMBER 31, 2024

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Property taxes	\$ 7,068	\$ 9,877	\$ 9,877	\$ -
Specific ownership taxes	495	923	923	-
Investment income	-	3,633	3,633	-
Facility fees	119,960	282,905	282,905	-
Transfer from Bradley Heights Metropolitan District No. 3	523	540	540	-
Total revenues	128,046	297,878	297,878	-
EXPENDITURES				
Bank charges	-	174	174	-
County Treasurer fees	106	147	147	-
Paying agent fee	4,000	4,000	4,000	-
Bond interest payments	-	309,015	309,015	-
Transfer to debt service reserve fund	119,960	-	-	-
Total expenditures	124,066	313,336	313,336	-
Net change in fund balance	<u>\$ 3,980</u>	<u>\$ (15,458)</u>	(15,458)	<u>\$ -</u>
Fund balance, beginning of year			39,976	
Fund balance, end of year			<u>\$ 24,518</u>	

See independent auditor's report.

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2
CAPITAL PROJECTS FUND - SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
(BUDGET AND ACTUAL)
YEAR ENDED DECEMBER 31, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>REVENUES</u>				
Investment income	\$ 100,000	\$ 76,848	\$ 76,848	\$ -
Wastewater recovery fee	100,000	510,000	510,000	-
Total revenues	<u>200,000</u>	<u>586,848</u>	<u>586,848</u>	<u>-</u>
<u>EXPENDITURES</u>				
Bank charges	-	4,214	4,214	-
Capital outlay	2,076,963	3,834,043	3,834,043	-
Construction management fees	-	132,008	132,008	-
Total expenditures	<u>2,076,963</u>	<u>3,970,265</u>	<u>3,970,265</u>	<u>-</u>
Excess of revenues over expenditures	<u>(1,876,963)</u>	<u>(3,383,417)</u>	<u>(3,383,417)</u>	<u>-</u>
<u>OTHER FINANCING SOURCES AND USES</u>				
Assurance refund	-	4,597,043	4,597,043	-
Total other financing sources and uses	<u>-</u>	<u>4,597,043</u>	<u>4,597,043</u>	<u>-</u>
Net change in fund balance	<u>\$ (1,876,963)</u>	<u>\$ 1,213,626</u>	1,213,626	<u>\$ -</u>
Fund balance, beginning of year			<u>1,837,209</u>	
Fund balance, end of year			<u>\$ 3,050,835</u>	

See independent auditor's report.