

BELLEVUE STATION METROPOLITAN DISTRICT NO. 2
City and County of Denver, Colorado

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Bellevue Station Metropolitan District No. 2
City and County of Denver, Colorado

Opinions

We have audited the financial statements of the governmental activities and each major fund of Bellevue Station Metropolitan District No. 2 (the District) as of and for the year ended December 31, 2021, 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, 2021, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary and Other Information on pages 26 through 32

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary and other information (together, the information), as identified in the table of contents on pages 26 through 32 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.

Fisef Focus Partners, LLC

Greenwood Village, Colorado
July 27, 2022

BASIC FINANCIAL STATEMENTS

BELLEVUE STATION METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Governmental Activities
ASSETS	
Cash and Investments	\$ 328,559
Cash and Investments - Restricted	9,980,517
Receivable from County Treasurer	10,541
Property Taxes Receivable	2,983,975
Construction in Progress	2,022,769
Capital Assets, Net of Depreciation	3,082,257
Total Assets	18,408,618
DEFERRED OUTFLOWS OF RESOURCES	
Cost of Refunding	931,166
Total Deferred Outflow of Resources	931,166
LIABILITIES	
Accounts Payable	489
Due to County	178,070
Accrued Interest Payable - 2020 Loans	21,048
Accrued Interest Payable - 2021A-1 Loans	78,888
Accrued Interest Payable - 2021A-2 Loans	13,730
Noncurrent Liabilities:	
Due Within One Year	670,000
Due in More than One Year	47,546,000
Total Liabilities	48,508,225
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	2,983,975
Total Deferred Inflows of Resources	2,983,975
NET POSITION	
Restricted for:	
Emergency Reserves	25,400
Capital Projects	914,006
Unrestricted	(33,091,822)
Total Net Position	\$ (32,152,416)

See accompanying Notes to Basic Financial Statements.

BELLEVIEW STATION METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
FUNCTIONS/PROGRAMS					
Governmental Activities:					
General Government	\$ 2,573,080	\$ -	\$ -	\$ -	
Interest and Related Costs on Long-Term Debt	2,577,337	-	-	-	
Total Governmental Activities	\$ 5,150,417	\$ -	\$ -	\$ -	
GENERAL REVENUES					
Property Taxes				2,633,267	
Specific Ownership Taxes				152,237	
Net Investment Income				3,396	
Other Revenue				2,089	
Total General Revenues				2,790,989	
CHANGE IN NET POSITION				(2,359,428)	
Net Position - Beginning of Year				(29,792,988)	
NET POSITION - END OF YEAR				\$ (32,152,416)	

See accompanying Notes to Basic Financial Statements.

**BELLEVUE STATION METROPOLITAN DISTRICT NO. 2
BALANCE SHEET –
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 328,559	\$ -	\$ -	\$ 328,559
Cash and Investments - Restricted	25,400	1,041,111	8,914,006	9,980,517
Receivable from County Treasurer	3,194	7,347	-	10,541
Property Tax Receivable	904,235	2,079,740	-	2,983,975
Total Assets	<u>\$ 1,261,388</u>	<u>\$ 3,128,198</u>	<u>\$ 8,914,006</u>	<u>\$ 13,303,592</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 489	\$ -	\$ -	\$ 489
Due to County	48,253	129,817	-	178,070
Total Liabilities	48,742	129,817	-	178,559
DEFERRED INFLOWS OF RESOURCES				
Property Tax Revenue	904,235	2,079,740	-	2,983,975
Total Deferred Inflows of Resources	904,235	2,079,740	-	2,983,975
FUND BALANCES				
Restricted for:				
Emergency Reserves	25,400	-	-	25,400
Debt Service	-	918,641	-	918,641
Capital Projects	-	-	8,914,006	8,914,006
Unassigned	283,011	-	-	283,011
Total fund balances	308,411	918,641	8,914,006	10,141,058
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,261,388</u>	<u>\$ 3,128,198</u>	<u>\$ 8,914,006</u>	
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the funds.				5,105,026
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.				
Cost of Refunding				931,166
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.				
Series 2020 Loans Payable				(9,355,000)
Series 2021A-1 Loans Payable				(33,100,000)
Series 2021A-2 Loans Payable				(5,761,000)
Accrued Interest Payable - 2020 Loans				(21,048)
Accrued Interest Payable - 2021A-1 Loans				(78,888)
Accrued Interest Payable - 2021A-2 Loans				(13,730)
Net Position of Governmental Activities				<u>\$ (32,152,416)</u>

See accompanying Notes to Basic Financial Statements.

BELLEVIEW STATION METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property Taxes	\$ 797,880	\$ 1,835,387	\$ -	\$ 2,633,267
Specific Ownership Taxes	46,128	106,109	-	152,237
Other Revenue	2,089	-	-	2,089
Net Investment Income	76	2,329	991	3,396
Total Revenues	<u>846,173</u>	<u>1,943,825</u>	<u>991</u>	<u>2,790,989</u>
EXPENDITURES				
Current:				
Accounting	30,789	-	-	30,789
Audit	5,350	-	-	5,350
Administrative Fee - Denver	3,000	-	-	3,000
County Treasurer's Fees	7,922	18,223	-	26,145
Insurance	17,702	-	-	17,702
Transfers to Belleview Station No. 1	547,750	-	1,702,497	2,250,247
Dues and licenses	1,164	-	-	1,164
Miscellaneous	51	-	-	51
Debt Service:				
Paying Agent Fees	-	5,500	-	5,500
Interest Expense	-	19,891	-	19,891
Bond Interest - Series 2017	-	842,437	-	842,437
Loan Interest - Series 2020	-	253,935	-	253,935
Loan Principal - Series 2020	-	50,000	-	50,000
Loan Interest - Series 2021A-1	-	141,999	-	141,999
Loan Interest - Series 2021A-2	-	24,715	-	24,715
Loan Issue Costs	-	467,957	-	467,957
Total Expenditures	<u>613,728</u>	<u>1,824,657</u>	<u>1,702,497</u>	<u>4,140,882</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	232,445	119,168	(1,701,506)	(1,349,893)
OTHER FINANCING SOURCES (USES)				
Transfers to Other Fund	-	(8,000,000)	(596,260)	(8,596,260)
Transfer from Other Fund	-	596,260	8,000,000	8,596,260
Payment to Refunding Escrow	-	(35,375,938)	-	(35,375,938)
Loan Proceeds	-	38,861,000	-	38,861,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>(3,918,678)</u>	<u>7,403,740</u>	<u>3,485,062</u>
NET CHANGE IN FUND BALANCES	232,445	(3,799,510)	5,702,234	2,135,169
Fund Balances - Beginning of Year	<u>75,966</u>	<u>4,718,151</u>	<u>3,211,772</u>	<u>8,005,889</u>
FUND BALANCES - END OF YEAR	<u>\$ 308,411</u>	<u>\$ 918,641</u>	<u>\$ 8,914,006</u>	<u>\$ 10,141,058</u>

See accompanying Notes to Basic Financial Statements.

**BELLEVUE STATION METROPOLITAN DISTRICT NO. 2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

Net Changes in Fund Balances - Total Governmental Funds \$ 2,135,169

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 asset over the estimated useful life of the asset.

Current Year Depreciation (256,855)

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

Loan Proceeds	(38,861,000)
Principal Payment - Series 2020 Loan	50,000
Payment to Refunding Escrow	34,469,308

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

Amortization of Current Year Bond Premium	64,192
Accrued Interest on 2017A Bonds - Change in Liability	140,406
Accrued Interest on 2020 Loan - Change in Liability	112
Accrued Interest on 2021A-1 Loan - Change in Liability	(78,888)
Accrued Interest on 2021A-1 Loan - Change in Liability	(13,730)
Amortization - Cost of Refunding	(8,142)
	(8,142)

Change in Net Position of Governmental Activities \$ (2,359,428)

**BELLEVUE STATION METROPOLITAN DISTRICT NO. 2
GENERAL FUND –
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Original and Final Budget	Actual Amounts	Variance- Positive (Negative)
REVENUES			
Property Taxes	\$ 849,113	\$ 797,880	\$ (51,233)
Specific Ownership Taxes	42,456	46,128	3,672
Other Revenue	-	2,089	2,089
Net Investment Income	250	76	(174)
Total Revenues	<u>891,819</u>	<u>846,173</u>	<u>(45,646)</u>
EXPENDITURES			
Current:			
Accounting	25,000	30,789	(5,789)
Audit	5,500	5,350	150
Administrative Fee - Denver	3,000	3,000	-
County Treasurer's Fees	8,491	7,922	569
Dues and Licenses	1,000	1,164	(164)
Insurance	20,000	17,702	2,298
Miscellaneous	500	51	449
Transfers to Belleview MD No.1	800,000	547,750	252,250
Contingency	36,509	-	36,509
Total Expenditures	<u>900,000</u>	<u>613,728</u>	<u>286,272</u>
NET CHANGE IN FUND BALANCE	(8,181)	232,445	240,626
Fund Balance - Beginning of Year	<u>49,793</u>	<u>75,966</u>	<u>26,173</u>
FUND BALANCE - END OF YEAR	<u>\$ 41,612</u>	<u>\$ 308,411</u>	<u>\$ 266,799</u>

See accompanying Notes to Basic Financial Statements.

BELLEVUE STATION METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 DEFINITION OF REPORTING ENTITY

Bellevue Station Metropolitan District No. 2 (formerly Madre Metropolitan District No. 2) (the District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized in conjunction with Bellevue Station Metropolitan District No. 1 (District No. 1) and Bellevue Station Metropolitan District No. 3 (District No. 3) (collectively the Districts) by order and decree of the District Court for the City and County of Denver, Colorado, on December 9, 2005, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's boundaries are located in the City and County of Denver, Colorado (Denver). The District was organized to provide financing for the construction of streets, water, sanitary sewer, storm drainage, traffic and safety signals, and park and recreation improvements.

As discussed in the District's Service Plan, which is dated July 11, 2005, and was approved by Denver City Council, District No. 1 is designated as the control district and will be responsible for coordinating the financing and construction of all public services and improvements mentioned above. The improvements will be for the use and benefit of the residents of the Districts, as well as for all citizens of the metropolitan Denver area and the state of Colorado. District No. 2 and District No. 3 will function as taxing districts. District No. 2 has issued general obligation debt and may issue additional debt in the future. The District currently levies taxes for operations, maintenance, and debt service. Taxes collected for operations and maintenance are transferred to District No. 1 for use. District No. 3 may, in the future, issue general obligation bonds to be used to fund improvements and/or levy taxes for operations, maintenance, debt service or capital expenditures of District No. 1.

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, including District Nos. 1 and 3.

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

BELLEVUE STATION METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all 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.

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

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

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred, or the long-term obligation is due.

BELLEVUE STATION METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The District reports the following major governmental funds:

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

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

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

Budgets

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

The District has amended its annual budget for the year ended December 31, 2021.

Pooled Cash and Investments

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

Amortization

Original Issue Premium

In the government-wide financial statements, bond premiums are deferred and amortized over the life of the bonds using the effective interest method. In 2021 the Series 2017 bonds associated with the premium were refunded. As of December 31, 2021 this premium is fully amortized.

Cost of Refunding

In the government-wide financial statements, cost of refunding is deferred and amortized over the life of the bonds using the effective interest method.

BELLEVUE STATION METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

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

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.

Facility Fees

During 2007, the District imposed upon property owners within the District a facility fee. The first 500 water taps purchased from Denver Suburban Water District (DSWD) will have a rate of \$3,925 times the size equivalency. After the first 500 taps purchased from DSWD, or if a tap is purchased from an entity other than DSWD, the facility fee rate is \$7,850 times the size equivalency.

Tap size equivalencies are as follows:

- $\frac{3}{4}$ " = 1
- 1" = 2
- 1 $\frac{1}{4}$ " = 3
- 1 $\frac{1}{2}$ " = 4
- 2" = 8
- 3" = 18
- 4" = 36
- 6" = 94

On March 28, 2013, the Denver Suburban Water District (DSWS) was officially dissolved. According to the Dissolution and Assumption of Services Intergovernmental Agreement between Denver Suburban Water District and the Goldsmith Metropolitan District, effective as of September 1, 2012, the Goldsmith Metropolitan District assumes all services previously provided by the Denver Suburban Water District.

BELLEVUE STATION METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflow/Outflow of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *cost of refunding*, is deferred and recognized as an outflow of resources in the period that the amount is incurred.

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

Equity

Net Position

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

Fund Balance

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

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

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

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

BELLEVUE STATION METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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

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

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

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2021, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 328,559
Cash and Investments - Restricted	9,980,517
Total Cash and Investments	<u>\$ 10,309,076</u>

Cash and investments as of December 31, 2021, consist of the following:

Deposits with Financial Institutions	\$ 8,014,674
Investments	2,294,402
Total Cash and Investments	<u>\$ 10,309,076</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. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

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

At December 31, 2021, the District’s cash deposits had a bank balance and a carrying balance of \$8,014,674. \$250,000 per institution is insured through the FDIC and the balance is collateralized in single institution pools.

**BELLEVUE STATION METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments

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

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

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

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

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

As of December 31, 2021, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted-Average Under 60 Days	\$ 1,451,795
Morgan Stanley Institutional Liquidity Funds	Weighted-Average Under 90 Days	842,607
Total		<u>\$ 2,294,402</u>

BELLEVUE STATION METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds, and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAmmf by Fitch. CSAFE records its investments at amortized cost and the District records its investments in CSAFE at net asset value as determined by amortized cost. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

Morgan Stanley Institutional Liquidity Funds

At December 31, 2021, some of the District's funds held in trust accounts at Zion Bank were invested in the Morgan Stanley Institutional Liquidity Funds Government Portfolio. This portfolio is managed by Morgan Stanley and each share is equal in value to \$1.00. Morgan Stanley may invest in U.S. Treasury securities, or repurchase agreements collateralized by U.S. Treasury securities. The fund is AAmmf rated by Fitch and invests in a process that seeks to select maturities based on the shape of the money market yield curve and on expectations as to future shifts in the level and shape of the curve, taking into consideration such factors as current short-term interest rates, Federal Reserve policy regarding interest rates, and U.S. economic activity. The average maturity of the underlying securities is 90 days or less. The District records its investments in Morgan Stanley at net asset value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

NOTE 4 CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. 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.

BELLEVUE STATION METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 CAPITAL ASSETS (CONTINUED)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Streetscape 15 Year

An analysis of the changes in capital assets for the year ended December 31, 2021, follows:

	Balance at December 31, 2020	Additions	Reductions	Balance at December 31, 2021
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 2,022,769	\$ -	\$ -	\$ 2,022,769
Total Capital Assets, Not Being Depreciated	2,022,769	-	-	2,022,769
Capital Assets, Being Depreciated:				
Streetscapes	3,852,822	-	-	3,852,822
Total Capital Assets, Being Depreciated	3,852,822	-	-	3,852,822
Less: Accumulated Depreciation for:				
Streetscapes	(513,710)	(256,855)	-	(770,565)
Total Accumulated Depreciation	(513,710)	(256,855)	-	(770,565)
Total Capital Assets, Being Depreciated, Net	3,339,112	(256,855)	-	3,082,257
Governmental Activities Capital Assets, Net	<u>\$ 5,361,881</u>	<u>\$ (256,855)</u>	<u>\$ -</u>	<u>\$ 5,105,026</u>

Depreciation expense, totaling \$256,855, was charged to the general governmental function of the District for the year ended December 31, 2021.

BELLEVUE STATION METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2021:

	Balance at December 31, 2020	Additions	Reductions	Balance at December 31, 2021	Due Within One Year
Bonds Payable					
G.O. Bonds - Series 2017	\$ 33,530,000	\$ -	\$ 33,530,000	\$ -	\$ -
Bond Premium	64,192	-	64,192	-	-
Notes from Direct Borrowers and Direct Placements					
Loan - Series 2020	9,405,000	-	50,000	9,355,000	590,000
Loan - Series 2021A-1	-	33,100,000	-	33,100,000	12,000
Loan - Series 2021A-2	-	5,761,000	-	5,761,000	68,000
Total	<u>\$ 42,999,192</u>	<u>\$ 38,861,000</u>	<u>\$ 33,644,192</u>	<u>\$ 48,216,000</u>	<u>\$ 670,000</u>

The details of the District's long-term obligations are as follows:

General Obligation Bonds

General Obligation (Limited tax convertible to unlimited tax) Refunding and Improvement Bonds, Series 2017. On February 23, 2017, the District issued \$33,590,000 of Tax Exempt General Obligation Refunding and Improvement Bonds (the 2017 Bonds). The 2017 Bonds were issued with interest rates of 4.500% – 5.125% per annum. Interest is payable semi-annually on June 1 and December 1, commencing on June 1, 2017. Mandatory principal payments are due on December 1, commencing on December 1, 2019, with final payment due on December 1, 2046. The 2017 Bonds cannot be prepaid prior to December 1, 2021. From December 1, 2021 to November 30, 2022, bonds can be prepaid at a redemption premium of 3%. From December 1, 2022 to November 30, 2023, bonds can be prepaid at a redemption premium of 2%. From December 1, 2023 to November 30, 2024, bonds can be prepaid at a redemption premium of 1%. After November 30, 2024, bonds can be redeemed without premium.

The 2017 Bonds are secured by (1) the Required Mill Levy, (2) that portion of the Specific Ownership Tax allocable to the Required Mill Levy, (3) Capital fees, if imposed, and (4) any other legally available moneys which the District determines in its sole discretion to apply as pledged revenue. Proceeds of the 2017 bonds were used to (1) repay Developer advances, (2) refund Series 2007A bonds, (3) finance the cost of capital improvements, and (4) pay the costs of issuing the 2017 Bonds.

BELLEVUE STATION METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Bonds (Continued)

Prior to the date that the Debt to Assessed Ratio is less than 50%, the Required Mill Levy shall be an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient, when combined with other legally available moneys in the Bond Fund, to pay the principal of, premium if any, and interest on the Bonds as the same become due and payable but not in excess of fifty (50) mills (as adjusted). Such maximum and minimum mill levies are subject to adjustment per the Gallagher Amendment from December 20, 2016 and are currently 33.000 mills. For purposes of the foregoing, a change in the ratio of actual valuation to assessed valuation shall be deemed to be a change in the method of calculating assessed valuation. Once the Debt to Assessed Ratio is 50% or less, the Required Mill Levy shall be an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal of, premium if any, and interest on the Bonds as the same become due and payable, without limitation of rate and in amounts sufficient to make such payments when due. There is also a minimum mill levy of 40 mills as long as the Surplus Fund is less than the Maximum Surplus Amount of \$3,000,000.

The 2017 Bonds were refunded with the issuance of the Series 2021A-1 loan.

General Obligation/Refunding Loans

On October 26, 2020, the District entered into \$9,405,000 Series 2020 Tax-Exempt Refunding Loan (Series 2020 Loan), with interest of 2.70% per annum. Interest is payable semi-annually on June 1 and December 1, commencing on December 1, 2020. Mandatory principal payments are due on December 1, commencing on December 1, 2021, with final payment due on December 1, 2040. At its option, the District may prepay all or any part of the principal of the Loan upon payment to the Bank of the principal amount so prepaid, and accrued interest thereon to the prepayment date. The Series 2020 Loan is secured by (1) the Required Mill Levy, (2) that portion of the Specific Ownership Tax allocable to the Required Mill Levy, and (3) Capital fees, if imposed, and (4) any other legally available moneys which the District determines in its sole discretion to apply as pledged revenue. Proceeds of the Series 2020 Loan were used to (1) refund Series 2007B bonds, and (2) pay the costs of issuing the Series 2020 Loan.

The District's long-term Refunding Loan will mature as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 590,000	\$ 252,585	\$ 842,585
2023	540,000	236,655	776,655
2024	545,000	222,075	767,075
2025	470,000	207,360	677,360
2026	450,000	194,670	644,670
2027-2031	1,690,000	822,150	2,512,150
2032-2036	2,115,000	576,180	2,691,180
2037-2040	2,955,000	237,330	3,192,330
Total	<u>\$ 9,355,000</u>	<u>\$ 2,749,005</u>	<u>\$ 12,104,005</u>

BELLEVUE STATION METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation/Refunding Loans (Continued)

On October 7, 2021, the District entered into \$33,100,000 Series 2021A-1 Loan, with an interest rate of 2.860% per annum. Interest is payable semi-annually on June 1 and December 1, commencing on December 1, 2021. Mandatory principal payments are due on December 1, commencing on December 1, 2022, with final payment due on December 1, 2041. The Series 2021A-1 Loan is secured by (1) the Required Mill Levy, (2) that portion of the Specific Ownership Tax allocable to the Required Mill Levy, and (3) Capital fees, if imposed, and (4) any other legally available moneys which the District determines in its sole discretion to apply as pledged revenue. Proceeds of the Series 2021A-1 Loan were used to (1) refund Series 2017 bonds, (2) pay the costs of issuing the Series 2021A-1 Loan, and (3) fund the costs of capital improvements.

For the purpose of paying the principal of and interest on the Loan, there shall be levied on all taxable property of the District, in addition to all other taxes, direct annual taxes in the amount of the Required Mill Levy, not to exceed 50 mills, such Required Mill Levy to be imposed in each of the years 2021 to 2040, inclusive (for collection in 2022 to 2041, inclusive), and to the extent necessary to repay any unpaid principal or interest due on the Loan, in each year thereafter until the principal of and interest on the Loan is fully paid, satisfied, and discharged. Nothing herein shall be construed to require the District to levy an ad valorem property tax in excess of the Required Mill Levy.

The District may, at its option, prepay the Loan in whole, or, with the consent of the Bank, in part, on any Interest Payment Date, as follows:

Prepayment Prior to December 1, 2026; Premium. If the Loan is prepaid on any Interest Payment Date prior to December 1, 2026, the prepayment price shall equal the principal amount of the Loan so prepaid plus accrued interest thereon to the date of such prepayment together with a 1.0% prepayment fee of the principal amount so prepaid (the "Premium").

Prepayment on and after December 1, 2026. If the Loan is prepaid on any business day on or after December 1, 2026, the prepayment price shall equal the principal amount of the Loan so prepaid, plus accrued interest thereon to the date of such prepayment, without Premium.

Notwithstanding the forgoing provisions, (a) prepayment of the Loan with excess mill levy revenue will not be subject to the Premium, and (b) if the amount of the Premium on any proposed prepayment date exceeds the maximum amount permitted under then-applicable law, then the Loan shall be considered non-prepayable to that extent. Any partial prepayments of the Loan shall be applied first against the principal payment due on the Maturity Date, and then in inverse order of maturity.

BELLEVUE STATION METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation/Refunding Loans (Continued)

The District's Series 2021 A-1 Loan will mature as follows:

<u>Year Ending December 31,</u>	Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 12,000	\$ 946,660	\$ 958,660
2023	16,000	946,317	962,317
2024	270,000	945,859	1,215,859
2025	343,000	938,137	1,281,137
2026	422,000	928,327	1,350,327
2027-2031	3,285,000	4,405,716	7,690,716
2032-2036	4,134,000	3,884,281	8,018,281
2037-2041	24,618,000	3,245,271	27,863,271
Total	<u>\$ 33,100,000</u>	<u>\$ 16,240,568</u>	<u>\$ 49,340,568</u>

On October 7, 2021, the District entered into \$5,761,000 Series 2021A-2 Loan, with an interest rate of 2.860% per annum. Interest is payable semi-annually on June 1 and December 1, commencing on December 1, 2021. Mandatory principal payments are due on December 1, commencing on December 1, 2022, with final payment due on December 1, 2041. The Series 2021A-2 Loan is secured by (1) the Required Mill Levy, (2) that portion of the Specific Ownership Tax allocable to the Required Mill Levy, and (3) Capital fees, if imposed, and (4) any other legally available moneys which the District determines in its sole discretion to apply as pledged revenue. Proceeds of the Series 2021A-2 Loan were used to (1) pay the costs of issuing the Series 2021A-2 Loan, and (2) fund the costs of capital improvements.

For the purpose of paying the principal of and interest on the Loan, there shall be levied on all taxable property of the District, in addition to all other taxes, direct annual taxes in the amount of the Required Mill Levy, not to exceed 50 mills, such Required Mill Levy to be imposed in each of the years 2021 to 2040, inclusive (for collection in 2022 to 2041, inclusive), and to the extent necessary to repay any unpaid principal or interest due on the Loan, in each year thereafter until the principal of and interest on the Loan is fully paid, satisfied, and discharged. Nothing herein shall be construed to require the District to levy an ad valorem property tax in excess of the Required Mill Levy.

The District may, at its option, prepay the Loan in whole, or, with the consent of the Bank, in part, on any Interest Payment Date, as follows:

Prepayment Prior to December 1, 2026; Premium. If the Loan is prepaid on any Interest Payment Date prior to December 1, 2026, the prepayment price shall equal the principal amount of the Loan so prepaid plus accrued interest thereon to the date of such prepayment together with a 1.0% prepayment fee of the principal amount so prepaid (the "Premium").

BELLEVUE STATION METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation/Refunding Loans (Continued)

Prepayment on and after December 1, 2026. If the Loan is prepaid on any business day on or after December 1, 2026, the prepayment price shall equal the principal amount of the Loan so prepaid, plus accrued interest thereon to the date of such prepayment, without Premium.

Notwithstanding the forgoing provisions, (a) prepayment of the Loan with excess mill levy revenue will not be subject to the Premium, and (b) if the amount of the Premium on any proposed prepayment date exceeds the maximum amount permitted under then-applicable law, then the Loan shall be considered non-prepayable to that extent. Any partial prepayments of the Loan shall be applied first against the principal payment due on the Maturity Date, and then in inverse order of maturity.

The District's Series 2021 A-2 Loan will mature as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 68,000	\$ 164,765	\$ 232,765
2023	77,000	162,820	239,820
2024	113,000	160,618	273,618
2025	113,000	157,386	270,386
2026	121,000	154,154	275,154
2027-2031	694,000	715,629	1,409,629
2032-2036	871,000	606,606	1,477,606
2037-2041	3,704,000	470,699	4,174,699
Total	<u>\$ 5,761,000</u>	<u>\$ 2,592,677</u>	<u>\$ 8,353,677</u>

Events of Default (Series 2020 Loan, Series 2021A-1 Loan, Series 2021A-2 Loan)

The occurrence of any one or more of the following events or conditions shall constitute an Event of Default:

- (a) the District fails or refuses to impose the Required Mill Levy or to apply the Pledged Revenue as required by this Loan Agreement;
- (b) the District fails to pay the principal of or interest on the Loan or any other amount payable to the Bank hereunder when due;
- (c) the District fails to observe or perform any of the covenants, agreements, or conditions on the part of the District in this Loan Agreement or the other Financing Documents, and the District fails to remedy the same within 30 days after the Bank has provided the District with notice thereof; provided however, that there shall be no Event of Default for failure to observe or perform any of the covenants, agreements, or conditions on the part of the District in this Loan Agreement or the other Financing Documents which are qualified by the phrase "to the extent permitted by law" or by phrases of similar import, if a court or other tribunal of competent jurisdiction has determined in a final, non-appealable judgment that such covenants, agreements, or conditions are not permitted by law;

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

BELLEVUE STATION METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

Events of Default (Series 2020 Loan, Series 2021A-1 Loan, Series 2021A-2 Loan)
(Continued)

- (d) any representation or warranty made by the District in this Loan Agreement or in any other Financing Document or any certificate, instrument, financial, or other statement furnished by the District to the Bank, proves to have been untrue or incomplete in any material respect when made or deemed made;
- (e) the occurrence and continuance of an event of default or an event of nonperformance under the Custodial Agreement or any of the other Financing Documents after the expiration of any grace period;
- (f) default in the payment of principal of or interest when due on any Debt of the District and continuance of such default beyond any grace period;
- (g) the pledge of the Pledged Revenue or any other security interest created hereunder or under the Custodial Agreement fails to be fully enforceable with the priority required hereunder or thereunder;
- (h) any judgment or court order for the payment of money exceeding any applicable insurance coverage by more than \$50,000 in the aggregate is rendered against the District and the District fails to vacate, bond, stay, contest, pay, or satisfy such judgment or court order for 30 days;
- (i) a change occurs in the financial or operating conditions of the District, or the occurrence of any other event that, in the Bank's reasonable judgment, will have a materially adverse impact on the ability of the District to generate Pledged Revenue sufficient to satisfy the District's obligations under this Loan Agreement or its other obligations, and the District fails to cure such condition within the time specified by the Bank in a written notice thereof from the Bank;
- (j) (i) the District shall commence any case, proceeding, or other action (A) under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization, or relief of debtors, seeking to have an order for relief entered with respect to it or seeking to adjudicate it insolvent or a bankrupt or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition, or other relief with respect to it or its debts; or (B) seeking appointment of a receiver, trustee, custodian, or other similar official for itself or for any substantial part of its property, or the District shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the District any case, proceeding, or other action of a nature referred to in Section 7.01 (k) hereof and the same shall remain undismissed; or (iii) there shall be commenced against the District any case, proceeding, or other action seeking issuance of a warrant of attachment, execution, distraint, or similar process against all or any substantial part of its property which results in the entry of an order for any such relief which shall not have been vacated, discharged, stayed, or bonded pending appeal, within 30 days from the entry thereof; or (iv) the District shall take action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above;

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

BELLEVUE STATION METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

Events of Default (Series 2020 Loan, Series 2021A-1 Loan, Series 2021A-2 Loan)
(Continued)

- (k) this Loan Agreement, the Custodial Agreement, or any other Financing Document, or any material provision hereof or thereof, ceases to be valid and binding on the District or is declared null and void, or the validity or enforceability thereof is contested by the District (unless being contested by the District in good faith), or the District denies it has any or further liability under any such document to which it is a party;
- (l) any pledge or security interest created hereunder or under the Custodial Agreement fails to be fully enforceable with the priority required hereunder or thereunder, or the District defaults in the payment of any amounts due to the Custodian under the Custodial Agreement and fails to remedy the same within thirty (30) days after notice thereof;
- (m) the District's auditor delivers a qualified opinion with respect to the District's status as an on-going concern;
- (n) any funds or investments on deposit in, or otherwise to the credit of, any of the funds or accounts established hereunder or under the Custodial Agreement shall become subject to any writ, judgment, warrant, attachment, execution, or similar process.

Authorized Debt

On November 1, 2005, the District's electors authorized the issuance of indebtedness in an amount not to exceed \$1,005,000,000. At December 31, 2021, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Authorized November 1, 2005 Election	Authorization Used for 2007 Bonds	Authorization Used for 2017 Bonds	Authorization Used for 2020 Loans	Authorization Used for 2021A-1 Loans	Authorization Used for 2021A-2 Loans	Remaining at December 31, 2021
Street Improvements	\$ 125,000,000	\$ 16,982,279	\$ 5,106,285	\$ -	\$ 1,368,077	\$ 3,341,380	\$ 98,201,979
Traffic and Safety Controls	125,000,000	-	-	-	-	-	125,000,000
Water Supply	125,000,000	1,171,192	352,157	-	94,350	230,440	123,151,861
Sanitary Sewer	125,000,000	11,126,321	3,345,497	-	896,326	2,189,180	107,442,676
Parks and Recreational Facilities	125,000,000	-	-	-	-	-	125,000,000
IGA - Public Improvements	125,000,000	-	-	-	-	-	125,000,000
IGA - Debt	125,000,000	-	-	-	-	-	125,000,000
Operations and Maintenance	5,000,000	-	-	-	-	-	5,000,000
Bond Refunding	125,000,000	-	3,051,061	9,405,000	30,741,247	-	81,802,692
Total	\$ 1,005,000,000	\$ 29,279,792	\$ 11,855,000	\$ 9,405,000	\$ 33,100,000	\$ 5,761,000	\$ 915,599,208

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development within the District's service area. Per the Service Plan, the District is limited to issuing \$125,000,000 in debt, however, debt refinanced at a lower interest rate does not require the use of electoral authorization. In addition, the maximum debt service mill levy for the District is 50 mills, as adjusted for changes in the ratio of actual value to assessed value of property within the District.

NOTE 6 NET POSITION

BELLEVUE STATION METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

The restricted component of net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2021, as follows:

	Governmental Activities
Restricted Net Position:	
Emergency Reserve	\$ 25,400
Capital Projects	914,006
Total	\$ 939,406

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of bonds issued for public improvements which are conveyed to other governmental entities.

NOTE 7 RELATED PARTIES

The Developer of the property which constitutes the District is Front Range Land and Development Company (the Developer). The members of the Board of Directors of the District are owners of or are otherwise associated with the Developer and may have conflicts of interest in dealing with the District. Additionally, all of the members of the Board of Directors are owners of Madre Investment Company, LLC. In addition, the Developer provides financial, and construction management oversight to the District. During 2021, the District incurred \$9,785 in financial and management fees and \$215 in construction management fees.

Advance and Reimbursement Agreement

The District and the Developer have entered into an Advance and Reimbursement Agreement dated January 12, 2006. Pursuant to the Advance and Reimbursement Agreement, the Developer has agreed to advance funds for financing the costs associated with the formation of the District, District operations, and construction of District improvements after formation. Advances made by the Developer shall accrue interest at 7.5% per annum from the time of deposit into the District’s account until repaid. The District shall make payments for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements, or debt service costs. In 2020, the advances were repaid in full.

NOTE 8 INTERFUND TRANSFERS

The transfer from the Debt Service Fund to the Capital Projects Fund was related to the transfer of project fund proceeds from the Series 2021A-1 and Series 2021A-2 loans. The transfer from the Capital Projects Fund to the Debt Service Fund was used to pay expenditures related to the Series 2017 Bond refunding.

NOTE 9 RISK MANAGEMENT

BELLEVUE STATION METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

Except as provided in the Colorado Governmental Immunity Act, §24-10-101, et seq., C.R.S., the District may be exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

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

The District pays annual premiums to the Pool for liability, 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 10 TAX, SPENDING, AND DEBT LIMITATIONS

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

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

On November 1, 2005, the District voters passed an election question allowing the District to increase property taxes up to \$5,000,000 annually, without limitation of rate, to pay the District's operations, maintenance, and other expenses.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation.

SUPPLEMENTARY INFORMATION

**BELLEVUE STATION METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND –
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Budget		Actual Amounts	Variance- Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 1,952,961	\$ 1,835,387	\$ 1,835,387	\$ -
Specific Ownership Taxes	97,648	106,000	106,109	109
Net Investment Income	12,000	4,000	2,329	(1,671)
Total Revenues	<u>2,062,609</u>	<u>1,945,387</u>	<u>1,943,825</u>	<u>(1,562)</u>
EXPENDITURES				
Paying Agent Fees	4,000	4,000	5,500	(1,500)
County Treasurer's Fees	19,530	18,233	18,223	10
Bond Interest - Series 2017	1,684,875	1,684,875	842,437	842,438
Bond Principal - Series 2017	80,000	33,530,000	-	33,530,000
Loan Principal - Series 2020	50,000	50,000	50,000	-
Loan Interest - Series 2020	253,935	253,935	253,935	-
Loan Interest - Series 2021A-1	-	141,999	141,999	-
Loan Interest - Series 2021A-2	-	24,715	24,715	-
Loan Redemption Premium	-	1,003,500	-	1,003,500
Interest Expense	-	-	19,891	(19,891)
Loan Issue Costs	-	467,957	467,957	-
Contingency	-	98,999	-	98,999
Total Expenditures	<u>2,092,340</u>	<u>37,278,213</u>	<u>1,824,657</u>	<u>35,453,556</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(29,731)	(35,332,826)	119,168	35,451,994
OTHER FINANCING SOURCES (USES)				
Transfer from Other Fund	-	-	596,260	596,260
Transfer to Other Fund	-	(7,403,740)	(8,000,000)	(596,260)
Payment to Refunding Escrow	-	-	(35,375,938)	(35,375,938)
Loan Proceeds	-	38,861,000	38,861,000	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>31,457,260</u>	<u>(3,918,678)</u>	<u>(35,375,938)</u>
NET CHANGE IN FUND BALANCE	(29,731)	(3,875,566)	(3,799,510)	76,056
Fund Balance - Beginning of Year	<u>4,037,721</u>	<u>4,718,151</u>	<u>4,718,151</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 4,007,990</u>	<u>\$ 842,585</u>	<u>\$ 918,641</u>	<u>\$ 76,056</u>

**BELLEVUE STATION METROPOLITAN DISTRICT NO. 2
CAPITAL PROJECTS FUND –
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Budget		Actual Amounts	Variance- Positive (Negative)
	Original	Final		
REVENUES				
Net Investment Income	\$ 6,500	\$ 2,000	\$ 991	\$ (1,009)
Total Revenues	6,500	2,000	991	(1,009)
EXPENDITURES				
Paying Agent/Trustee Fees	1,000	-	-	-
Contingency	-	200,000	-	200,000
Transfers to Bellevue MD No. 1	800,000	1,800,000	1,702,497	97,503
Total Expenditures	801,000	2,000,000	1,702,497	297,503
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	(794,500)	(1,998,000)	(1,701,506)	296,494
OTHER FINANCING SOURCES (USES)				
Transfer from Other Funds	-	8,000,000	8,000,000	-
Transfer to Other Funds	-	(596,260)	(596,260)	-
Total Other Financing Sources (Uses)	-	7,403,740	7,403,740	-
NET CHANGE IN FUND BALANCE				
	(794,500)	5,405,740	5,702,234	296,494
Fund Balance - Beginning of Year	2,948,599	3,211,772	3,211,772	-
FUND BALANCE - END OF YEAR				
	\$ 2,154,099	\$ 8,617,512	\$ 8,914,006	\$ 296,494

OTHER INFORMATION

**BELLEVUE STATION METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY – SERIES 2020 LOAN
DECEMBER 31, 2021**

	Bellevue Station Metropolitan District #2 Tax-Free Loan Issue, Series 2020 Interest Rate 2.700% Interest Payable June 1 and December 1 Principal Payable December 1		
<u>Loan and Interest Maturing in the Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 590,000	\$ 252,585	\$ 842,585
2023	540,000	236,655	776,655
2024	545,000	222,075	767,075
2025	470,000	207,360	677,360
2026	450,000	194,670	644,670
2027	365,000	182,520	547,520
2028	305,000	172,665	477,665
2029	315,000	164,430	479,430
2030	345,000	155,925	500,925
2031	360,000	146,610	506,610
2032	385,000	136,890	521,890
2033	395,000	126,495	521,495
2034	425,000	115,830	540,830
2035	435,000	104,355	539,355
2036	475,000	92,610	567,610
2037	485,000	79,785	564,785
2038	520,000	66,690	586,690
2039	535,000	52,650	587,650
2040	1,415,000	38,205	1,453,205
Total	\$ 9,355,000	\$ 2,749,005	\$ 12,104,005

BELLEVUE STATION METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY – SERIES 2021A-1 LOAN
DECEMBER 31, 2021

<u>Loan and Interest Maturing in the Year Ending December 31,</u>	Bellevue Station Metropolitan District #2 Series 2021A-1 Loan Interest Rate 2.860% Interest Payable June 1 and December 1 Principal Payable December 1		
	Principal	Interest	Total
2022	\$ 12,000	\$ 946,660	\$ 958,660
2023	16,000	946,317	962,317
2024	270,000	945,859	1,215,859
2025	343,000	938,137	1,281,137
2026	422,000	928,327	1,350,327
2027	532,000	916,258	1,448,258
2028	654,000	901,043	1,555,043
2029	671,000	882,339	1,553,339
2030	707,000	863,148	1,570,148
2031	721,000	842,928	1,563,928
2032	766,000	822,307	1,588,307
2033	788,000	800,400	1,588,400
2034	831,000	777,863	1,608,863
2035	856,000	754,096	1,610,096
2036	893,000	729,615	1,622,615
2037	922,000	704,075	1,626,075
2038	967,000	677,706	1,644,706
2039	994,000	650,049	1,644,049
2040	1,042,000	621,621	1,663,621
2041	20,693,000	591,820	21,284,820
Total	\$ 33,100,000	\$ 16,240,568	\$ 49,340,568

BELLEVUE STATION METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY – SERIES 2021A-2 LOAN
DECEMBER 31, 2021

<u>Loan and Interest Maturing in the Year Ending December 31,</u>	Belleview Station Metropolitan District #2 Series 2021A-2 Loan Interest Rate 2.860% Interest Payable June 1 and December 1 Principal Payable December 1		
	Principal	Interest	Total
	Principal	Interest	Total
2022	\$ 68,000	\$ 164,765	\$ 232,765
2023	77,000	162,820	239,820
2024	113,000	160,618	273,618
2025	113,000	157,386	270,386
2026	121,000	154,154	275,154
2027	125,000	150,693	275,693
2028	134,000	147,118	281,118
2029	137,000	143,286	280,286
2030	147,000	139,368	286,368
2031	151,000	135,164	286,164
2032	160,000	130,845	290,845
2033	165,000	126,269	291,269
2034	175,000	121,550	296,550
2035	180,000	116,545	296,545
2036	191,000	111,397	302,397
2037	196,000	105,934	301,934
2038	208,000	100,329	308,329
2039	214,000	94,380	308,380
2040	226,000	88,260	314,260
2041	2,860,000	81,796	2,941,796
Total	\$ 5,761,000	\$ 2,592,677	\$ 8,353,677

**BELLEVUE STATION METROPOLITAN DISTRICT NO. 2
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2021**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Taxes		Percentage Collected to Levied
		General	Debt Service	Levied	Collected	
2016	\$ 10,368,900	10.000	40.000	\$ 518,445	\$ 518,445	100.00 %
2017	15,333,280	10.000	40.000	766,664	766,664	100.00
2018	39,586,130	10.000	40.554	2,001,237	1,977,992	98.84
2019	42,825,460	10.000	40.559	2,165,212	2,165,212	100.00
2020	63,476,360	10.000	41.051	3,240,532	3,239,448	99.97
2021	84,911,330	10.000	23.000	2,802,074	2,633,267	93.98
Estimated for the Year Ending December 31, 2022	\$ 90,423,460	10.000	23.000	\$ 2,983,975		

NOTE:

Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the County Treasurer does not permit identification of specific year of assessment.

For collection year 2021 the district had an abatement due to the contention of property values. The abatement resulted in an amount owed to the county which will be paid in 2022.