

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

Financial Statements

Year Ended December 31, 2016

with

Independent Auditors' Report



RECEIVED

By the Office of the State Auditor at 2:09 pm, Sep 15, 2017

C O N T E N T S

	<u>Page</u>
<u>Independent Auditors' Report</u>	I
<u>Basic Financial Statements</u>	
Balance Sheet/Statement of Net Position - Governmental Funds	1
Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities - Governmental Funds	2
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	3
Notes to Financial Statements	4
<u>Supplemental Information</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Debt Service Fund	23
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Capital Projects Fund	24
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	25
Schedule of Debt Service Requirements to Maturity	26

Independent Auditor's Report

Board of Directors

Brighton Crossing Metropolitan District No. 4

Adams County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Brighton Crossing Metropolitan District No. 4 as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Economic Dependency

The District has not yet established a revenue base sufficient to pay its debt service and operational expenditures. As discussed in Note 6, the District is dependent upon the Developer of the District's service area to provide funds for such expenditures.

Opinion

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 Brighton Crossing Metropolitan District No. 4 as of December 31, 2016, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

L. Paul Goedecke P.C.

L. Paul Goedecke, P.C.
June 12, 2017

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash and investments	\$ 450,677	\$ -	\$ -	\$ 450,677	\$ -	\$ 450,677
Cash and investments - restricted	35,587	2,277,426	242,738	2,555,751	-	2,555,751
Receivable county treasurer	496	3,190	-	3,686	-	3,686
Property taxes receivable	97,943	629,634	-	727,577	-	727,577
Developer advances receivable	-	-	1,853,566	1,853,566	(1,853,566)	-
Other accounts receivable	22,715	-	10,157	32,872	-	32,872
Capital assets not being depreciated	-	-	-	-	18,562,993	18,562,993
Depreciated capital assets, net of depreciation	-	-	-	-	857,647	857,647
Total Assets	<u>\$ 607,418</u>	<u>\$ 2,910,250</u>	<u>\$ 2,106,461</u>	<u>\$ 5,624,129</u>	<u>17,567,074</u>	<u>23,191,203</u>
LIABILITIES						
Accounts payable	\$ 37,428	\$ -	\$ 1,860,210	\$ 1,897,638	-	1,897,638
Retainage payable	-	-	246,251	246,251	-	246,251
Prepaid assessments	41,455	-	-	41,455	-	41,455
Accrued interest on bonds	-	-	-	-	89,104	89,104
Long-term liabilities:						
Due in more than one year	-	-	-	-	24,569,822	24,569,822
Total Liabilities	<u>78,883</u>	<u>-</u>	<u>2,106,461</u>	<u>2,185,344</u>	<u>24,658,926</u>	<u>26,844,270</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	97,943	629,634	-	727,577	-	727,577
Total Deferred Inflows of Resources	<u>97,943</u>	<u>629,634</u>	<u>-</u>	<u>727,577</u>	<u>-</u>	<u>727,577</u>
FUND BALANCES						
Restricted:						
Emergencies	35,587	-	-	35,587	(35,587)	-
Debt service	-	2,280,616	-	2,280,616	(2,280,616)	-
Unassigned	395,005	-	-	395,005	(395,005)	-
Total Fund Balances	<u>430,592</u>	<u>2,280,616</u>	<u>-</u>	<u>2,711,208</u>	<u>(2,711,208)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 607,418</u>	<u>\$ 2,910,250</u>	<u>\$ 2,106,461</u>	<u>\$ 5,624,129</u>		
NET POSITION						
Restricted for:						
Emergencies					35,587	35,587
Debt service					2,280,616	2,280,616
Unrestricted					<u>(6,696,847)</u>	<u>(6,696,847)</u>
Total Net Position (Deficit)					<u>\$ (4,380,644)</u>	<u>\$ (4,380,644)</u>

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

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

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

For the Year Ended December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Property management	\$ 25,256	\$ -	\$ -	\$ 25,256	\$ -	\$ 25,256
Accounting and audit	12,161	-	15,372	27,533	(15,372)	12,161
Collections	22,184	-	-	22,184	-	22,184
Elections	1,697	-	-	1,697	-	1,697
General administration	7,793	-	-	7,793	-	7,793
Insurance	12,798	-	-	12,798	-	12,798
Legal	31,438	-	42,276	73,714	(42,276)	31,438
Treasurer's fees	1,264	8,126	-	9,390	-	9,390
Utilities	93,285	-	-	93,285	-	93,285
Grounds expenses	211,376	-	-	211,376	-	211,376
Pool maintenance/operations	106,975	-	-	106,975	-	106,975
Master association expense	119,876	-	-	119,876	-	119,876
Alley repairs	28,068	-	-	28,068	-	28,068
Website/Newsletter	2,014	-	-	2,014	-	2,014
Bond interest expense	-	1,069,250	-	1,069,250	-	1,069,250
Paying agent fees	-	3,000	-	3,000	-	3,000
Note interest - capital	-	-	-	-	137,707	137,707
Note interest - operations	-	-	-	-	81,812	81,812
Capital improvements	-	-	7,078,143	7,078,143	(7,078,143)	-
Repay developer advances - interest	-	-	2,671	2,671	(2,671)	-
Depreciation	-	-	-	-	64,936	64,936
Total Expenditures	<u>676,185</u>	<u>1,080,376</u>	<u>7,138,462</u>	<u>8,895,023</u>	<u>(6,854,007)</u>	<u>2,041,016</u>
PROGRAM REVENUES						
Homeowner assessments	340,809	-	-	340,809	-	340,809
Park impact fees	13,140	-	-	13,140	-	13,140
Infrastructure/system development fees	183,781	-	-	183,781	-	183,781
Total Program Revenues	<u>537,730</u>	<u>-</u>	<u>-</u>	<u>537,730</u>	<u>-</u>	<u>537,730</u>
Net Program Income (Expense)	(138,455)	(1,080,376)	(7,138,462)	(8,357,293)	6,854,007	(1,503,286)
GENERAL REVENUES						
Property taxes	84,239	541,537	-	625,776	-	625,776
Specific ownership taxes	6,943	44,632	-	51,575	-	51,575
Interest income	1,724	14,303	508	16,535	-	16,535
Conservation trust funds	7,515	-	-	7,515	-	7,515
Miscellaneous income	-	-	2,671	2,671	-	2,671
Total General Revenues	<u>100,421</u>	<u>600,472</u>	<u>3,179</u>	<u>704,072</u>	<u>-</u>	<u>704,072</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(38,034)	(479,904)	(7,135,283)	(7,653,221)	6,854,007	(799,214)
OTHER FINANCING SOURCES (USES)						
Developer advances - capital	-	-	7,135,283	7,135,283	(7,135,283)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>7,135,283</u>	<u>7,135,283</u>	<u>(7,135,283)</u>	<u>-</u>
CHANGE IN FUND BALANCE	(38,034)	(479,904)	-	(517,938)	517,938	-
CHANGE IN NET POSITION					(799,214)	(799,214)
FUND BALANCE/NET POSITION:						
BEGINNING OF YEAR	468,626	2,760,520	-	3,229,146	(6,810,576)	(3,581,430)
END OF YEAR	<u>\$ 430,592</u>	<u>\$ 2,280,616</u>	<u>\$ -</u>	<u>\$ 2,711,208</u>	<u>\$ (7,091,852)</u>	<u>\$ (4,380,644)</u>

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

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

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

For the Year Ended December 31, 2016

	Original & Final		Variance
	<u>Budget</u>	<u>Actual</u>	Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 84,239	\$ 84,239	\$ -
Specific ownership taxes	5,897	6,943	1,046
Interest income	739	1,724	985
Conservation trust funds	7,000	7,515	515
Homeowner assessments	344,400	340,809	(3,591)
Park impact fees	133,500	13,140	(120,360)
Courtyard fees	4,500	-	(4,500)
Infrastructure/system development fees	<u>205,725</u>	<u>183,781</u>	<u>(21,944)</u>
Total Revenues	<u>786,000</u>	<u>638,151</u>	<u>(147,849)</u>
EXPENDITURES			
Property management	29,904	25,256	4,648
Accounting and audit	14,000	12,161	1,839
Collections	10,000	22,184	(12,184)
Elections	2,000	1,697	303
General administration	7,000	7,793	(793)
Insurance	9,500	12,798	(3,298)
Legal	30,000	31,438	(1,438)
Treasurer's fees	1,264	1,264	-
Utilities	105,000	93,285	11,715
Grounds expenses	279,100	211,376	67,724
Pool maintenance/operations	109,600	106,975	2,625
Master association expense	135,520	119,876	15,644
Alley repairs	250,000	28,068	221,932
Website/Newsletter	4,000	2,014	1,986
Emergency reserve	29,607	-	29,607
Contingency	<u>59,505</u>	<u>-</u>	<u>59,505</u>
Total Expenditures	<u>1,076,000</u>	<u>676,185</u>	<u>399,815</u>
NET CHANGE IN FUND BALANCE:	(290,000)	(38,034)	251,966
FUND BALANCE:			
BEGINNING OF YEAR	<u>290,000</u>	<u>468,626</u>	<u>178,626</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 430,592</u>	<u>\$ 430,592</u>

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

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

Notes to Financial Statements December 31, 2016

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Brighton Crossing Metropolitan District No. 4, located in Adams County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized on April 23, 1985, under the name of Bromley Park Metropolitan District No. 4 as a quasi-municipal organization established under the State of Colorado Special District Act. The District’s service area is located entirely within the City of Brighton (“City”). The District changed its name in 2003. The District is one of six contiguous districts: South Beebe Draw Metropolitan District (“SBD”), Bromley Park Metropolitan Districts No. 2-3, 5 and 6 (“District No. 2, No. 3, No. 5 and No. 6”) and the District. The District, SBD, District No. 2 and District No. 3 were participants to the Annexation Agreement (originally dated June 4, 1985, amended December 16, 1986, November 11, 1994, May 28, 1996, and October 24, 1997) between the City and the previous developer (during 1994 through 1997, BPK Holdings, LLC (“BPK”)) of the majority of the property within the District. District No. 5 and District No. 6 were formed in 2000 and it is anticipated that these districts will also participate in the Annexation Agreement. The current developer of the District is Brookfield Residential (Colorado), LLC, f.k.a. Carma (Colorado), Inc. (“Developer”). The Developer and the District have assumed the responsibilities and rights associated with all intergovernmental agreements (See Note 7).

The District was established to provide water, sewer and storm drainage services and to provide construction, installation, financing and operation of streets, park and recreation, mosquito control, transportation and television relay systems and improvements in addition to the water, sewer and storm drainage improvements.

As of August 4, 1995, by agreement between BPK and the District, SBD, District No. 2 and District No. 3, SBD was affirmed to be appointed by the entities to receive all sales and use taxes remitted under the Annexation Agreement, as amended, by the City and to apply all receipts to the common benefit of all of the Districts.

In May 2011, the District approved a Special Improvement District Agreement and a Resolution Authorizing the Creation of Special Improvement District No. 1 (“SID”). The boundaries of the SID are completely contained within the boundaries of the District. During 2012 the SID was dissolved.

The District is governed by an elected Board of Directors.

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

Notes to Financial Statements December 31, 2016

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

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

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

Basis of Presentation

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

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

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*.

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

Notes to Financial Statements December 31, 2016

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other assets.

Budgetary Accounting

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

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

Notes to Financial Statements December 31, 2016

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2016, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

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

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 minimum number of bank accounts. 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.

Estimates

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting under this category.

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

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

Notes to Financial Statements December 31, 2016

Interfund Balances

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. These amounts are eliminated in the Statement of Net Position.

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 activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Parks and recreation	25 years
----------------------	----------

Property Taxes

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

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

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

Notes to Financial Statements December 31, 2016

Long-Term Obligations

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

Fund Equity

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

Nonspendable fund balance

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

Restricted Fund Balance

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

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$35,587 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$2,280,616 is restricted for the payment of the General Obligation bonds (see Note 4) and represents bond proceeds held by the trustee as a "reserve requirement", as defined by the Reimbursement Agreement and is used to secure the District's obligation to the Bank and does not secure payment of debt service on the bonds.

Committed Fund Balance

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

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

Notes to Financial Statements December 31, 2016

Assigned Fund Balance

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

Unassigned Fund Balance

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

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

Net Position

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

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

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

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

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

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

Notes to Financial Statements
December 31, 2016

Note 2: Cash and Investments

As of December 31, 2016, cash and investments are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 450,677
Cash and investments – Restricted	<u>2,555,751</u>
Total	\$ <u>3,006,428</u>

Cash and investments as of December 31, 2016 consist of the following:

Deposits with financial institutions	\$ 653,742
Investments – COLOTRUST	360,783
Investments – CSAFE	<u>1,991,903</u>
	\$ <u>3,006,428</u>

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District does not have a formal policy for deposits. None of the District’s deposits were exposed to custodial credit risk.

Investments

Investment Valuation

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized cost.

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

Notes to Financial Statements December 31, 2016

The District has the following recurring fair value measurements as of December 31, 2016:

An external investment pool that records its investments at fair value. The investment in COLOTRUST is categorized as a Level 2 Investment.

Credit Risk

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

Custodial and Concentration of Credit Risk

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

Interest Rate Risk

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

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST") is rated AAAM by Standard & Poor's with a weighted average maturity of under 60 days, a Level 2 investment under the fair value hierarchy. COLOTRUST is an investment trust/joint ventures established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The trusts operate similarly to a money market fund with each share maintaining a value of \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. At December 31, 2016, the District had \$360,783 invested in COLOTRUST.

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

Notes to Financial Statements
December 31, 2016

CSAFE

The local government investment pool Colorado Surplus Asset Fund Trust (“CSAFE”), is rated AAAM by Standard and Poor’s and the maturity is weighted average under 60 days. CSAFE 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 custodian agreements. 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 custodians’ internal records identify the investments owned by CSAFE. At December 31, 2016, the District had \$1,991,903 invested in CSAFE.

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2016 follows:

<u>Governmental Type Activities:</u>	<u>Balance</u> 1/1/2016	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 12/31/2016
<u>Capital assets not being depreciated:</u>				
Engineering and organization	\$ 508,456	\$ 24,397	\$ -	\$ 532,853
Water	944,384	-	-	944,384
Sewer	1,514,662	158,140	-	1,672,802
Storm sewer	891,001	419,377	-	1,310,378
Streets and bridges	3,866,421	1,588,481	-	5,454,902
Utilities	893,129	52,141	-	945,270
Landscaping	2,329,979	5,731	-	2,335,710
Parks and Recreation - In progress	479,170	4,887,524	-	5,366,694
Total capital assets not being depreciated	<u>11,427,202</u>	<u>7,135,791</u>	<u>-</u>	<u>18,562,993</u>
<u>Capital assets being depreciated:</u>				
Parks and recreation - beach club	<u>1,623,401</u>	<u>-</u>	<u>-</u>	<u>1,623,401</u>
Total capital assets being depreciated	<u>1,623,401</u>	<u>-</u>	<u>-</u>	<u>1,623,401</u>
<u>Less accumulated depreciation:</u>				
Parks and recreation - beach club	<u>700,818</u>	<u>64,936</u>	<u>-</u>	<u>765,754</u>
Total accumulated depreciation	<u>700,818</u>	<u>64,936</u>	<u>-</u>	<u>765,754</u>
Total capital assets being depreciated, net of depreciation	<u>922,583</u>	<u>(64,936)</u>	<u>-</u>	<u>857,647</u>
Total net capital assets	<u>\$ 12,349,785</u>	<u>\$ 7,070,855</u>	<u>\$ -</u>	<u>\$ 19,420,640</u>

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

Notes to Financial Statements
December 31, 2016

Upon completion and acceptance, all fixed assets except for the beach club and other related parks and recreation assets will be conveyed by the District to other local governments. The District will not be responsible for maintenance on these transferred assets.

Note 4: Long Term Debt

The following is an analysis of changes in long-term debt for the period ending December 31, 2016:

	<u>Balance</u> <u>1/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2016</u>	<u>Current</u> <u>Portion</u>
Bonds:					
Series 2013	\$ 15,275,000	\$ -	\$ -	\$ 15,275,000	\$ -
Developer advances:					
Capital principal	1,086,487	5,478,544	-	6,565,031	-
Capital interest	30,452	137,707	2,671	165,488	-
Operations principal	1,813,082	-	-	1,813,082	-
Operations interest	<u>669,409</u>	<u>81,812</u>	<u>-</u>	<u>751,221</u>	<u>-</u>
Total	<u>\$ 18,874,430</u>	<u>\$ 5,698,063</u>	<u>\$ 2,671</u>	<u>\$ 24,569,822</u>	<u>\$ -</u>

A description of the long-term obligations as of December 31, 2016, is as follows:

\$15,275,000 General Obligation Refunding Bonds - Series 2013

On July 1, 2013, the District issued \$15,275,000 General Obligation (Limited Tax Convertible to Unlimited Tax) Refunding Bonds Series 2013 ("Series 2013 Bonds") dated July 1, 2013. The Bonds mature on December 1, 2023. The Series 2013 Bonds bear interest at the rate of 7.00% per annum, payable semi-annually on each June 1 and December 1, commencing December 1, 2013.

The proceeds of the Bonds were used to: (i) pay the costs of refunding the District's Series 2004 Bonds; and, (ii) pay the costs of issuing the Series 2013 Bonds and any other costs in connection with the refunding.

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

Notes to Financial Statements
December 31, 2016

The Series 2013 Bonds are secured by Pledged Revenues which include: (i) a required ad valorem mill levy of not less than 45 mills; (ii) the portion of specific ownership taxes that is collected as a result of the required mill levy; (iii) District capital fees; and, (iv) any other legally available moneys the District determines to transfer to the trustee. The Series 2013 Bonds are also partially secured by a Debt Service Guaranty Agreement entered into on July 1, 2013, with Brookfield Residential (Colorado) LLC (“Guarantor”) and UMB Bank (“Trustee”). Per this agreement, the Guarantor agrees to pay funds to the Trustee in any situation where the District does not have sufficient funds to make its debt service payments. The District acknowledges its indebtedness to the Guarantor for any such payments made on its behalf. The amounts are to be repaid with interest accruing at 8% per annum. The Series 2013 Bonds also require that a Guaranty Reimbursement Fund be established and maintained for so long as the Guaranty Agreement is in effect. Moneys in this fund can be used by the trustee to repay any guaranty reimbursement obligation.

The Bonds are subject to optional redemption prior to their stated maturity as a whole or in integral multiples of \$1,000, on July 1, 2018, and on any date thereafter, upon payment of par and accrued interest, without redemption premium. On or after the date of any Guaranty Default pursuant to the Guaranty Agreement whereby the Guarantor fails to provide the required funds, the Series 2013 Bonds shall be subject to mandatory redemption prior to maturity, as a whole or in integrals of \$1,000, upon payment of par and accrued interest, without redemption premium, in such amount as may be redeemed with the moneys received by the Trustee or the District as a result of such Guaranty Default.

The Series 2013 Bonds require that a Reserve Fund be established and maintained with a balance equal to a Required Reserve of \$1,398,850. The Reserve Fund was initially funded with proceeds from issuance of the Series 2013 Bonds and can be used only to prevent a default in the payment of principal, premium or interest. The Series 2013 Bonds also require the establishment of a Surplus Fund to be maintained as long as the debt to assessed ratio is 50% or more. The Surplus Fund is to be funded solely from deposits of excess Pledged Revenue.

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2013 Bonds:

	Principal	Interest	Total
2017	\$ -	\$ 1,069,250	\$ 1,069,250
2018	-	1,069,250	1,069,250
2019	-	1,069,250	1,069,250
2020	-	1,069,250	1,069,250
2021	-	1,069,250	1,069,250
2022 - 2023	<u>15,275,000</u>	<u>2,138,500</u>	<u>17,413,500</u>
	<u>\$ 15,275,000</u>	<u>\$ 7,484,750</u>	<u>\$ 22,759,750</u>

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

Notes to Financial Statements December 31, 2016

Loan and Infrastructure Acquisition Agreement

On December 17, 2004, the District entered into a Loan and Infrastructure Acquisition Agreement with the Developer. The District and the Developer had previously entered into a Loan Agreement dated as of February 12, 2002, and an Improvement Acquisition Agreement dated as of May 14, 2002, to provide for the financing of certain public infrastructure benefiting the District, through the lending of funds by the Developer to the District and also the construction of certain public infrastructure by the Developer and subsequent acquisition by the District.

The purpose of the new agreement is to provide for two separate and distinct funding sources for the provision of public infrastructure benefiting the District: (i) an agreement by the Developer to loan funds to the District under certain terms and conditions; and, (ii) an agreement by the District to acquire certain public infrastructure constructed, at the District's request, by the Developer. The agreement was also entered into (in connection with the Series 2004 Bonds and the Reimbursement Agreement) for the purpose of setting forth the terms by which the Developer will loan funds to the District for the purpose of paying principal of and interest on the Series 2004 Bonds when due. (Note - The Series 2004 Bonds were refunded by the previously described Series 2013 Bonds.) The Maximum Capital Loan Amount under the agreement is \$4,000,000, as the same may be increased pursuant to a supplement or amendment. The District intends to repay any advances made under this agreement from the proceeds of any additional Senior Bonds (as defined in the agreement) and any other revenues determined by the District to be available thereof. This agreement is not considered to be a long term debt of the District and terminates the Loan Agreement dated February 12, 2002 and the Improvement Acquisition Agreement dated May 14, 2002. This indebtedness bears interest at prime plus 1% per annum. The amounts due are payable from any available revenue including proceeds from future bonds but the property tax mill levy is limited to 50 mills. As of December 31, 2016, the District has outstanding capital advances totaling \$6,565,031 and there is accrued interest due of \$168,488. As of December 31, 2016, the District has no outstanding debt service advances.

Funding and Reimbursement Agreement (Operations and Maintenance Costs)

A Funding and Reimbursement Agreement was entered into as of December 17, 2004 (and as amended in 2007, 2010, 2011 and 2014) by and between the District and the Developer. In accordance with the agreement, the Developer agrees to loan to the District an amount of money not to exceed \$1,000,000. Per an Addendum to the Amended Funding and Reimbursement Agreement approved subsequent to year end, the funds are available through December 31, 2016. The parties may also increase the loan amount by execution of a supplement to the agreement. The District intends to repay any advances made under this agreement from the proceeds of any revenues determined by the District to be available thereof. This agreement is not considered to be a long term debt of the District. The indebtedness bears interest at prime plus 1% per annum. The amounts due are payable from any available revenue but the property tax mill levy is limited to 50 mills. As of December 31, 2016, the District had outstanding advances totaling \$1,813,082 and there is accrued interest due of \$751,221.

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

Notes to Financial Statements December 31, 2016

Debt Authorization

On November 8, 1994, November 4, 1997, and November 7, 2000, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$67,522,477, \$24,000,000 and \$85,795,000, respectively, at an interest rate not to exceed 15% per annum. (The District had prior authorization from an election in 1985 totaling \$10,092,000, which may have been affected by the TABOR amendment. See Note 8.) As of December 31, 2016, the District had remaining voted debt authorization of approximately \$148,242,477. The District has budgeted to issue new debt during 2017.

Note 5: Related Party

All of the Board of Directors are employees, owners or are otherwise associated with the Developer and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board.

Note 6: Economic Dependency

The District has not yet established a revenue base sufficient to pay the capital improvement requirements. Until an independent revenue base is established the District will be dependent on funding by the Developer to pay for capital improvements.

Note 7: Intergovernmental Agreements

The agreements listed below relate to one or more of the Districts and are not all-inclusive.

City of Brighton

Pursuant to the Bromley Park Annexation Agreement, as amended by the First, Second, Third, and Fourth Amendments, among the District, BPK, the City of Brighton, SBD, and District No. 2 and District No. 3; Agreement 2, among the District, BPK, the City of Brighton, Adams County, SBD, and District No. 2 and District No.3; and the Interdistrict Regional Facilities Intergovernmental Agreement dated March 21, 2000, and amended in 2003 and 2005, between the District, SBD, District No. 2 and District No. 3, the parties have the following mutual responsibilities:

In general, the Districts and BPK or assignees are to install improvements and transfer the installed facilities, except for certain specified improvements, to the City of Brighton for ownership, maintenance and operation.

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

Notes to Financial Statements December 31, 2016

Streets

Bromley Lane was improved from funding from the City, BPK, and the Districts. The City agreed to reimburse BPK for certain sections over a five year period or require landowners to pay their pro rata share plus interest to the Districts when annexed to the City. The Districts agreed to pay for their certain sections when development dictates. During 2001, the District transferred the responsibility to maintain the medians to District No. 5.

Danube Street was to be developed and installed, but if completed by BPK or the Districts, the City agreed to reimburse the Districts for a portion of the costs incurred. The Districts agreed to perform street reconstruction and asphalt overlays on all streets as requested from the City as long as the sales and use taxes are remitted by the City. Other streets may be constructed by the Districts and transferred to the City for perpetual maintenance.

Water

On May 28, 1996, a Third Amendment to the Bromley Park Annexation Agreement was completed which provided that the City will provide water service to the Districts to full development as determined under the Phase Master Plans under certain conditions. Of the City's water plant investment fee, \$300 is paid to or retained by SBD. In consideration of the developer designing all irrigation systems after December 8, 1998, so that they are capable of being converted to a nonpotable water system, the City will provide water taps for certain public areas at no charge.

Sewer

The City agreed to provide sewage collection and treatment capacity to the full development of the BPK property. Pursuant to the Fourth Amendment to the Annexation Agreement dated October 24, 1997, the City had fulfilled its obligation to provide wastewater treatment facilities for the property draining into the Beebe Draw Basin by execution of the Beebe Draw Wastewater Agreement with the Town of Lochbuie. The City remains obligated to provide transmission and treatment service to the property draining into the South Platte Basin. SBD or BPK is obligated to install, at its expense, all sanitary sewer collection and transmission facilities as stipulated in the Sanitary Sewer Master Plan.

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

Notes to Financial Statements December 31, 2016

Beebe Draw Wastewater Service Agreement

On November 4, 1997, the District entered into the Beebe Draw Wastewater Services Agreement with the City, the Town of Lochbuie (“Town”), and the other Bromley Districts to provide a comprehensive program to finance, construct and operate wastewater facilities within the Beebe Draw drainage basin. SBD is responsible for constructing and financing certain sewer lines and is to receive fees from all areas served by the lines, including property within the District. On August 12, 2009, a First Amended and Restated Beebe Draw Wastewater Service Agreement was entered into between SBD, Brighton and Lochbuie. In said agreement, Brighton and Lochbuie collect the Plant Investment Fees (“PIF”) due for connections to the sewer system for treatment facilities within their respective boundaries.

On a monthly basis, each entity remits all PIFs collected to an escrow account. The escrow agent then disburses funds to SBD to pay their 2007 Revenue Bonds. Future expansion of the facilities will be coordinated under the terms of this agreement.

Under the agreement, Brighton and Lochbuie are to collect and remit to SBD certain fees equal to the greater of \$1,000 or 40% of the applicable PIF imposed by the Town for a sewer tap connection.

Interdistrict Regional Facilities IGA - 2005 Agreement and Second Amendment

An Agreement and Second Amendment to the Interdistrict Regional Facilities IGA dated October 18, 2005, was entered into between the District and among SBD, District No. 2, District No. 3, District No. 5, District No. 6 and Silver Peaks Metropolitan Districts 1 through 5, to clarify the provisions of the IGA related to the use of the Sewer Connection Fees. Pursuant to this agreement, the Districts agree that until SBD’s \$2,580,000 Sewer Line Connection Fee Refunding and Improvement Revenue Bonds, Series 2005, are fully paid and defeased, the Sewer Line Connection Fees collected within the boundaries of the Districts shall be used for payment of the debt service of the bonds pursuant to the terms of the bond resolution and indenture, and that such bonds shall have irrevocable, first and exclusive lien upon the Sewer Line Connection Fees. SBD’s sewer line connection fee at December 31, 2006 was \$1,302.

Storm Drainage

The City agreed to provide all offsite storm drainage improvements for the BPK property. The Third Amendment to the Annexation Agreement provides that SBD may undertake to provide storm drainage to property within the District, SBD, District No. 2 and District No. 3, as well as adjoining properties. In such event, SBD would pay for offsite improvements and the City shall forego collecting drainage fees and reimbursement. The Districts and/or BPK are to construct all onsite storm drainage improvements.

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

Notes to Financial Statements December 31, 2016

Storm Drainage and Management Agreement

On March 19, 1997, SBD, the Beebe Draw Drainage Company, LLC, and the Farmers Reservoir and Irrigation Company (“FRICO”) entered into the Storm Drainage Management Agreement wherein SBD acquired the right to discharge storm water from property within the Districts and the Beebe Draw Drainage area into the storm drainage and maintenance facilities owned and operated by the drainage company. SBD agreed to collect and pay certain fees to FRICO to defray the cost of drainage improvements required to serve the Districts.

Global Settlement Agreement

On April 13, 2004, SBD entered into a Global Settlement Agreement whereby the Storm Drainage Management Agreement of March 19, 1997, was replaced and superseded by an Amended and Restated Storm Drainage Management Agreement entered into by Weld County Drainage, LLC, FRICO, and SBD. Under this agreement, \$397 of SBD’s storm drainage development fee was pledged to the payment of the Taxable Contingent Storm Drainage Facility Fee Revenue Bonds Series 2004. An additional \$90 was also due to Weld County Drainage, LLC for the payment of a storm drainage easement fee. Both amounts are to be adjusted annually for increases in the Consumer Price Index. In addition, SBD purchased from the Beebe Draw Drainage Company for \$4,000,000, the rights to a perpetual, nonexclusive easement to discharge storm water into the Beebe Seep Canal as contemplated by the Master Drainage Plan.

Sales and Use Tax

Until the earlier of December 16, 2026, or the repayment of the Districts’ outstanding debt related to the funding of facilities and services within the Districts’ service area, the City agrees to remit annually one third (1/3) of the sales and use taxes (excluding the .75% recreation sales and use tax) generated and collected within the Districts to SBD. The Interdistrict Regional Facilities Intergovernmental Agreement dated March 21, 2000, and amended in 2003 and 2005, and the Intergovernmental Agreement regarding Sales and Use Taxes, dated August 4, 1995, allowed for the sharing of this revenue among Districts.

Intergovernmental Agreement Regarding Collection of District Fees

On August 17, 2004, the District entered into an agreement with the City whereby the City will no longer collect fees on behalf of the Districts. The Districts have contracted with an independent third party to collect some of the fees on behalf of the Districts.

District Capital Fee

During 2013, the District passed a resolution establishing a one-time District Capital Fee for all single family residential property located within the District. The fee is initially established at \$1,450 per lot. The fee is due on or before a building permit is pulled. The District received \$2,950,000 of prepaid fees during 2013 as payment in full on these fees.

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

Notes to Financial Statements December 31, 2016

Infrastructure Fees and System Development Fees

The District imposes an Infrastructure Fee and a System Development Fee pursuant to the associated Development Agreement within each filing. The Development Agreements specify which City fees will be waived by the City in order for the District to collect their fees. At December 31, 2016, within all three residential filings, the District imposed an Infrastructure Fee of \$1,100/unit. For Filing #1, the District imposed a System Development Fee of \$200/unit in lieu of the City's existing Crossing Fee. For Filings #2 and #3, the District imposed a Systems Development Fee of \$1,643/unit in lieu of the City's Traffic Impact Fee. The fees are paid directly to the District prior to the City issuing a building permit. The District agreed to use the System Development Fees for public improvements such as the construction of parks, street crossings and traffic improvements. The District collected fees totaling \$183,781 during 2016.

Park Impact Fees

The District imposes a Park Development Fee which is collected by the City at the time that a building permit is issued and is then remitted to the District. The fees are in the amounts of \$1,700/unit for a Neighborhood Park Development Fee and \$720/unit for a Community Park Development Fee. The District collected fees totaling \$13,140 during 2016.

Note 8: Tax, Spending and Debt Limitations

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

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

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

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

On November 7, 2000, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

Notes to Financial Statements December 31, 2016

Note 9: Risk Management

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

The District pays annual premiums to the Pool for auto, public officials’ liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 10: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

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

- 1) Capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and,
- 2) long-term liabilities such as bonds payable, accrued bond interest payable, note payable, accrued note interest, and other bond related liabilities are not due and payable in the current period and, therefore, are not in the funds.

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

- 1) Governmental funds report capital outlays as expenditures; however, in the statement of activities, the costs of those assets are held in construction in progress pending transfer to another governmental entity or depreciated over their useful lives;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the statement of activities; and,
- 3) governmental funds report developer advances as income, however, in the government-wide financial statements, they are reported as changes in long-term liabilities.

SUPPLEMENTAL INFORMATION

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

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

For the Year Ended December 31, 2016

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 541,537	\$ 541,537	\$ -
Specific ownership taxes	37,908	44,632	6,724
Interest income	<u>2,555</u>	<u>14,303</u>	<u>11,748</u>
Total Revenues	<u>582,000</u>	<u>600,472</u>	<u>18,472</u>
EXPENDITURES			
Bond interest expense	1,069,250	1,069,250	-
Paying agent fees	4,000	3,000	1,000
Treasurer's fees	8,123	8,126	(3)
Miscellaneous	<u>5,627</u>	<u>-</u>	<u>5,627</u>
Total Expenditures	<u>1,087,000</u>	<u>1,080,376</u>	<u>6,624</u>
NET CHANGE IN FUND BALANCE	(505,000)	(479,904)	25,096
FUND BALANCE:			
BEGINNING OF YEAR	<u>2,750,000</u>	<u>2,760,520</u>	<u>10,520</u>
END OF YEAR	<u>\$ 2,245,000</u>	<u>\$ 2,280,616</u>	<u>\$ 35,616</u>

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

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
CAPITAL PROJECTS FUND

For the Year Ended December 31, 2016

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Interest income	\$ -	\$ 508	\$ 508
Miscellaneous income	-	<u>2,671</u>	<u>2,671</u>
Total Revenues	-	<u>3,179</u>	<u>3,179</u>
EXPENDITURES			
Accounting and audit	16,000	15,372	628
Legal	40,000	42,276	(2,276)
Miscellaneous	4,000	-	4,000
Capital improvements	13,640,000	7,078,143	6,561,857
Repay developer advances - interest	-	<u>2,671</u>	<u>(2,671)</u>
Total Expenditures	<u>13,700,000</u>	<u>7,138,462</u>	<u>6,561,538</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(13,700,000)	(7,135,283)	6,564,717
OTHER FINANCING SOURCES (USES)			
Developer advances - capital	13,700,000	7,135,283	(6,564,717)
Transfer to/from other funds	-	-	-
Total Other Financing Sources (Uses)	<u>13,700,000</u>	<u>7,135,283</u>	<u>(6,564,717)</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE:			
BEGINNING OF YEAR	-	-	-
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED

December 31, 2016

<u>Year Ended December 31,</u>	Prior Year Assessed Valuation for Current Year Property Tax Levy	<u>Mills Levied</u>		<u>Total Property Tax</u>		<u>Percent Collected to Levied</u>
		<u>General Fund</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2002	\$ 1,369,390	38.000	0.000	\$ 52,000	\$ 44,792	86.14%
2003	\$ 308,140	38.000	0.000	\$ 11,700	\$ 11,653	99.60%
2004	\$ 2,459,050	38.000	0.000	\$ 93,444	\$ 92,714	99.22%
2005	\$ 4,195,450	1.000	43.000	\$ 184,599	\$ 184,233	99.80%
2006	\$ 7,353,800	1.000	43.000	\$ 323,567	\$ 323,563	100.00%
2007	\$ 8,779,010	1.000	43.000	\$ 386,276	\$ 386,641	100.09%
2008	\$ 9,530,030	1.000	43.000	\$ 419,321	\$ 419,191	99.97%
2009	\$ 9,700,360	1.000	43.000	\$ 426,815	\$ 426,844	100.01%
2010	\$ 8,013,910	1.000	43.000	\$ 352,612	\$ 352,614	100.00%
2011	\$ 8,063,250	1.000	43.000	\$ 354,783	\$ 354,184	99.83%
2012	\$ 7,902,870	7.000	43.000	\$ 395,144	\$ 395,143	100.00%
2013	\$ 8,097,570	7.000	43.000	\$ 404,879	\$ 404,879	100.00%
2014	\$ 8,135,710	7.000	45.000	\$ 423,057	\$ 423,012	99.99%
2015	\$ 8,763,280	7.000	45.000	\$ 455,691	\$ 455,738	100.01%
2016	\$ 12,034,160	7.000	45.000	\$ 625,776	\$ 625,776	100.00%
Estimated for year ending December 31, 2017	\$ 13,991,860	7.000	45.000	\$ 727,577		

NOTE

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

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

December 31, 2016

\$15,275,000 General Obligation (Limited Tax Convertible to Unlimited Tax)

Refunding Bonds

Series 2013

Interest Rate of 7.00%

Interest Payable June 1 and December 1

Principal Due December 1

Year Ended				
<u>December 31,</u>	<u>Principal</u>		<u>Interest</u>	<u>Total</u>
2017	\$ -	\$	1,069,250	\$ 1,069,250
2018	-		1,069,250	1,069,250
2019	-		1,069,250	1,069,250
2020	-		1,069,250	1,069,250
2021	-		1,069,250	1,069,250
2022	-		1,069,250	1,069,250
2023	<u>15,275,000</u>		<u>1,069,250</u>	<u>16,344,250</u>
	<u>\$ 15,275,000</u>	<u>\$</u>	<u>7,484,750</u>	<u>\$ 22,759,750</u>