

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

Financial Statements

Year Ended December 31, 2019

with

Independent Auditor's Report

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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 (the "District") as of and for the year ended December 31, 2019, 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; 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. 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.

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 Brighton Crossing Metropolitan District No. 4 as of December 31, 2019, and the respective changes in financial position 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.

Emphasis of Matter

The District has not yet established a revenue base sufficient to pay its capital 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.

Other Matters

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States 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 opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplemental 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, such information is fairly stated in all material respects in relation to the financial statements as a whole.

Wipfli LLP
Lakewood, Colorado

September 28, 2020

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

**BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2019**

	<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	\$ 545,422	\$ -	\$ -	\$ 545,422	\$ -	\$ 545,422
Cash and investments - restricted	40,576	2,524,999	308,781	2,874,356	-	2,874,356
Receivable county treasurer	1,058	8,356	-	9,414	-	9,414
Property taxes receivable	365,084	1,825,387	-	2,190,471	-	2,190,471
Accounts receivable - park fees	227,315	-	-	227,315	-	227,315
Accounts receivable - other	495	-	-	495	-	495
Prepaid expenses	4,393	-	-	4,393	-	4,393
Capital assets not being depreciated	-	-	-	-	44,404,061	44,404,061
Capital assets, net of depreciation	-	-	-	-	662,839	662,839
Total Assets	<u>1,184,343</u>	<u>4,358,742</u>	<u>308,781</u>	<u>5,851,866</u>	<u>45,066,900</u>	<u>50,918,766</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred loss on refunding	-	-	-	-	299,634	299,634
Total Deferred Outflows of Resources	-	-	-	-	299,634	299,634
Total Assets and Deferred Outflows of Resources	<u>\$ 1,184,343</u>	<u>\$ 4,358,742</u>	<u>\$ 308,781</u>	<u>\$ 5,851,866</u>		
LIABILITIES						
Accounts payable	\$ 5,130	\$ -	\$ 102,700	\$ 107,830	-	107,830
Due to Brighton Crossings Operations Board	481,543	-	-	481,543	-	481,543
Due to Brighton Crossing Metropolitan District No. 6	285,088	-	-	285,088	-	285,088
Due to St. Vrain Lakes	5,900	-	-	5,900	-	5,900
Escrow payable	1,022	-	-	1,022	-	1,022
Accrued interest on bonds	-	-	-	-	928,952	928,952
Long-term liabilities:						
Bonds due within one year	-	-	-	-	130,000	130,000
Due in more than one year	-	-	-	-	57,250,734	57,250,734
Total Liabilities	<u>778,683</u>	<u>-</u>	<u>102,700</u>	<u>881,383</u>	<u>58,309,686</u>	<u>59,191,069</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	365,084	1,825,387	-	2,190,471	-	2,190,471
Total Deferred Inflows of Resources	<u>365,084</u>	<u>1,825,387</u>	<u>-</u>	<u>2,190,471</u>	<u>-</u>	<u>2,190,471</u>
FUND BALANCES						
Nonspendable:						
Prepays	4,393	-	-	4,393	(4,393)	-
Restricted:						
Emergencies	40,576	-	-	40,576	(40,576)	-
Debt service	-	2,263,115	-	2,263,115	(2,263,115)	-
Capital projects	-	-	206,081	206,081	(206,081)	-
Unassigned	(4,393)	270,240	-	265,847	(265,847)	-
Total Fund Balances	<u>40,576</u>	<u>2,533,355</u>	<u>206,081</u>	<u>2,780,012</u>	<u>(2,780,012)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,184,343</u>	<u>\$ 4,358,742</u>	<u>\$ 308,781</u>	<u>\$ 5,851,866</u>		
NET POSITION						
Restricted for:						
Emergencies					40,576	40,576
Debt service					1,334,163	1,334,163
Capital projects					206,081	206,081
Unrestricted					(11,743,960)	(11,743,960)
Total Net Position (Deficit)					<u>\$ (10,163,140)</u>	<u>\$ (10,163,140)</u>

The notes to the financial statement 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, 2019**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Accounting and audit	\$ 54,515	\$ -	\$ -	\$ 54,515	\$ -	\$ 54,515
Collections	18,557	-	-	18,557	-	18,557
District engineer	-	-	7,857	7,857	-	7,857
District management/administration	100,858	-	-	100,858	-	100,858
District facilities management	39,672	-	-	39,672	-	39,672
Fitness center	82,117	-	-	82,117	-	82,117
General administration/bank fees	10,050	-	-	10,050	-	10,050
Hardscape and landscape maintenance	181,906	-	-	181,906	-	181,906
Insurance	33,333	-	-	33,333	-	33,333
Legal	28,356	-	17,454	45,810	-	45,810
Master association expense:						
Property Transfers	10,810	-	-	10,810	-	10,810
ARC Reviews	14,203	-	-	14,203	-	14,203
Covenant Enforcement	21,706	-	-	21,706	-	21,706
HOA Elections	6,656	-	-	6,656	-	6,656
Trash Removal	63,349	-	-	63,349	-	63,349
Paying agent fees	-	8,000	-	8,000	-	8,000
Repairs and replacements	15,406	-	-	15,406	-	15,406
Social committee events	165	-	-	165	-	165
Treasurer's fees	2,549	20,128	-	22,677	-	22,677
Utilities	74,262	-	-	74,262	-	74,262
Venture Center Set-Up	12,765	-	-	12,765	-	12,765
Website/newsletter	10,832	-	-	10,832	-	10,832
Bond interest	-	1,202,300	-	1,202,300	490,651	1,692,951
Developer advance interest - capital	-	-	-	-	341,272	341,272
Developer advance interest - debt service	-	-	-	-	878,052	878,052
Developer advance interest - operations	-	-	-	-	113,876	113,876
Capital expenditures	-	-	369,457	369,457	(369,457)	-
Capital services	-	-	22,188	22,188	-	22,188
Transfer to Brighton Crossings Operations Board	1,179,653	-	-	1,179,653	-	1,179,653
Depreciation	-	-	-	-	64,936	64,936
Total Expenditures	<u>1,961,720</u>	<u>1,230,428</u>	<u>416,956</u>	<u>3,609,104</u>	<u>1,519,330</u>	<u>5,128,434</u>
PROGRAM REVENUES						
General operation fees	252,027	-	-	252,027	-	252,027
Legal fee income	17,007	-	-	17,007	-	17,007
Park impact fees	532,954	-	-	532,954	-	532,954
Alley fees	18,548	-	-	18,548	-	18,548
Administrative transfer fees	26,000	-	-	26,000	-	26,000
Late fees	2,365	-	-	2,365	-	2,365
Oil & Gas Royalties	15,669	-	-	15,669	-	15,669
Architectural Review Fees	2,210	-	-	2,210	-	2,210
Courtyard fees	5,844	-	-	5,844	-	5,844
Development fees	268,814	-	-	268,814	-	268,814
Total Program Revenues	<u>1,141,438</u>	<u>-</u>	<u>-</u>	<u>1,141,438</u>	<u>-</u>	<u>1,141,438</u>
Net Program Income (Expense)	(820,282)	(1,230,428)	(416,956)	(2,467,666)	(1,519,330)	(3,986,996)
GENERAL REVENUES						
Property taxes	169,848	1,341,245	-	1,511,093	-	1,511,093
Specific ownership taxes	13,730	108,423	-	122,153	-	122,153
Conservation trust funds	7,779	-	-	7,779	-	7,779
Interest	19,737	51,000	4,890	75,627	-	75,627
Total General Revenues	<u>211,094</u>	<u>1,500,668</u>	<u>4,890</u>	<u>1,716,652</u>	<u>-</u>	<u>1,716,652</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	(609,188)	270,240	(412,066)	(751,014)	(1,519,330)	(2,270,344)
OTHER FINANCING SOURCES (USES)						
Developer advances - capital	-	-	559,354	559,354	(559,354)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>559,354</u>	<u>559,354</u>	<u>(559,354)</u>	<u>-</u>
CHANGE IN FUND BALANCE	(609,188)	270,240	147,288	(191,660)	191,660	
CHANGE IN NET POSITION					(2,270,344)	(2,270,344)
FUND BALANCE/NET POSITION:						
BEGINNING OF YEAR	<u>649,764</u>	<u>2,263,115</u>	<u>58,793</u>	<u>2,971,672</u>	<u>(10,864,468)</u>	<u>(7,892,796)</u>
END OF YEAR	<u>\$ 40,576</u>	<u>\$ 2,533,355</u>	<u>\$ 206,081</u>	<u>\$ 2,780,012</u>	<u>\$ (12,943,152)</u>	<u>\$ (10,163,140)</u>

The notes to the financial statement 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, 2019**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ 169,848	\$ 169,848	\$ 169,848	\$ -
Specific ownership taxes	13,588	13,583	13,730	147
Park impact fees	65,000	305,640	532,954	227,314
Development fees	411,450	521,170	268,814	(252,356)
Administrative transfer fees	30,000	26,000	26,000	-
General operations fees	504,900	252,060	252,027	(33)
Late and legal fees	7,510	19,387	19,372	(15)
Alley fees	48,000	18,548	18,548	-
Courtyard fees	10,800	5,844	5,844	-
Conservation trust fund	5,000	6,182	7,779	1,597
Oil & gas royalties	-	15,106	15,669	563
Rental Income	12,000	-	-	-
Architectural review fees	-	2,210	2,210	-
Interest/miscellaneous	12,000	20,270	19,737	(533)
Total Revenues	<u>1,290,096</u>	<u>1,375,848</u>	<u>1,352,532</u>	<u>(23,316)</u>
EXPENDITURES				
Accounting and audit	91,300	54,515	54,515	-
Collections	7,510	18,557	18,557	-
District management/administration	175,000	100,858	100,858	-
District facilities management	79,350	39,673	39,672	1
Fitness center	54,348	82,117	82,117	-
General administration/bank fees	7,500	9,986	10,050	(64)
Hardscape and landscape maintenance	299,786	181,906	181,906	-
Insurance	33,015	33,333	33,333	-
Legal	40,000	28,430	28,356	74
Master association expense				
Property Transfers	15,525	10,810	10,810	-
ARC Reviews	32,425	14,203	14,203	-
Covenant Enforcement	47,380	21,706	21,706	-
HOA Elections	12,000	6,656	6,656	-
Trash Removal	155,000	74,608	63,349	11,259
Miscellaneous	8,000	-	-	-
Pool center	187,700	-	-	-
Repairs and replacements	60,000	15,406	15,406	-
Social committee events	10,000	165	165	-
Transfer to Brighton Crossings Operations Board	-	1,192,869	1,179,653	13,216
Treasurer's fees	2,548	2,548	2,549	(1)
Utilities	318,481	73,603	74,262	(659)
Website/newsletter	10,000	9,623	10,832	(1,209)
Venture Center set-up	-	12,765	12,765	-
Emergency reserve	38,703	-	-	-
Reserve	100,000	-	-	-
Contingency	125,000	-	-	-
Total Expenditures	<u>1,910,571</u>	<u>1,984,337</u>	<u>1,961,720</u>	<u>22,617</u>
CHANGE IN FUND BALANCE	<u>(620,475)</u>	<u>(608,489)</u>	<u>(609,188)</u>	<u>(699)</u>
BEGINNING FUND BALANCE	<u>621,897</u>	<u>621,897</u>	<u>649,764</u>	<u>27,867</u>
ENDING FUND BALANCE	<u>\$ 1,422</u>	<u>\$ 13,408</u>	<u>\$ 40,576</u>	<u>\$ 27,168</u>

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

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

Notes to Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Brighton Crossing Metropolitan District No. 4 (the "District"), 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 (the "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. (the "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.

The District is governed by an elected Board of Directors.

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

Notes to Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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 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*.

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

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

Notes to Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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.

The District amended its total appropriations in the General Fund from \$1,910,571 to \$1,984,337 primarily due to higher than expected transfers to Brighton Crossings Operations Board. Additionally, the District amended its total appropriations in the Debt Service Fund from \$1,228,919 to \$1,230,919 due to higher than anticipated paying agent fees.

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

Notes to Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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, 2019, 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 has one item that qualifies for reporting in this category. It is the deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Original Issue Premium and Loss on Refunding

Original issue premium and loss on refunding from the Series 2017A Bonds are being amortized over the respective terms of the bonds using the effective interest rate method and straight-line method, respectively. Amortization expense for 2019 on the original issue premium and loss on refunding were \$28,660 and \$75,697, respectively. Accumulated amortization of original issue premium and loss on refunding amounted to \$56,206 and \$154,548, respectively, with unamortized balances of \$570,076 and \$299,634, respectively at December 31, 2019.

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 acquisition 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
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During 2019, the District recognized approximately \$64,900 in depreciation expense.

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.

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.

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

Notes to Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Fees

General operations fees are charge to residents and property owners pursuant to a fee schedule as determined by the Board of Directors, and such revenues are used pay the overall operational costs of providing the facilities and services, and not for the purpose of paying general administrative costs of the District.

Administrative transfer fees are established for the purpose of paying the costs of setting up new accounts for residents and property owners with the District. The fee is based on a fee schedule as determined by the Board of Directors.

Alley fees are established for the purpose of paying the costs associated with the operations and maintenance of public improvements and facilities related to the alleys owned and/or maintained by the District. The fee is based on a fee schedule as determined by the Board of Directors.

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. The Nonspendable Fund Balance in the General Fund relates to prepaid expenses.

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 \$40,576 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 \$2,263,115 is restricted for the payment of the Series 2017A Bonds (see Note 4) and includes bond proceeds held by the trustee as a "reserve requirement".

The restricted fund balance in the Capital Projects Fund in the amount of \$206,081 is restricted for the payment of the costs for capital improvements within the District.

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, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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 in the General Fund, and 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 can report 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 of 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.

Note 2: Cash and Investments

As of December 31, 2019, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 545,422
Cash and investments - restricted	<u>2,874,356</u>
	<u>\$ 3,419,778</u>

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

Notes to Financial Statements
December 31, 2019

Note 2: Cash and Investments (Continued)

Cash and investments as of December 31, 2019, consist of the following:

Deposits with financial institutions	\$ 389,531
Investments - COLOTRUST	<u>3,030,247</u>
	<u>\$ 3,419,778</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 follows state statutes for deposits. None of the District's deposits were exposed to custodial credit risk.

Investments

Investment Valuation

Certain investments are measured at fair value 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. The District's investment is not required to be categorized within the fair value hierarchy. This investment's value is calculated using the net asset value method ("NAV") per share.

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.

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

Notes to Financial Statements
December 31, 2019

Note 2: Cash and Investments (Continued)

As of December 31, 2019, the District had the following investment:

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. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. COLOTRUST 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 COLOTRUST. Substantially all securities owned by COLOTRUST 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, 2019, the District had \$3,030,247 invested in COLOTRUST.

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ending December 31, 2019, follows:

<u>Governmental Type Activities:</u>	<u>Balance 1/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2019</u>
Capital assets not being depreciated:				
Construction in progress	\$ 44,034,604	\$ 369,457	\$ -	\$ 44,404,061
Total capital assets not being depreciated	<u>44,034,604</u>	<u>369,457</u>	<u>-</u>	<u>44,404,061</u>
Capital assets being depreciated:				
Parks and recreation - beach club	1,623,401	-	-	1,623,401
Total capital assets being depreciated	<u>1,623,401</u>	<u>-</u>	<u>-</u>	<u>1,623,401</u>
Less accumulated depreciation:				
Parks and recreation - beach club	(895,626)	(64,936)	-	(960,562)
Total accumulated depreciation	<u>(895,626)</u>	<u>(64,936)</u>	<u>-</u>	<u>(960,562)</u>
Total capital assets being depreciated, net of depreciation	<u>727,775</u>	<u>(64,936)</u>	<u>-</u>	<u>662,839</u>
Total net capital assets	<u>\$ 44,762,379</u>	<u>\$ 304,521</u>	<u>\$ -</u>	<u>\$ 45,066,900</u>

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.

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

Notes to Financial Statements
December 31, 2019

Note 4: Long-Term Obligations

A description of the long-term obligations as of December 31, 2019, is as follows:

\$24,560,000 Limited Tax General Obligation Bonds, Series 2017A, \$4,025,000 Subordinate Limited Tax General Obligation Bonds, Series 2017B and \$3,308,002 Junior Subordinate Limited Tax General Obligation Bonds, Series 2017C

On December 13, 2017, the District issued \$24,560,000 Limited Tax General Obligation Bonds, Series 2017A, ("Series 2017A Bonds"), \$4,025,000 Subordinate Limited Tax General Obligation Bonds, Series 2017B ("Series 2017B Bonds") and \$3,308,002 Junior Subordinate Limited Tax General Obligation Bonds, Series 2017C ("Series 2017C Bonds"), or combined ("Series 2017 Bonds") for the purpose of financing and refinancing Public Improvements and paying the cost of issuance of the Bonds, and, with respect to the Series 2017A Bonds only, funding a reserve fund and partially funding a surplus fund.

The Series 2017A Bonds bear interest at the rates ranging between 4.0% and 5.0%, payable semiannually on each June 1 and December 1, commencing on June 1, 2018. The Series 2017B Bonds bear interest at the rate of 7.0%, payable annually on December 15, commencing on December 15, 2018, to the extent that Subordinate Pledged Revenue is available. The Series 2017C Bonds bear interest at the rate of 3.6%, payable annually on December 15, commencing on December 15, 2018, to the extent that Junior Subordinate Pledged Revenue is available.

The Series 2017A Bonds are subject to a mandatory sinking fund redemption commencing on December 1, 2020. The Series 2017A Bonds and Series 2017B Bonds and are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, commencing on December 1, 2022, upon payment of par, accrued interest, and a redemption premium that ranges between 0.0% and 3.0%.

The Series 2017A Bonds are secured by the Senior Required Mill Levy, the portion of the Specific Ownership Tax which is collected as a result of the Senior Required Mill Levy, and any other legally available moneys as determined by the District. The Series 2017A Bonds are also secured by the Reserve Fund and Surplus Fund. The Series 2017B Bonds are secured by the Subordinate Required Mill Levy, the portion of the Specific Ownership Tax which is collected as a result of the Subordinate Required Mill Levy, and any other legally available moneys as determined by the District. The Series 2017C Bonds are secured by the Junior Subordinate Required Mill Levy, the portion of the Specific Ownership Tax which is collected as a result of the Junior Subordinate Required Mill Levy, and any other legally available moneys as determined by the District.

The Series 2017B Bonds and the Series 2017C Bond are "cash flow" bonds, meaning that no regularly scheduled principal payments are due prior to the maturity date, and interest not paid will accrue and compound until there is sufficient Subordinate Pledged Revenue for payment of the Series 2017B Bonds, or sufficient Junior Subordinate Pledged Revenue for payment of the 2017C Bonds. In the event any amounts due and owing on the Series 2017C Bonds remain outstanding on December 15, 2057, such amounts shall be deemed discharged and shall no longer be due and outstanding.

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

Notes to Financial Statements
December 31, 2019

Note 4: Long-Term Obligations (Continued)

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 and interest on the Series 2004 Bonds when due. (Note - The Series 2004 Bonds were refunded by the Series 2013 Bonds, and the series 2013 Bonds were paid in full, with proceeds from a developer advance in 2017.) The Maximum Capital Loan Amount under the agreement was \$4,000,000, amended in 2018 to \$50,000,000, and 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 1.0% 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, 2019, the District had outstanding capital advances totaling \$5,703,701 and accrued interest due of \$613,147.

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, 2014 and 2016) 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 \$2,000,000. Per an Addendum to the Amended Funding and Reimbursement Agreement approved during 2017, the funds are available until the agreement is terminated by either party. 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 1.0% 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, 2019, the District had outstanding operating advances totaling \$1,813,082 and accrued interest due of \$1,064,077.

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

Notes to Financial Statements
December 31, 2019

Note 4: Long-Term Obligations (Continued)

Resolution Regarding Reimbursement of Funds Advanced for and on Behalf of the District

On November 30, 2017, the District approved a Resolution Regarding Reimbursement of Funds Advanced for and on Behalf of the District, (the "Resolution") declaring its intent to reimburse the Developer for an advance in the amount of \$13,979,897 and accrued interest of \$1,743,752. The Funds were used to repay a portion of the Series 2013 Bonds. The reimbursement of these funds is subject to certain limitations as outlined in the Resolution. Interest will accrue on the principal balance at 8.0% from the date of the advance. The Resolution evidences an intent to reimburse but shall not constitute a debt or indebtedness of the District within the meaning of any constitutional or statutory provisions, nor shall it constitute a multiple fiscal year financial obligation, and any reimbursement shall be at all times subject to annual appropriation by the District in its absolute discretion.

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2017A Bonds. Due to uncertainty in the timing of principal and interest payments on the 2017B and 2017C Bonds, no summary is presented.

	Principal	Interest	Total
2020	\$ 130,000	\$ 1,202,300	\$ 1,332,300
2021	235,000	1,197,100	1,432,100
2022	300,000	1,187,700	1,487,700
2023	315,000	1,175,700	1,490,700
2024	360,000	1,163,100	1,523,100
2025-2029	2,225,000	5,574,050	7,799,050
2030-2034	3,260,000	4,946,500	8,206,500
2035-2039	4,605,000	4,003,750	8,608,750
2040-2044	6,375,000	2,684,750	9,059,750
2045-2047	6,755,000	779,750	7,534,750
	<u>\$ 24,560,000</u>	<u>\$ 23,914,700</u>	<u>\$ 48,474,700</u>

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

Notes to Financial Statements December 31, 2019

Note 4: Long-Term Obligations (Continued)

An analysis of changes in long-term obligations for the year ending December 31, 2019, follows:

	Balance 1/1/2019	Additions	Deletions	Balance 12/31/2019	Current Portion
Bonds:					
Series 2017A	\$ 24,560,000	\$ -	\$ -	\$ 24,560,000	\$ 130,000
Series 2017B	4,025,000	-	-	4,025,000	-
Series 2017C	3,308,002	-	-	3,308,002	-
Premium on 2017A	598,736	-	(28,660)	570,076	-
Developer advances:					
Capital - principal	5,144,347	559,354	-	5,703,701	-
Capital - interest	271,875	341,272	-	613,147	-
Reimbursement - principal	13,979,897	-	-	13,979,897	-
Reimbursement - interest	865,700	878,052	-	1,743,752	-
Operations - principal	1,813,082	-	-	1,813,082	-
Operations - interest	950,201	113,876	-	1,064,077	-
Total	<u>\$ 55,516,840</u>	<u>\$ 1,892,554</u>	<u>\$ (28,660)</u>	<u>\$ 57,380,734</u>	<u>\$ 130,000</u>

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, 2019, the District had remaining voted debt authorization of approximately \$53,935,000. The District has not budgeted to issue new debt during 2020.

Note 5: Related Parties

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.

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

Notes to Financial Statements
December 31, 2019

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, SBD, District No. 2 and District No. 3; Agreement 2, among the District, BPK, the City, Adams County, SBD, 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 for ownership, maintenance and operation.

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, 2019

Note 7: Intergovernmental Agreements (Continued)

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 (the "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, the City and the Town. In said agreement, the City and the Town 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, the City and the Town 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 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 parties 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.

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.

Storm Drainage and Management Agreement

On March 19, 1997, SBD, the Beebe Draw Drainage Company, LLC (the "Drainage Company"), 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.

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

Notes to Financial Statements
December 31, 2019

Note 7: Intergovernmental Agreements (Continued)

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 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.

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. The District imposes an Infrastructure Fee of \$1,100/unit. For Filing #1, the District imposes a System Development Fee of \$200/unit in lieu of the City's existing Crossing Fee. For Filings #2 and #3, the District imposes 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 maintenance and construction of parks, trails, street crossings and traffic improvements. The District collected fees totaling \$268,814 during 2019.

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 \$532,954 during 2019.

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

Notes to Financial Statements
December 31, 2019

Note 7: Intergovernmental Agreements (Continued)

Brighton Crossings Authority Establishment Agreement

The District currently owns, operates and maintains various public improvements, and provides covenant enforcement and design review services on behalf of its residents and taxpayers. Brighton Crossing Metropolitan District Nos. 5-8 have been formed on adjacent property within the Brighton Crossings development, and each has the ability to provide similar services on behalf of their respective residents and taxpayers. In an effort to simplify the overall governance structure within the community, each of the Brighton Crossing Metropolitan District Nos. 4-8 entered into a Brighton Crossings Authority Establishment Agreement on April 15, 2019, to oversee the operation and maintenance of various public improvements and provide covenant enforcement services on behalf of the entirety of Brighton Crossings. Use of an Authority will allow for a single entity to provide consistent services throughout the Brighton Crossings community, as well as realize certain cost savings which each individual district would be unable to obtain directly. On June 11, 2019, the Board approved a first amendment to the Brighton Crossings Authority Establishment Agreement. This amendment changed the name of the Authority to "Brighton Crossings Operations Board."

Temporary Operation and Funding Agreement (Venture Center)

The District, District No. 8 and Brookfield Residential (Colorado) entered into a Temporary Operation and Funding Agreement on April 15, 2019, which provided that the District would be responsible for the operations and maintenance of the swimming pool, clubhouse and related recreational facilities, amenities and landscaping, known as the "Venture Center," upon its opening to the public. On June 11, 2019, the District entered into the Assignment of Temporary Funding and Operations Agreement, through which it assigned its rights and obligations under the Temporary Operation and Funding Agreement to Brighton Crossings Operations Board.

Note 8: Oil and Gas Lease Agreement

On September 11, 2017, the District entered into an Oil and Gas Lease Agreement (the "Lease Agreement") with Petro Operating Company, L.L.C. (the "Lessee"), a limited liability company. The District acts as Lessor under the Lease Agreement. The Lease Agreement extends for a term of three years. Under the Lease Agreement, the District has granted access to non-surface land within the District to the Lessee, in which the Lessee may procure oil and gas. In consideration for the use of the leased premises, the Lessee will provide the District (1) the equal of 18.75% of all oil produced and saved from the leased premises, (2) 18.75% of the net proceeds generated from each well on the leased premises from which gas is found or sold (or the market value at the well of such gas used off of the premises), and (3) 18.75% of the market value of gas produced from any well used off of the premises, or the manufacturing of casinghead gasoline or dry commercial gas. The Lease Agreement contains a provision stipulating that no well shall be drilled within 200 feet of a house or barn on the leased premises without the consent of the District. The District collected royalty fees of \$15,669 during 2019.

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

Notes to Financial Statements
December 31, 2019

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 (the "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: 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, 2019

Note 11: 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, developer advance payable, accrued developer advance interest, deferred loss on refunding, 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.

Note 12: Subsequent Events

Subsequent events have been evaluated by management as of the date of these financial statements. This date represents the date the financial statements were available to be issued.

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, 2019

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ 1,341,245	\$ 1,341,245	\$ 1,341,245	\$ -
Specific ownership taxes	107,300	107,300	108,423	1,123
Interest	<u>45,000</u>	<u>45,000</u>	<u>51,000</u>	<u>6,000</u>
Total Revenues	<u>1,493,545</u>	<u>1,493,545</u>	<u>1,500,668</u>	<u>7,123</u>
EXPENDITURES				
Bond interest	1,202,300	1,202,300	1,202,300	-
Paying agent fees	6,000	8,000	8,000	-
Miscellaneous	500	500	-	500
Treasurer's fees	<u>20,119</u>	<u>20,119</u>	<u>20,128</u>	<u>(9)</u>
Total Expenditures	<u>1,228,919</u>	<u>1,230,919</u>	<u>1,230,428</u>	<u>491</u>
CHANGE IN FUND BALANCE	<u>264,626</u>	<u>262,626</u>	<u>270,240</u>	<u>(7,614)</u>
BEGINNING FUND BALANCE	<u>2,247,326</u>	<u>2,247,326</u>	<u>2,263,115</u>	<u>(15,789)</u>
ENDING FUND BALANCE	<u>\$ 2,511,952</u>	<u>\$ 2,509,952</u>	<u>\$ 2,533,355</u>	<u>\$ (23,403)</u>

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, 2019

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Interest	\$ -	\$ 4,890	\$ 4,890
Total Revenues	<u>-</u>	<u>4,890</u>	<u>4,890</u>
EXPENDITURES			
District engineer	35,000	7,857	27,143
Legal	40,000	17,454	22,546
Capital expenditures	9,900,000	369,457	9,530,543
Capital services	<u>25,000</u>	<u>22,188</u>	<u>2,812</u>
Total Expenditures	<u>10,000,000</u>	<u>416,956</u>	<u>9,583,044</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
Expenditures and other uses	<u>(10,000,000)</u>	<u>(412,066)</u>	<u>9,587,934</u>
OTHER FINANCING SOURCES			
Developer advances	<u>\$ 10,000,000</u>	<u>559,354</u>	<u>(9,440,646)</u>
NET OTHER SOURCES OF FUNDS	<u>10,000,000</u>	<u>559,354</u>	<u>(9,440,646)</u>
CHANGE IN FUND BALANCE	-	147,288	147,288
BEGINNING FUND BALANCE	<u>-</u>	<u>58,793</u>	<u>58,793</u>
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ 206,081</u>	<u>\$ 206,081</u>

BRIGHTON CROSSING METROPOLITAN DISTRICT NO. 4

SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2019

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>		<u>Total Property Tax</u>		<u>Percent Collected to Levied</u>
		<u>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%
2017	\$ 13,991,860	7.000	45.000	\$ 727,577	\$ 727,578	100.00%
2018	\$ 22,968,340	7.000	55.277	\$ 1,430,399	\$ 1,430,298	99.99%
2019	\$ 24,264,070	7.000	55.277	\$ 1,511,093	\$ 1,511,093	100.00%
Estimated for year ending December 31, 2020	\$ 32,792,960	11.133	55.664	2,190,471		

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.