

BBC METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2022

with

Independent Auditor's Report

C O N T E N T S

	<u>Page</u>
<u>Independent Auditor's 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	17



HIRATSUKA & ASSOCIATES, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
BBC Metropolitan District
City and County of Broomfield, Colorado

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of the BBC Metropolitan District (the District) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of December 31, 2022, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has not presented Management's Discussion and Analysis. Such missing information, although not a part of the basic financial statements, is required by GASB, 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 the missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Information as listed in the table of contents is presented for the purpose of additional analysis and was not a required part of the financial statements.

The Supplemental Information is the responsibility of management and is derived from and related 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 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.

Hiratsuka & Associates, LLP

September 19, 2023
Wheat Ridge, Colorado

BBC Metropolitan District

BALANCE SHEET/STATEMENT OF NET POSITION -
GOVERNMENTAL FUNDS
December 31, 2022

	<u>General</u>	Debt <u>Service</u>	<u>Total</u>	<u>Adjustments</u>	Statement of <u>Net Position</u>
ASSETS					
Cash	\$ 7,376	\$ -	\$ 7,376	\$ -	\$ 7,376
Cash and investments - restricted	4,338	2,877	7,215	-	7,215
Receivable - County Treasurer	292	1,059	1,351	-	1,351
Other receivable	896	-	896	-	896
Property taxes receivable	136,415	501,643	638,058	-	638,058
Prepaid	<u>3,262</u>	<u>-</u>	<u>3,262</u>	<u>-</u>	<u>3,262</u>
Total Assets	<u>\$ 152,579</u>	<u>\$ 505,579</u>	<u>\$ 658,158</u>	<u>-</u>	<u>658,158</u>
LIABILITIES					
Accounts payable	\$ 3,544	\$ -	\$ 3,544	-	3,544
Accrued interest on long term debt	-	-	-	478,858	478,858
Long-term liabilities:					
Due in more than one year	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,335,293</u>	<u>16,335,293</u>
Total Liabilities	<u>3,544</u>	<u>-</u>	<u>3,544</u>	<u>16,814,151</u>	<u>16,817,695</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	<u>136,415</u>	<u>501,643</u>	<u>638,058</u>	<u>-</u>	<u>638,058</u>
Total Deferred Inflows of Resources	<u>136,415</u>	<u>501,643</u>	<u>638,058</u>	<u>-</u>	<u>638,058</u>
FUND BALANCES/NET POSITION					
Fund Balances:					
Nonspendable:					
Prepays	3,262	-	3,262	(3,262)	-
Restricted:					
Emergencies	4,338	-	4,338	(4,338)	-
Debt service	-	3,936	3,936	(3,936)	-
Unassigned	<u>5,020</u>	<u>-</u>	<u>5,020</u>	<u>(5,020)</u>	<u>-</u>
Total Fund Balances	<u>12,620</u>	<u>3,936</u>	<u>16,556</u>	<u>(16,556)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 152,579</u>	<u>\$ 505,579</u>	<u>\$ 658,158</u>		
Net Position:					
Restricted for:					
Emergencies				4,338	4,338
Unrestricted				<u>(16,801,933)</u>	<u>(16,801,933)</u>
Total Net Position				<u>\$ (16,797,595)</u>	<u>\$ (16,797,595)</u>

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

BBC Metropolitan District

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

For the Year Ended December 31, 2022

	<u>General</u>	Debt <u>Service</u>	<u>Total</u>	<u>Adjustments</u>	Statement of <u>Activities</u>
EXPENDITURES					
General & Administrative					
Management & accounting	19,832	\$ -	\$ 19,832	\$ -	\$ 19,832
Reserve study	110	-	110	-	110
Audit	4,900	-	4,900	-	4,900
Election	932	-	932	-	932
Insurance/SDA dues	3,454	-	3,454	-	3,454
Legal	33,711	-	33,711	-	33,711
Engineering	6,141	-	6,141	-	6,141
Snow removal	2,706	-	2,706	-	2,706
Landscape maintenance	15,144	-	15,144	-	15,144
Miscellaneous	176	42	218	-	218
Treasurer's fees	1,408	5,106	6,514	-	6,514
Utilities	51	-	51	-	51
Developer advance interest	-	-	-	33,872	33,872
Bond interest	-	379,228	379,228	370,830	750,058
	<u>88,565</u>	<u>384,376</u>	<u>472,941</u>	<u>404,702</u>	<u>877,643</u>
GENERAL REVENUES					
Property taxes	93,870	340,427	434,297	-	434,297
Specific ownership taxes	4,654	16,880	21,534	-	21,534
Interest income	31	793	824	-	824
Other income	4,331	-	4,331	-	4,331
	<u>102,886</u>	<u>358,100</u>	<u>460,986</u>	<u>-</u>	<u>460,986</u>
EXCESS (DEFICIENCY) OF REVENUES OVER					
EXPENDITURES	14,321	(26,276)	(11,955)	(404,702)	(416,657)
CHANGE IN NET POSITION					
				(416,657)	(416,657)
FUND BALANCES/NET POSITION:					
BEGINNING OF YEAR - RESTATED	(1,701)	30,212	28,511	(16,409,449)	(16,380,938)
END OF YEAR	<u>\$ 12,620</u>	<u>\$ 3,936</u>	<u>\$ 16,556</u>	<u>\$ (16,814,151)</u>	<u>\$ (16,797,595)</u>

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

BBC Metropolitan District

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

For the Year Ended December 31, 2022

	<u>Original and</u> <u>Final Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 93,855	\$ 93,870	\$ 15
Specific ownership taxes	5,000	4,654	(346)
Interest income	-	31	31
Other income	-	4,331	4,331
	<u>98,855</u>	<u>102,886</u>	<u>4,031</u>
EXPENDITURES			
Management & Accounting	15,750	19,832	(4,082)
Reserve study	5,000	110	4,890
Audit	6,825	4,900	1,925
Election	2,000	932	1,068
Legal	7,500	33,711	(26,211)
Insurance/SDA Dues	3,350	3,454	(104)
Miscellaneous	500	176	324
Treasurer's fees	1,408	1,408	-
Snow removal	7,000	2,706	4,294
Landscape maintenance	17,000	15,144	1,856
Utilities	3,800	51	3,749
Engineering	-	6,141	(6,141)
Contingency	31,000	-	31,000
Emergency Reserve	2,966	-	2,966
	<u>104,099</u>	<u>88,565</u>	<u>15,534</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,244)	14,321	19,565
FUND BALANCE:			
BEGINNING OF YEAR	<u>10,878</u>	<u>(1,701)</u>	<u>(12,579)</u>
END OF YEAR	<u>\$ 5,634</u>	<u>\$ 12,620</u>	<u>\$ 6,986</u>

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

BBC METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies

The accounting policies of the BBC Metropolitan District, (the “District”), located in the City and County of Broomfield, Colorado (“the City”), 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 originally organized in 2002 as the BBC/Overlook Metropolitan District as a quasi-municipal organization established under the State of Colorado Special Districts Act. On March 15, 2012, the District Court of the City granted an order and decree legally changing the name to BBC Metropolitan District. The District operates under a First Amended and Restated Service Plan approved by the City on April 24, 2012. Under the First Amended and Restated Service Plan, the District has the power to provide for the design, acquisition, construction, installation and financing of certain water, sanitation, street, safety protection, park and recreation, transportation, television relay and translator, mosquito control and limited fire protection improvements and services within the District boundaries.

The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

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.

BBC METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2022

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. 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. The District had no *Program revenues* to report as of December 31, 2022. 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.

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 in 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.

BBC METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2022

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 and interest on long-term general obligation debt of the government funds.

Budgetary Accounting

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 had expenditures in the Debt Service Fund that exceeded the budgeted amounts. This may be in violation of State Budget laws.

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, 2022 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.

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.

BBC METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2022

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 items that qualify for reporting in 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 deferred property taxes are the 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.

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 recorded at cost.

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. Land and certain improvements are not depreciated. 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.

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 30 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.

BBC METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2022

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.

Fund Balance

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

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. Nonspendable balances of \$3,262 at year-end relates to prepaid insurance.

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 in the amount of \$4,338 represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado.

The restricted fund balance in the Debt Service Fund in the amount of \$3,936 is restricted for the payment of capital improvements for 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. The District has no amounts to report as Committed Fund Balance as of December 31, 2022.

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. The District has no amounts to report as Assigned Fund Balance as of December 31, 2022.

BBC METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2022

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose.

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.

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 balance of deferred outflows or resources related to those assets. At December 31, 2022 the District did not have any amounts to report in this category.

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.

Restatement of Net Position

The beginning net position for the District was restated to include accrued interest of \$62,364 on the 2021⁽³⁾ Bonds which was incorrectly not recorded in the prior year financial statements.

Note 2: Cash and Investments

As of December 31, 2022, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash	\$	7,376
Cash and investments - Restricted		<u>7,215</u>
Total	\$	<u>14,591</u>

BBC METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2022

Cash and investments as of December 31, 2022 consist of the following:

Deposits with financial institutions	\$	13,969
Investments – Colotrust		<u>622</u>
	\$	<u><u>14,591</u></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

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. 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’s investment policy requires that the District follow state statutes for 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.

BBC METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2022

Colotrust

As of December 31, 2022, the District had the following investment:

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 the Trust. Colotrust records its investments at fair value and the District records its investment in Colotrust using the net asset value method. 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, 2022, the District had \$622 invested in Colotrust.

Note 3: Long-Term Obligations

A description of the long-term obligations as of December 31, 2022, is as follows:

General Obligation Limited Tax Refunding Bonds Series 2021⁽³⁾

On November 9, 2021, the District issued General Obligation Limited Tax Refunding Bonds Series 2021⁽³⁾ (the “2021 Bonds”) in the amount of \$15,745,000. The proceeds of the bonds were used to refund and pay the outstanding principal and accrued interest on the District’s prior 2012 Bonds and to pay the costs of issuing the 2021 Bonds. The issuance of the 2021 Bonds resulted in net present value and long-term savings to the District.

The 2021 Bonds bear interest at the rate of 4.75% per annum and are subject to mandatory redemption annually on December 1, beginning on December 1, 2022, but only to the extent of available Pledged Revenue. The 2021 Bonds mature on December 1, 2051. They are structured as ‘cash flow’ bonds meaning that there are no scheduled payments of principal or interest. Interest compounds each December 1 on any unpaid interest at the same rate as the 2021 Bonds. In the event any amount of principal or interest remains outstanding on the 2021 Bonds after application of all Pledged Revenues available therefor on December 2, 2061, such amounts shall be deemed discharged and no longer due and outstanding.

BBC METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2022

The 2021 Bonds are subject to redemption prior to maturity, at the option of the District, upon payment of par, accrued interest, and a redemption premium equal to a percentage of 1-3% of the principal redeemed on December 1, 2026 through November 30, 2029, and no premium on December 1, 2029 and thereafter.

The 2021 Bonds are secured and payable from moneys derived by the District from the following sources: (a) all Property Tax Revenues derived from imposition by the District of the Required Mill Levy; (b) all Specific Ownership Tax Revenues derived from imposition of the Required Mill Levy; and (c) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Bond Fund.

Due to the uncertainty of future payments on the 2021 Bonds, no future annual debt service payments are disclosed.

Operation Funding Agreements

On March 13, 2012, the District entered into a 2012 OFA with Broomfield Business Center, LLC (the "Developer") for the purpose of funding the District's operation costs. The advances accrue simple interest at a rate of 8.0% per annum from the date of deposit into the District's account. The repayment obligations do not constitute a multiple fiscal year financial obligation and are subject to annual appropriation. The obligation of the Developer to advance funds under the 2012 OFA expired on February 1, 2013. In the event the District has not reimbursed the Developer for any Developer advances made pursuant to the 2012 OFA on or before December 31, 2052, any amount of principal and accrued interest outstanding on such date shall be deemed to be forever discharged and satisfied in full.

The District entered into 2013-2015 OFA agreements with the Developer under the same terms as the 2012 OFA. Obligation of the Developer to advance funds under each annual OFA expired on February 1 of the following year, and any amount of principal and accrued interest outstanding on December 31, 40 years after the agreement year will be deemed to be forever discharged and satisfied in full.

On May 17, 2016, with an effective date of January 1, 2016, the District entered into a 2016 OFA with Broomfield Commercial, LLC (the "New Developer") for the purpose of funding the District's operation costs. The advances accrue simple interest at a rate of 8.0% per annum from the date of deposit into the District's account. The repayment obligations do not constitute a multiple fiscal year financial obligation and are subject to annual appropriation. The obligation of the New Developer to advance funds under the 2016 OFA expired on March 15, 2017. In the event the District has not reimbursed the Developer for any Developer advances made pursuant to the 2016 OFA on or before December 31, 2056, any amount of principal and accrued interest outstanding on such date shall be deemed to be forever discharged and satisfied in full.

BBC METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2022

On November 16, 2016, with an effective date of January 1, 2017, the District entered into a 2017-2021 OFA with the New Developer containing the same advance and reimbursement terms as the previous OFAs and anticipating a shortfall in operations revenues of \$250,000 for the fiscal years 2017 – 2021. The obligation of the New Developer to advance funds under the 2017 – 2021 OFA expired on March 15, 2022. In the event the District has not reimbursed the New Developer for any Developer advances made pursuant to the 2017 – 2021 OFA on or before December 31, 2021, any amount of principal and accrued interest outstanding on such date shall be deemed to be forever discharged and satisfied in full.

Priority of payments to reimburse the Developer and New Developer under the various OFAs begin with the oldest agreement, with the 2017 – 2021 the last priority. Payments on the agreements are first applied to the accrued and unpaid interest and then to the outstanding principal.

Facilities Funding and Acquisition Agreements

Executed January 7, 2016, the District and the New Developer entered into a Facilities Funding and Acquisition Agreement (the “2016 FFAA”). The 2016 FFAA anticipates that the New Developer will expend funds for the design, construction and completion of public improvements and obligated the New Developer to advance up to \$200,000 for construction related expenses between fiscal year 2016 and 2021. The advances accrue simple interest at a rate of 8% per annum from the date of deposit in the District’s account. The 2016 FFAA also acknowledges the District’s obligation to reimburse the New Developer for \$36,441 outstanding under a previously terminated 2012 FFAA agreement. In the event the District has not paid or reimbursed the Developer for any Construction Related Expenses and/or Verified Costs by December 31, 2026, whether invoiced or not invoiced by such date, any amount of principal and accrued interest outstanding on such date shall be deemed to be forever discharged and satisfied in full.

The following is an analysis of the changes in the District’s long-term obligations for the year ended December 31, 2022:

	Balance 1/1/2022	Additions	Deletions	Balance 12/31/2022	Current Portion
<u>General Obligation Bonds</u>					
G.O Bonds, Series 2021	\$ 15,745,000	\$ -	\$ -	\$ 15,745,000	\$ -
<u>Developer Advances</u>					
Capital – Principal	29,405	-	-	29,405	-
Capital - Interest	20,220	2,352	-	22,572	-
Operating – Principal	380,313	-	-	380,313	-
Operating – Interest	126,483	31,520	-	158,003	-
	<u>\$ 16,301,421</u>	<u>\$ 33,872</u>	<u>\$ -</u>	<u>\$ 16,335,293</u>	<u>\$ -</u>

BBC METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2022

Note 4: Debt Authorization

On November 5, 2002, a majority of the qualified electors of the District who voted in the election authorized the issuance of indebtedness of \$36,000,000 at an interest rate not to exceed 18% per annum with a maturity date not to exceed 40 years from the date of issuance. On November 4, 2014, a majority of the qualified electors of the District who voted in the election authorized the issuance of indebtedness of \$312,000,000 at an interest rate not to exceed 18% per annum

As of December 31, 2022, the amount of debt authorized by the District's electorate but unissued was approximately \$296,255,000. Per the District's First Amended and Restated Service Plan, the District debt is limited to \$24,000,000 of which \$8,255,000 is remaining. The District has not budgeted to issue any debt in 2023.

Note 5: Related Parties

The Board members are owners or members of or are otherwise associated with the Developer. Management believes that all potential conflicts, if any, have been disclosed to the Board.

Note 6: Agreements

Amended and Restated Intergovernmental Agreement with the City

On April 24, 2012, the District entered into an Amended and Restated Intergovernmental Agreement (the "Agreement") with the City whereby the District agreed to various restrictions and notification requirements related to areas such as district dissolution, tax or fee impositions, bond issuances, boundary expansions and service expansions. This Agreement supersedes the Intergovernmental Agreement entered into on May 13, 2008 with the City.

Note 7: 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.

BBC METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2022

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 5, 2002, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all current levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

Note 8: 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 8: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

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

- 1) Long-term liabilities such as bonds payable and accrued bond/loan interest payable are not due and payable in the current period and, therefore, are not in the funds.

BBC METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2022

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

- 1) 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,
- 2) governmental funds report developer advances, loan and/or bond proceeds as revenue, which are as changes to long term liabilities on the Statement of Net Position; and,
- 3) governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities.

SUPPLEMENTAL INFORMATION

BBC Metropolitan District

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

For the year ended December 31, 2022

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Property tax revenue	\$ 340,373	\$ 340,427	\$ 54
Specific ownership tax	18,000	16,880	(1,120)
Interest income	<u>-</u>	<u>793</u>	<u>793</u>
Total Revenues	<u>358,373</u>	<u>358,100</u>	<u>(273)</u>
EXPENDITURES			
Bond interest	357,000	379,228	(22,228)
Paying agent fees	4,000	-	4,000
Miscellaneous	-	42	(42)
Treasurer's fees	<u>5,106</u>	<u>5,106</u>	<u>-</u>
Total Expenditures	<u>366,106</u>	<u>384,376</u>	<u>(18,270)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(7,733)	(26,276)	(18,543)
FUND BALANCE:			
BEGINNING OF YEAR	<u>17,881</u>	<u>30,212</u>	<u>12,331</u>
END OF YEAR	<u>\$ 10,148</u>	<u>\$ 3,936</u>	<u>\$ (6,212)</u>

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