

BRIGHTON CROSSINGS OPERATIONS BOARD

Financial Statements

December 31, 2020

with

Independent Auditor's Report

C O N T E N T S

	<u>Page</u>
<u>Independent Auditor's Report</u>	1-2
<u>Basic Financial Statements</u>	
Balance Sheet/Statement of Net Position - Governmental Fund	3
Statement of Revenues, Expenditures and Changes in Fund Balance/Statement of Activities - Governmental Fund	4
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	5
Notes to Financial Statements	6-13

Independent Auditor's Report

Board of Directors
Brighton Crossings Operations Board
Adams County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Brighton Crossings Operations Board (the "Authority") as of and through December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority'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 the major fund of Brighton Crossings Operations Board as of December 31, 2020, and the respective changes in financial position and the respective budgetary comparison for the general fund through December 31, 2020 in accordance with accounting principles generally accepted in the United States.

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.

A handwritten signature in cursive script that reads "Wipfli LLP".

Wipfli LLP
Lakewood, Colorado

January 7, 2022

BRIGHTON CROSSINGS OPERATIONS BOARD

BALANCE SHEET/STATEMENT OF NET POSITION

GOVERNMENTAL FUND

December 31, 2020

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash and investments - restricted	\$ 53,920	\$ -	\$ 53,920
Accounts receivable	211,126	-	211,126
Due from Brighton Crossing Metropolitan District No. 4	373,258	-	373,258
Due from Brighton Crossing Metropolitan District No. 6	79,200	-	79,200
Prepaid expenses	56,848	-	56,848
Total Assets	<u>\$ 774,352</u>	<u>-</u>	<u>774,352</u>
LIABILITIES			
Accounts payable	\$ 129,219	-	\$ 129,219
Prepaid assessments	71,242	-	71,242
Total Liabilities	<u>200,461</u>	<u>-</u>	<u>200,461</u>
FUND BALANCE			
Nonspendable:			
Prepays	56,848	(56,848)	-
Restricted:			
Emergencies	57,040	(57,040)	-
Unassigned	460,003	(460,003)	-
Total Fund Balance	<u>573,891</u>	<u>(573,891)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 774,352</u>		
NET POSITION			
Restricted for:			
Emergencies		57,040	57,040
Unrestricted		516,851	516,851
Total Net Position		<u>\$ 573,891</u>	<u>\$ 573,891</u>

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

BRIGHTON CROSSINGS OPERATIONS BOARD

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUND
For the Year Ended December 31, 2020

	<u>General Fund</u>	<u>Adjustments</u>	Statement of <u>Activities</u>
EXPENDITURES			
Accounting and audit	\$ 85,430	\$ -	\$ 85,430
Collections	46,867	-	46,867
District management/administration	226,290	-	226,290
District facilities management	88,590	-	88,590
Fitness center	9,368	-	9,368
Hardscape and landscape maintenance	377,935	-	377,935
Insurance	53,563	-	53,563
Legal	36,403	-	36,403
Master association expense:			
ARC reviews	55,315	-	55,315
Covenant enforcement	40,350	-	40,350
HOA elections	270	-	270
Trash removal	138,944	-	138,944
Office expense	63,521	-	63,521
Repairs and replacements	84,650	-	84,650
Stormwater	18,734	-	18,734
Utilities	347,571	-	347,571
Venture center	345,462	-	345,462
Total Expenditures	<u>2,019,263</u>	<u>-</u>	<u>2,019,263</u>
PROGRAM REVENUES			
General operation fees	801,750	-	801,750
Venture center revenues	1,435	-	1,435
Administrative transfer fees	64,000	-	64,000
Alley fees	47,497	-	47,497
Architectural review fees	39,714	-	39,714
Courtyard fees	12,183	-	12,183
Covenant violations fees	10,425	-	10,425
Covid revenue	9,610	-	9,610
Late/legal fee income	35,317	-	35,317
Trash fees	87,375	-	87,375
Maintenance fees	1,583	-	1,583
Total Program Revenues	<u>1,110,889</u>	<u>-</u>	<u>1,110,889</u>
Net Program Income (Expense)	(908,374)	-	(908,374)
GENERAL REVENUES			
Investment earnings	231	-	231
Total General Revenues	<u>231</u>	<u>-</u>	<u>231</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(908,143)	-	(908,143)
OTHER FINANCING SOURCES			
Developer contributions	55,615	-	55,615
Transfer from Brighton Crossing Metropolitan District No. 4	518,288	-	518,288
Transfer from Brighton Crossing Metropolitan District No. 6	216,322	-	216,322
Total Other Financing Sources	<u>790,225</u>	<u>-</u>	<u>790,225</u>
CHANGE IN FUND BALANCE	(117,918)	117,918	
CHANGE IN NET POSITION		(117,918)	(117,918)
FUND BALANCE/NET POSITION:			
BEGINNING OF YEAR	691,809	-	691,809
END OF YEAR	<u>\$ 573,891</u>	<u>\$ -</u>	<u>\$ 573,891</u>

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

BRIGHTON CROSSINGS OPERATIONS BOARD

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND
For the Year Ended December 31, 2020

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
General operation fees	\$ 765,045	\$ 801,750	\$ 36,705
Venture center revenues	24,000	1,435	(22,565)
Administrative transfer fees	40,000	64,000	24,000
Amenities fees	35,000	-	(35,000)
Alley fees	45,045	47,497	2,452
Architectural review fees	12,750	39,714	26,964
Courtyard fees	13,800	12,183	(1,617)
Covenant violations fees	10,000	10,425	425
Covid revenue	-	9,610	9,610
Late/legal fee income	25,000	35,317	10,317
Trash fees	82,296	87,375	5,079
Investment earnings	2,000	231	(1,769)
Maintenance fees	20,000	1,583	(18,417)
Total Program Revenues	<u>1,074,936</u>	<u>1,111,120</u>	<u>36,184</u>
EXPENDITURES			
Accounting and audit	83,430	85,430	(2,000)
Collections	20,000	46,867	(26,867)
District management/administration	189,000	226,290	(37,290)
District facilities management	96,480	88,590	7,890
Fitness center	19,248	9,368	9,880
Hardscape and landscape maintenance	435,019	377,935	57,084
Insurance	35,000	53,563	(18,563)
Legal	25,000	36,403	(11,403)
Master association expense:			
ARC reviews	23,280	55,315	(32,035)
Covenant enforcement	34,560	40,350	(5,790)
HOA elections	25,000	270	24,730
Trash removal	155,000	138,944	16,056
Office expense	93,065	63,521	29,544
Repairs and replacements	60,500	84,650	(24,150)
Stormwater	15,000	18,734	(3,734)
Utilities	349,072	347,571	1,501
Spree house	35,000	-	35,000
Venture Center	399,676	345,462	54,214
Contingency	100,000	-	100,000
Total Expenditures	<u>2,193,330</u>	<u>2,019,263</u>	<u>174,067</u>
OTHER FINANCING SOURCES			
Developer contributions	5,760	55,615	49,855
Transfer from Brighton Crossing Metropolitan District No. 4	464,287	518,288	54,001
Transfer from Brighton Crossing Metropolitan District No. 6	362,955	216,322	(146,633)
Total Other Financing Sources	<u>833,002</u>	<u>790,225</u>	<u>(42,777)</u>
CHANGE IN FUND BALANCE	(285,392)	(117,918)	167,474
FUND BALANCE/NET POSITION:			
BEGINNING OF YEAR	<u>351,875</u>	<u>691,809</u>	<u>339,934</u>
END OF YEAR	<u>\$ 66,483</u>	<u>\$ 573,891</u>	<u>\$ 507,408</u>

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

BRIGHTON CROSSINGS OPERATIONS BOARD

Notes to Financial Statements December 31, 2020

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Brighton Crossings Operations Board (the "Authority"), 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 Authority was established under the name of Brighton Crossings Authority as a contractual authority and political subdivision of the State of Colorado, pursuant to the Brighton Crossings Authority Establishment Agreement, dated April 15, 2020, by and among Brighton Crossing Metropolitan District No. 4 ("District No. 4"), Brighton Crossing Metropolitan District No. 5 ("District No. 5"), Brighton Crossing Metropolitan District No. 6 ("District No. 6"), Brighton Crossing Metropolitan District No. 7 ("District No. 7") and Brighton Crossing Metropolitan District No. 8 ("District No. 8") (collectively, "the Districts"), as amended by the First Amendment to Brighton Crossings Authority Establishment Agreement, dated June 11, 2020 (collectively, the "Establishment Agreement"). The Authority's service area consists of the boundaries of the Districts, which are located entirely within the City of Brighton (the "City"). The Authority changed its name in 2019 to Brighton Crossings Operations Board.

The purpose of the Authority is to provide the joint operations, maintenance and repair of the public improvements and provision of services, including but not limited to covenant enforcement and design control services for the benefit of the Authority, the residents and property owners within the Authority. The Authority's primary source of revenues are transfers from the Districts and general operations fees. The Authority is governed by a Board of Directors, composed of one Director appointed by each of the Districts' elected Boards of Directors.

As required by GAAP, these financial statements present the activities of the Authority, which is legally separate and financially independent of other state and local governments. The Authority 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 Authority is not financially accountable for any other organization. The Authority has no component units as defined by the GASB.

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

BRIGHTON CROSSINGS OPERATIONS BOARD

Notes to Financial Statements December 31, 2020

Note 1: Summary of Significant Accounting Policies (continued)

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 fund balance sheet/statement of net position and the governmental fund statement of revenues, expenditures, and changes in fund balance/statement of activities) report information on all of the governmental activities of the Authority. The statement of net position reports all financial and capital resources of the Authority. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the Authority is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental fund is supported by general revenues.

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.

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.

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 Authority 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 operation fees and interest. Expenditures are recorded when the liability is incurred.

The Authority reports the following major governmental fund:

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

BRIGHTON CROSSINGS OPERATIONS BOARD

Notes to Financial Statements December 31, 2020

Note 1: Summary of Significant Accounting Policies (continued)

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental fund. In accordance with the State Budget Law of Colorado, the Authority'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 Authority'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.

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The Authority's financial instruments include cash and investments, accounts receivable and accounts payable. The Authority estimates that the fair value of all financial instruments at December 31, 2020, 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 Authority's cash and investments 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 Authority 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.

Estimates

The preparation of these financial statements in conformity with GAAP requires the Authority 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 Authority has no 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 Authority has no items that qualify for reporting in this category.

BRIGHTON CROSSINGS OPERATIONS BOARD

Notes to Financial Statements December 31, 2020

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 Authority.

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

Fund Equity

Fund balance of the general fund 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 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 \$57,040 of the General Fund balance has been restricted in compliance with this requirement.BCMD

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 CROSSINGS OPERATIONS BOARD

Notes to Financial Statements December 31, 2020

Note 1: Summary of Significant Accounting Policies (continued)

Assigned Fund Balance

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

Unassigned Fund Balance

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

For the classification of Governmental Fund balances, the Authority 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 Authority 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 Authority.

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

BRIGHTON CROSSINGS OPERATIONS BOARD

Notes to Financial Statements December 31, 2020

Note 2: Cash and Investments

As of December 31, 2020, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments - restricted	<u>\$ 53,920</u>
-----------------------------------	------------------

Cash as of December 31, 2020, consist of the following:

Deposits with financial institutions	<u>\$ 53,920</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 Authority follows state statutes for deposits. None of the Authority'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.

Credit Risk

The Authority has not adopted a formal investment policy; however, the Authority 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.

BRIGHTON CROSSINGS OPERATIONS BOARD

Notes to Financial Statements December 31, 2020

Note 2: Cash and Investments (continued)

Custodial and Concentration of Credit Risk

None of the Authority'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.

As of December 31, 2020 the Authority had no investments.

Note 3: Long-Term Obligations

Debt Authorization

The Authority is not authorized to issue debt.

Note 4: Related Parties

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

Note 5: Intergovernmental Agreements

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

Temporary Operation and Funding Agreement (Venture Center)

District No. 4, District No. 8 and Brookfield Residential (Colorado) entered into a Temporary Operation and Funding Agreement on April 15, 2020, which provided that District No. 4 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, District No. 4 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 the Authority.

Note 6: 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.

BRIGHTON CROSSINGS OPERATIONS BOARD

Notes to Financial Statements December 31, 2020

Note 6: Tax, Spending and Debt Limitations (continued)

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 Authority'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.

Note 7: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the Authority 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 Authority 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 Authority 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 Authority 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 Government Fund Balance Sheet/Statement of Net Position includes an adjustments column. There were no adjustments between the governmental fund balance sheet and the statement of net position.

The Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities includes an adjustments column. There were no adjustments between the governmental fund statement of revenues, expenditures, and changes in fund balance and the statement of activities.