

Brighton Crossings Operations Board

Year Ended December 31, 2022

with

Independent Auditor's Report

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Board of Directors
Brighton Crossings Operations Board
Adams County, Colorado

Independent Auditor’s Report

Opinions

We have audited the accompanying financial statements of the governmental activities and the general fund of Brighton Crossings Operations Board (the “Authority”), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of Brighton Crossings Operations Board as of December 31, 2022, 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 of America.

Basis for Opinions

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

Correction of Error

As described in Notes 3 and 8 to the financial statements, the District recorded capital assets which had been conveyed to the District in a prior year. Our opinion is not modified with respect to that matter.

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 (GAAP), 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 Authority’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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

Exercise professional 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 Authority'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 Authority'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.

Other Matters

Required Supplemental Information

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 opinions on the basic financial statements are not affected by this missing information.

Wipfli LLP

Wipfli LLP
Lakewood, Colorado

September 5, 2023

Brighton Crossings Operations Board

Balance Sheet/Statement of Net Position
Governmental Fund
December 31, 2022

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash and investments - restricted	\$ 686,306	\$ -	\$ 686,306
Accounts receivable, net of allowance for doubtful accounts of \$111,300	361,047	-	361,047
Due from Brighton Crossing Metropolitan District No. 4	216,152	-	216,152
Due from Brighton Crossing Metropolitan District No. 6	320	-	320
Prepaid expense	61,384	-	61,384
Capital assets, not being depreciated	-	76,683,818	76,683,818
Total Assets	<u>\$ 1,325,209</u>	<u>76,683,818</u>	<u>78,009,027</u>
LIABILITIES			
Accounts payable	219,043	-	219,043
Prepaid fees	69,711	-	69,711
Total Liabilities	<u>288,754</u>	<u>-</u>	<u>288,754</u>
FUND BALANCE			
Nonspendable:			
Prepays	320	(320)	-
Restricted:			
Emergencies	140,010	(140,010)	-
Unassigned	896,125	(896,125)	-
Total Fund Balance	<u>1,036,455</u>	<u>(1,036,455)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 1,325,209</u>		
NET POSITION			
Restricted for:			
Emergencies		140,010	140,010
Unrestricted		77,580,263	77,580,263
Total Net Position		<u>\$ 77,720,273</u>	<u>\$ 77,720,273</u>

(See Notes to Basic Financial Statements)

Brighton Crossings Operations Board

Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities - Governmental Fund December 31, 2022

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES			
Accounting and audit	\$ 72,280	\$ -	\$ 72,280
Collections	126,116	-	126,116
District management/administration	153,922	-	153,922
District facilities management	134,908	-	134,908
Fitness center	17,558	-	17,558
Hardscape and landscape maintenance	645,514	-	645,514
Insurance	51,630	-	51,630
Legal	51,846	-	51,846
Community education and outreach	31,123	-	31,123
Master association expense:			
ARC reviews	41,795	-	41,795
Covenant enforcement	18,716	-	18,716
HOA elections	4,232	-	4,232
Trash removal	214,541	-	214,541
Developer coordination	20,017	-	20,017
Office expense	59,803	-	59,803
Repairs and replacements	139,427	-	139,427
Utilities	392,365	-	392,365
Miscellaneous	3,200	-	3,200
Venture center	459,920	-	459,920
Capital expenditures	<u>1,652,942</u>	<u>(1,652,942)</u>	<u>-</u>
Total Expenditures	<u>4,291,855</u>	<u>(1,652,942)</u>	<u>2,638,913</u>
PROGRAM REVENUES			
General operation fees	1,234,813	-	1,234,813
Administrative transfer fees	43,600	-	43,600
Alley fees	68,653	-	68,653
Architectural review fees	13,685	-	13,685
Courtyard fees	12,150	-	12,150
Covenant violations fees	7,225	-	7,225
Late/legal fee income	95,579	-	95,579
Trash fees	213,103	-	213,103
Miscellaneous	29,166	-	29,166
Maintenance fees	<u>13,008</u>	<u>-</u>	<u>13,008</u>
Total Program Revenues	<u>1,730,982</u>	<u>-</u>	<u>1,730,982</u>
Net Program Income (Expense)	(2,560,873)	1,652,942	(907,931)
GENERAL REVENUES			
Investment earnings	<u>1,095</u>	<u>-</u>	<u>1,095</u>
Total General Revenues	<u>1,095</u>	<u>-</u>	<u>1,095</u>
EXCESS (DEFICIENCY) OF REVENUES			
OVER EXPENDITURES	(2,559,778)	1,652,942	(906,836)
OTHER FINANCING SOURCES			
Developer contributions	179,982	-	179,982
Transfer from Brighton Crossing Metropolitan District No. 4	798,361	-	798,361
Transfer from Brighton Crossing Metropolitan District No. 6	<u>1,956,595</u>	<u>-</u>	<u>1,956,595</u>
Total Other Financing Sources	<u>2,934,938</u>	<u>-</u>	<u>2,934,938</u>
CHANGE IN FUND BALANCE	375,160	(375,160)	
CHANGE IN NET POSITION		2,028,102	2,028,102
FUND BALANCE/NET POSITION:			
BEGINNING OF YEAR - AS ORIGINALLY REPORTED	661,295	-	661,295
ADJUSTMENT FOR ACCEPTANCE OF CAPITAL ASSETS	<u>-</u>	<u>75,030,876</u>	<u>75,030,876</u>
BEGINNING OF YEAR - RESTATED	661,295	75,030,876	75,692,171
END OF YEAR	<u>\$ 1,036,455</u>	<u>\$ 76,683,818</u>	<u>\$ 77,720,273</u>

(See Notes to Basic Financial Statements)

Brighton Crossings Operations Board

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual General Fund December 31, 2022

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
General operation fees	\$ 1,282,890	\$ 1,234,813	\$ (48,077)
Venture center revenues	1,500	-	(1,500)
Administrative transfer fees	40,000	43,600	3,600
Alley fees	67,680	68,653	973
Architectural review fees	8,500	13,685	5,185
Courtyard fees	15,375	12,150	(3,225)
Covenant violations fees	-	7,225	7,225
Late/legal fee income	65,000	95,579	30,579
Trash fees	200,000	213,103	13,103
Investment earnings	2,000	1,095	(905)
Miscellaneous	18,000	29,166	11,166
Maintenance fees	<u>8,802</u>	<u>13,008</u>	<u>4,206</u>
Total Program Revenues	<u>1,709,747</u>	<u>1,732,077</u>	<u>22,330</u>
EXPENDITURES			
Accounting and audit	72,330	72,280	50
Collections	116,160	126,116	(9,956)
District engineer	14,300	-	14,300
District management/administration	153,920	153,922	(2)
District facilities management	127,400	134,908	(7,508)
Fitness center	14,248	17,558	(3,310)
Hardscape and landscape maintenance	699,549	645,514	54,035
Insurance	71,500	51,630	19,870
Legal	45,000	51,846	(6,846)
Community education and outreach	40,560	31,123	9,437
Master association expense:			
ARC reviews	66,040	41,795	24,245
Covenant enforcement	37,440	18,716	18,724
HOA elections	25,000	4,232	20,768
Trash removal	184,413	214,541	(30,128)
Committee cordination	10,000	-	10,000
Developer cordination	26,260	20,017	6,243
Office expense	84,280	59,803	24,477
Repairs and replacements	171,500	139,427	32,073
Storm water facilities maintenance	34,000	-	34,000
Utilities	300,923	392,365	(91,442)
Miscellaneous	20,500	3,200	17,300
Venture Center	386,824	459,920	(73,096)
Capital expenditures	-	1,652,942	(1,652,942)
Contingency	<u>90,000</u>	<u>-</u>	<u>90,000</u>
Total Expenditures	<u>2,792,147</u>	<u>4,291,855</u>	<u>(1,499,708)</u>
OTHER FINANCING SOURCES			
Developer contributions	114,458	179,982	65,524
Transfer from Brighton Crossing Metropolitan District No. 4	379,419	798,361	418,942
Transfer from Brighton Crossing Metropolitan District No. 6	<u>605,424</u>	<u>1,956,595</u>	<u>1,351,171</u>
Total Other Financing Sources	<u>1,099,301</u>	<u>2,934,938</u>	<u>1,835,637</u>
CHANGE IN FUND BALANCE	16,901	375,160	358,259
FUND BALANCE/NET POSITION:			
BEGINNING OF YEAR	<u>394,388</u>	<u>661,295</u>	<u>266,907</u>
END OF YEAR	<u>\$ 411,289</u>	<u>\$ 1,036,455</u>	<u>\$ 625,166</u>

(See Notes to Basic Financial Statements)

Brighton Crossings Operations Board

Notes to Basic Financial Statements
Year Ended December 31, 2022

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 to Brighton Crossings Operations Board through the first amendment to the established agreement.

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 Basic Financial Statements
Year Ended December 31, 2022

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 Basic Financial Statements Year Ended December 31, 2022

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, 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 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 Basic Financial Statements
Year Ended December 31, 2022

Note 1: Summary of Significant Accounting Policies (continued)

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 capital 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.

Fees

General operations fees are charged 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. Accounts receivable mainly consists of the general operation fees. An allowance for doubtful accounts is established based on an aggregate basis by using historical write-off rate factors and management's analysis. Uncollectible accounts are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible. Prepaid fees mainly consist of resident and property owner's prepayments related to the general operations fees. Prepaid fees are recognized as a liability until the period in which the revenue is recognized.

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.

Brighton Crossings Operations Board

Notes to Basic Financial Statements
Year Ended December 31, 2022

Note 1: Summary of Significant Accounting Policies (continued)

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 \$140,010 of the General Fund balance has been restricted in compliance with this requirement.

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.

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 Basic Financial Statements
Year Ended December 31, 2022

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 and investments - restricted	<u>\$ 686,306</u>
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Cash as of December 31, 2022, consist of the following:

Deposits with financial institutions	<u>\$ 686,306</u>
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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.

At December 31, 2022, the Authority’s cash deposits had a bank balance of \$686,306 and a carrying balance of \$678,711.

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 Basic Financial Statements
Year Ended December 31, 2022

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, 2022, the Authority had no investments.

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ending December 31, 2022, follows:

<u>Governmental Type Activities:</u>	<u>Balance January 1 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31 2022</u>
Capital assets not being depreciated:				
Construction in progress	\$ 75,030,876	\$ 1,652,942	\$ -	\$ 76,683,818
Total capital assets not being depreciated	<u>75,030,876</u>	<u>1,652,942</u>	<u>-</u>	<u>76,683,818</u>
Total net capital assets - Restated	<u>\$ 75,030,876</u>	<u>\$ 1,652,942</u>	<u>\$ -</u>	<u>\$ 76,683,818</u>

During the year ended December 31, 2022 it was determined that capital assets totaling \$75,030,876 were previously legally conveyed from District No. 4 (\$47,215,770) and District No. 6 (\$27,815,106) to the District during 2020 and 2019. The respective capital asset balances were previously recorded on the financial statements of District No. 4 and District No. 6. The prior period adjustment discussed in Note 8 reflects the correction of the error to properly state the beginning net position of the District for the year and the capital asset balance in the statement of net position for the impact of the prior conveyance of the capital assets.

Note 4: Long-Term Obligations:

Debt Authorization

The Authority is not authorized to issue debt.

Note 5: 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.

Brighton Crossings Operations Board
Notes to Basic Financial Statements
Year Ended December 31, 2022

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.

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: Prior Period Adjustment

Net position as of December 31, 2021 was restated to correctly reflect the acceptance of capital assets conveyed from District No. 4 and District No. 6 in prior years per the Establishment Agreement. The effect of the restatement is as follows:

Net position at December 31, 2021, as originally reported	\$ 661,295
Acceptance of capital assets	<u>75,030,876</u>
Net position at December 31, 2021, as restated	<u>\$ 75,692,171</u>

Brighton Crossings Operations Board
Notes to Basic Financial Statements
Year Ended December 31, 2022

Note 9: 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.

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.