

BRUSH CREEK METROPOLITAN DISTRICT

**BASIC FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2022

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Officers and Directors
Brush Creek Metropolitan District
Aspen, Colorado

INDEPENDENT AUDITOR'S REPORT

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Brush Creek Metropolitan District as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Brush Creek Metropolitan 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, the business-type activities, and each major fund of the Brush Creek Metropolitan District as of December 31, 2022 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity 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. 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 Brush Creek Metropolitan 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 opinions.

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 Brush Creek Metropolitan District's ability to continue as a going concern for twelve months beyond the financial statement date, including any 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 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 one resulting in an 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 Brush Creek Metropolitan 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 Brush Creek Metropolitan 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with accounting standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Brush Creek Metropolitan District's basic financial statements. The proprietary fund budgetary comparison schedule listed as Supplemental Information in the table of contents is for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the proprietary fund budgetary comparison schedule is fairly stated, in all material aspects, in relation to the basic financial statements taken as a whole.



MAGGARD & HOOD, P.C.
Glenwood Springs, Colorado
August 22, 2023

BRUSH CREEK METROPOLITAN DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2022

The Brush Creek Metropolitan District (the “District”) was formed for the purpose of providing certain public infrastructure and municipal services for the benefit of the residents and property owners within the District. The District is located within Pitkin County, Colorado. The District primarily serves the Brush Creek Village and Pioneer Springs portions of the Brush Creek planning area. The District maintains the water system for residents of Brush Creek Village, Pioneer Springs and the Levinson Lot Splits next to Cougar Canyon. It also provides road maintenance and snow removal on Juniper Hill Road, Medicine Bow Road and several smaller spur roads in the area. In addition, it provides trash removal services for residents of Brush Creek Village.

The management's discussion and analysis of the Brush Creek Metropolitan District’s financial performance provides an overview of the District’s financial activities for the current fiscal year. The intent of this discussion and analysis is to look at the District's financial performance as a whole; it should be read in conjunction with the basic financial statements and notes to enhance the reader's understanding of the District's overall financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2022 are as follows:

- The District’s overall net position increased \$12,143 or 0.3% from the previous fiscal year.
- The District's *overall* General Revenues accounted for \$398,308 or 58% of all revenues. These general revenues include taxes, grants and entitlements not restricted to specific programs, interest earnings and non-program revenues. Program specific revenues, in the form of charges for services, accounted for \$283,267 or 42% of the District's total revenues of \$681,575.
- *Overall* the District had \$669,432 in expenses, of which \$283,267 or 42% were offset by program specific charges for water and trash services. General revenues were sufficient to provide for the remaining expenses.

USING THE BASIC FINANCIAL STATEMENTS

This annual report consists of three parts – *management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District’s *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District government, reporting the District’s operations *in more detail* than the government-wide statements.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Additional supplemental information has also been included to enhance the reader’s understanding of the financial statements.

BRUSH CREEK METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2022

GOVERNMENT-WIDE STATEMENTS

While this report contains all funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during the current fiscal year?" The statement of net position and statement of activities answer this question using the accrual basis of accounting, similar to the accounting system used by most private sector companies, which takes into account all of the current year's revenues and expenses regardless of when received or paid.

The focus of the government-wide financial statements is on the overall financial position and activities of the District; therefore, the statement of net position and the statement of activities are constructed around the concept of an overall primary reporting government, which includes all funds of the District. The statement of net position and the statement of activities report the District's *net position* and changes thereof. The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

The District's net position – the difference between assets plus deferred outflows, and liabilities plus deferred inflows – is one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position is one indicator of whether its *financial health* is improving or deteriorating. Other non-financial factors, however, such as changes in the District's property tax base and the condition of the infrastructure, are needed to assess the *overall health* of the District.

In the Statement of Net Position and the Statement of Activities, the District is divided into two kinds of activities:

- **Governmental Activities** –The activity of the District's road fund is reported as Governmental Activities, including interest and principal paid on outstanding bonds. Property taxes, specific ownership taxes, highway user taxes and interest income finance most of these activities.
- **Business-Type Activities** –The District's water and trash services are reported in Business-Type Activities, including interest and principal paid on outstanding bonds. The District charges fees to customers to cover the cost of the services it provides.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant funds – not the District as a whole. The District's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

Governmental fund – The General (Road) Fund's activity is reported as a governmental fund, which focuses on how money flows into and out of this fund and the balances left at year-end available for spending. This fund is reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statement provides a detailed *short-term view* of the general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental *activities* and governmental *funds* in reconciliations following the fund financial statements.

Proprietary fund – When the Enterprise (Water and Trash) Fund charges users for the water and trash services it provides, these services are reported in the proprietary fund. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statements of Activities. In fact, the District's enterprise fund is the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Further discussion of the fund financial statements begins in the Section entitled "The District's Funds."

BRUSH CREEK METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2022

THE DISTRICT AS A WHOLE

Statement of Net Position

The perspective of the Statement of Net Position is of the District as a whole. Both the governmental activities and the business-type activities are presented along with a total of the two, which represents the total primary government. Following is a summary of the District's net position for the current and prior fiscal year:

<i>(IN THOUSANDS)</i>	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL PRIMARY GOVERNMENT	
	2022	2021	2022	2021	2022	2021
<u>ASSETS:</u>						
Current & Other Assets	\$ 2,342	\$ 2,144	\$ 313	\$ 332	\$ 2,655	\$ 2,476
Capital Assets, Net	689	779	1,334	1,411	2,023	2,190
Total Assets	3,031	2,923	1,647	1,743	4,678	4,666
<u>LIABILITIES:</u>						
Current Liabilities	33	23	6	39	39	61
Total Liabilities	33	23	6	39	39	61
<u>DEFERRED INFLOWS OF RESOURCES:</u>						
Unavailable Revenue - from Property Taxes	433	410	-	-	433	410
Total Deferred Inflows	433	410	-	-	433	410
<u>NET POSITION:</u>						
Invested in Capital Assets, Net of Related Debt	689	779	1,334	1,411	2,023	2,190
Restricted	9	5	-	-	9	5
Unrestricted	1,867	1,706	307	293	2,174	1,999
Total Net Position	\$ 2,565	\$ 2,490	\$ 1,641	\$ 1,704	\$ 4,206	\$ 4,194

Total assets increased primarily from the District's investment in water system improvements.

As indicated earlier, net position may serve over time as a useful indicator of the District's financial health. The *net position* of the District's governmental activities increased approximately \$76 thousand and *net position* of business-type activities decreased approximately \$64 thousand for an overall increase of approximately \$12 thousand.

BRUSH CREEK METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2022

THE DISTRICT AS A WHOLE - CONTINUED

Statement of Activities

The perspective of the Statement of Activities is of the District as a whole. The Statement of Activities reflects general property taxes and service revenues and the cost of providing services to the District. The following summary reflects the overall change in net position for the current and prior fiscal year:

<i>(IN THOUSANDS)</i>	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL PRIMARY GOVERNMENT	
	2022	2021	2022	2021	2022	2021
<u>REVENUES:</u>						
Program Revenues:						
Charges for Services	\$ -	\$ -	\$ 283	\$ 281	\$ 283	\$ 281
General Revenues:						
Taxes	451	429	-	-	451	429
Interest/Invest Earnings/Misc.	<u>2</u>	<u>2</u>	<u>(55)</u>	<u>(8)</u>	<u>(53)</u>	<u>(6)</u>
Total Revenues	<u>453</u>	<u>431</u>	<u>228</u>	<u>273</u>	<u>681</u>	<u>704</u>
<u>EXPENSES:</u>						
Program Expenses:						
Services, Operations, Maintenance	268	154	265	278	533	432
General & Administrative	83	71	53	27	136	98
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>351</u>	<u>225</u>	<u>318</u>	<u>305</u>	<u>669</u>	<u>530</u>
NET INCREASE (DECREASE) BEFORE TRANSFERS	102	206	(90)	(32)	12	174
Transfers	<u>(26)</u>	<u>(25)</u>	<u>26</u>	<u>25</u>	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN NET POSITION	<u>\$ 76</u>	<u>\$ 181</u>	<u>\$ (64)</u>	<u>\$ (7)</u>	<u>\$ 12</u>	<u>\$ 174</u>

Overall *revenues* decreased primarily due to losses on fixed asset dispositions. There were increased taxes primarily as a result of changes in the overall assessed valuation of properties within the District.

Overall *expenses* increased primarily due to increased expenditures for administration.

BRUSH CREEK METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2022

THE DISTRICT AS A WHOLE - CONTINUED

Governmental Activities

The operation of the road fund is the governmental activity of the District. As indicated in the following table, the dependence on taxes and other general revenues for these governmental activities is apparent, whereas 100% of the District's governmental activities are funded by taxes and other general revenues. The community as a whole is the primary support for the District's governmental (road) activities.

<i>(IN THOUSANDS)</i>	TOTAL COST OF SERVICES		NET COST OF SERVICES	
	2022	2021	2022	2021
Services	\$ 268	\$ 154	\$ 268	\$ 154
Administration	83	71	83	71
Interest on Long-Term Debt	-	-	-	-
Total/Net Cost of Services	\$ 351	\$ 225	\$ 351	\$ 225

The dependence on taxes and other general revenues is apparent whereas 100% of governmental (road) activities are funded from general revenue sources.

Business-Type Activities

The enterprise (water and trash) fund is the business-type activity of the District. Service fees are charged for water and trash services provided to the District. As with the governmental activity, the following table summarizes information from the Statement of Activities for the business-type activities, reflecting the total cost of program services and the remaining net cost of program services:

<i>(IN THOUSANDS)</i>	TOTAL COST OF SERVICES		NET COST OF SERVICES	
	2022	2021	2022	2021
Services	\$ 265	\$ 278	\$ -	\$ 5
Administration	53	27	35	27
Total/Net Cost of Services	\$ 318	\$ 305	\$ 35	\$ 32

As indicated above, the District had direct program revenues of \$283 thousand in fiscal year 2022 and \$273 thousand in fiscal year 2021 to offset the cost of services provided to the District, with any deficit partially funded by other general revenues. The results of operations of the business-type activity for 2022 indicates the Water Fund did not generate sufficient revenues to be self-sustaining without drawing from Net Asset reserves.

BRUSH CREEK METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2022

THE DISTRICT'S FUNDS

General Fund

The fund level financial statements focus on how services were financed in the short-term as well as what remains for future spending. For financial reporting purposes, the District's general fund is considered a governmental fund which represents road operations and maintenance of the Brush Creek Metropolitan District. The District's governmental fund is reported on the modified accrual basis of accounting.

At the fund level, under the modified accrual basis of accounting, both long-term obligations and accrued interest on these obligations are not presented as they are not due and payable in the current year. In addition, at the fund level, inflows from loans are presented as a revenue item while outflows for debt service payments are presented as an expenditure item, as these items represent current period financial resources and uses.

During the current fiscal year, the General Fund ending fund balance increased from \$1,710,596 to \$1,875,800 which is a total increase of \$165,204. This represents the excess of current period revenues (financial resources) over current period expenditures (financial uses).

The General Fund ending fund balance of \$1,875,800 consists of \$8,650 of statutorily required emergency reserves, \$1,907 non-spendable resources used for prepaid expenses, and \$1,865,243 of net resources available for future spending, a portion of which has been assigned by the District as unrestricted reserves for future capital outlay and system maintenance. The District, pursuant to the TABOR Amendment, reserves funds for emergencies. The District reserves 3% of the total of all operational expenses every fiscal year. As operational expenses increase, this reserve will grow accordingly. At the end of each fiscal year, if the emergency reserves are not used the funds are carried into the next year's operational funds.

Proprietary Fund – Enterprise Fund

For financial reporting purposes, the District's enterprise fund is considered a proprietary fund which represents the water system and trash operations of the District. Proprietary Fund financial statements consist of a statement of fund net position, a statement of revenues, expenses and changes in fund net position, and a statement of cash flows, and are prepared on an accounting basis that is similar to the basis used to prepare the government-wide financial statements.

During the fiscal year ended December 31, 2022, the ending net position of the Proprietary Fund decreased from \$1,704,628 to \$1,640,910 which is a total decrease of \$63,718. The District has assigned a portion the ending net position as unrestricted reserves for future capital outlay and system maintenance.

In the Proprietary Fund, operating revenues generated were \$283,267 in 2022 and \$281,490 in 2021. Operating expenditures and direct costs incurred for water and trash services were \$318,208 in 2022 and \$305,454 in 2021. The overall change in net position for 2022 as compared to 2021 is (\$63,718) and (\$6,838) respectively.

BRUSH CREEK METROPOLITAN DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2022

GENERAL FUND BUDGET COMPARISONS

The District’s procedures in establishing budgetary data reflected in the financial statements are summarized in *Note 1 (E)* of the financial statements. The budgetary comparison schedule for the general fund is found in the section entitled “Required Supplementary Information” following the notes to financial statements. The Board of Directors and the management strive to budget appropriate amounts for each individual line item and provide all District services in the most economical manner. The District uses a line-item based budget which is designed to control line-item expenditures, but provide flexibility for overall budgetary management. It is not anticipated that the District’s budget variances will have an effect on future services or liquidity.

Governmental Fund Resources (Inflows)

The District’s general fund budgetary revenues and other financing sources in the amount of \$453,335 did not meet budgetary expectations of \$420,152 by \$33,183.

Charges to Appropriations (Outflows)

The District’s general fund budgetary expenditures and other financing uses of \$288,131 were \$19,318 less than the final appropriated balance of \$307,449. Budgetary savings primarily occurred in the appropriations for capital outlay.

Unappropriated Budgetary Fund Balance

The General Fund’s total ending fund balance carryover to fiscal year 2022 is \$1,875,800.

CAPITAL ASSETS

At the end of the fiscal year, the District had \$2,023,308 of capital assets. The following reflects the current and prior year capital asset balances, net of depreciation:

<i>(IN THOUSANDS, NET OF DEPRECIATION)</i>	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL PRIMARY GOVERNMENT	
	2022	2021	2022	2021	2022	2021
Infrastructure:						
Land & Water Rights	\$ -	\$ -	\$ 138	\$ 138	\$ 138	\$ 138
Infrastructure - Roads	689	779	-	-	689	779
Collection/ Distrib System	-	-	1,196	1,273	1,196	1,273
TOTALS	\$ 689	\$ 779	\$ 1,334	\$ 1,411	\$ 2,023	\$ 2,190

The *overall* decrease in net capital assets is the result of current year depreciation in excess of current year additions.

DEBT ADMINISTRATION

The District had no outstanding General Obligation Debt.

BRUSH CREEK METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2022

MAJOR INITIATIVES

The District plans to continue its meter replacement project into 2023.

ECONOMIC CONDITION AND OUTLOOK

The District's Board of Directors considered several different factors when establishing 2023 budget appropriations, including changes in assessed property valuations within the District, changes in area growth, condition of the District's infrastructure, and overall economic conditions of the area. The District has levied 19.175 mills for 2022 taxes to be collected in fiscal year 2023.

The District, through voter approval, is permitted to collect, retain, and expend revenues notwithstanding certain restrictions under TABOR (*see Note 8*). Property taxes levied by the District constitute the largest source of revenue and, as such, the District's revenue can be affected by changes to the Assessed Value of property within the District.

As the population of the District grows, the level of operational services will increase as residents will require and benefit directly from services provided. In anticipation of future demands on the District's infrastructure, the Board has assigned reserves in both the general and proprietary funds for future capital improvements.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our residents, customers, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, please contact:

Brush Creek Metropolitan District
500 Juniper Hill Drive
Aspen, CO 81611
Tel: (970) 925-5195

GOVERNMENT - WIDE FINANCIAL STATEMENTS

BRUSH CREEK METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2022

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Current Assets:			
Cash and Investments	\$ 1,878,516	\$ 227,349	\$ 2,105,865
Receivables:			
Cash with County Treasurer	965	-	965
Accrued Interest Receivable	681	-	681
Accounts Receivable	-	46,996	46,996
Intergovernmental Receivable	51,495	-	51,495
Property Taxes	432,432	-	432,432
Prepaid Expenses	1,907	13,899	15,806
Internal Balances	(24,477)	24,477	-
Non-current Assets:			
Capital Assets:			
Land and Infrastructure, Net	689,522	1,333,786	2,023,308
Total Assets	3,031,041	1,646,507	4,677,548
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	33,103	5,597	38,700
Accrued Payroll Liabilities	184	-	184
Total Liabilities	33,287	5,597	38,884
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Revenues -			
from Property Taxes	432,432	-	432,432
Total Deferred Inflows	432,432	-	432,432
<u>NET POSITION</u>			
Invested in Capital Assets, Net of Related Debt	689,522	1,333,786	2,023,308
Restricted For:			
Emergencies	8,650	-	8,650
Unrestricted	1,867,150	307,124	2,174,274
Total Net Position	\$ 2,565,322	\$ 1,640,910	\$ 4,206,232

The accompanying notes are an integral part of these financial statements.

BRUSH CREEK METROPOLITAN DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>
Governmental Activities:		
General Government	\$ 351,224	\$ -
Total Governmental Activities	<u>351,224</u>	<u>-</u>
Business-type Activities:		
Water and Trash Services	<u>318,208</u>	<u>283,267</u>
Total Business-type Activities	<u>318,208</u>	<u>283,267</u>
Total Primary Government	<u>\$ 669,432</u>	<u>\$ 283,267</u>

General Revenues and Transfers

Taxes:

 Property Taxes, Levied for General Purposes

 Specific Ownership Taxes

 Highway Users Tax

Loss on Asset Disposition

Interest and Other Income

Total General Revenues

Change in Net Position Before Transfers

Transfers

Change in Net Position

Net Position – Beginning of Year

Net Position – End of Year

The accompanying notes are an integral part of these financial statements

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (351,224)		\$ (351,224)
<u>(351,224)</u>		<u>(351,224)</u>
	\$ (34,941)	(34,941)
	<u>(34,941)</u>	<u>(34,941)</u>
<u>(351,224)</u>	<u>(34,941)</u>	<u>(386,165)</u>
410,877	-	410,877
14,657	-	14,657
25,738	-	25,738
-	(55,034)	(55,034)
<u>2,063</u>	<u>7</u>	<u>2,070</u>
<u>453,335</u>	<u>(55,027)</u>	<u>398,308</u>
102,111	(89,968)	12,143
<u>(26,250)</u>	<u>26,250</u>	<u>-</u>
75,861	(63,718)	12,143
<u>2,489,461</u>	<u>1,704,628</u>	<u>4,194,089</u>
<u>\$ 2,565,322</u>	<u>\$ 1,640,910</u>	<u>\$ 4,206,232</u>

FUND FINANCIAL STATEMENTS

BRUSH CREEK METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
December 31, 2022

	<u>General Fund</u>
ASSETS:	
Cash and Investments	\$ 1,878,516
Receivables:	
Cash with County Treasurer	965
Accrued Interest Receivable	681
Intergovernmental Receivable	51,495
Property Taxes Receivable	432,432
Prepaid Expenses	1,907
Internal Balances	(24,477)
 TOTAL ASSETS	 \$ 2,341,519
 LIABILITIES:	
Accounts Payable	\$ 33,103
Accrued Payroll Liabilities	184
 TOTAL LIABILITIES	 33,287
 DEFERRED INFLOWS OF RESOURCES:	
Unavailable Revenues - from Property Taxes	432,432
 TOTAL DEFERRED INFLOWS	 432,432
 FUND BALANCE:	
Nonspendable	1,907
Restricted for Emergencies	8,650
Assigned - Capital Projects	1,355,723
Unassigned	509,520
 TOTAL FUND BALANCES	 1,875,800
 TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	 \$ 2,341,519

The accompanying notes are an integral part of these financial statements

BRUSH CREEK METROPOLITAN DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
For the Year Ended December 31, 2022

TOTAL FUND BALANCE - GOVERNMENTAL FUND \$ 1,875,800

Amounts reported for *governmental activities* in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds:

Governmental Capital Assets	\$ 1,787,291	
Less Accumulated Depreciation	<u>(1,097,769)</u>	<u>689,522</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 2,565,322

The accompanying notes are an integral part of these financial statements.

BRUSH CREEK METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Year Ended December 31, 2022

	<u>General Fund</u>
REVENUES:	
Property Taxes	\$ 410,877
Specific Ownership Tax	14,657
Highway Users Tax	25,738
Interest & Other Income	2,063
TOTAL REVENUES	453,335
EXPENDITURES:	
General Government	
<i>Administration:</i>	
Accounting and Audit	33,299
Consulting	12,947
County Treasurer Fees	20,579
Directors' Fees	5,400
Insurance	2,540
Legal Expense	719
Management - Administration	2,270
Office Expense	1,786
Payroll Taxes/Fees	3,771
Website	236
<i>Public Works:</i>	
Fire Mitigation	23,200
Management – Operations	15,370
Road Maintenance/Weed Control/Signs	65,984
Snow Removal	73,780
TOTAL EXPENDITURES	261,881
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	191,454
OTHER FINANCING SOURCES (USES):	
Transfer (to) Water Enterprise	(26,250)
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	165,204
FUND BALANCE - BEGINNING OF THE YEAR	1,710,596
FUND BALANCE - END OF THE YEAR	\$ 1,875,800

The accompanying notes are an integral part of these financial statements.

BRUSH CREEK METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND \$ 165,204

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental Funds report capital outlays as expenditures; however, on the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation. This is the amount by which capital outlay exceeded depreciation in the current year:

Capitalized Expenditures	\$	-	
Depreciation		<u>(89,343)</u>	<u>(89,343)</u>

CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 75,861

The accompanying notes are an integral part of these financial statements.

BRUSH CREEK METROPOLITAN DISTRICT
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
December 31, 2022

	<u>Business-type Activity</u> <u>Enterprise Fund</u>
CURRENT ASSETS:	
Cash and Investments	\$ 227,349
Receivables:	
Accounts Receivable	46,996
Internal Balances	24,477
Prepaid Expenses	<u>13,899</u>
TOTAL CURRENT ASSETS	312,721
NON-CURRENT ASSETS:	
Capital Assets:	
Land, Equipment and Infrastructure, Net	<u>1,333,786</u>
TOTAL ASSETS	<u>\$ 1,646,507</u>
CURRENT LIABILITIES:	
Accounts Payable	<u>\$ 5,597</u>
TOTAL CURRENT LIABILITIES	<u>5,597</u>
NET POSITION:	
Invested in Capital Assets, Net of Related Debt	1,333,786
Unrestricted - Reserved for Capital Outlay	35,596
Unrestricted	<u>271,528</u>
TOTAL NET POSITION	<u>1,640,910</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,646,507</u>

The accompanying notes are an integral part of these financial statements.

BRUSH CREEK METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION – PROPRIETARY FUND
For the Year Ended December 31, 2022

	<u>Business-Type Activity</u> <u>Enterprise Fund</u>
OPERATING REVENUES:	
Water Revenues	\$ 224,268
Trash Revenues	58,800
Finance Charges and Other	<u>199</u>
TOTAL OPERATING REVENUES	<u>283,267</u>
COST OF SALES:	
Water Purchases	49,229
Trash Collection	<u>39,950</u>
TOTAL COST OF SALES	<u>89,179</u>
OPERATING EXPENSES:	
Collection, Treatment & Transmission	91,341
Administration	52,989
Depreciation	<u>84,699</u>
TOTAL OPERATING EXPENSES	<u>229,029</u>
OPERATING INCOME (LOSS)	<u>(34,941)</u>
NON-OPERATING REVENUES:	
Interest Income	7
(Loss on Fixed Asset Dispositions)	(55,034)
Transfer from General Fund	<u>26,250</u>
TOTAL NON-OPERATING REVENUES	<u>(28,777)</u>
CHANGE IN NET POSITION	(63,718)
TOTAL NET POSITION – BEGINNING	<u>1,704,628</u>
TOTAL NET POSITION - ENDING	<u>\$ 1,640,910</u>

The accompanying notes are an integral part of these financial statements.

BRUSH CREEK METROPOLITAN DISTRICT
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
For the Year Ended December 31, 2022

	<u>Business-Type Activity Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 328,580
Cash Payments for Goods & Services	(270,998)
Cash Payments to Employees	<u>(8,113)</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>49,469</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Inter-Fund Financing, Net	<u>(38,322)</u>
NET CASH (USED) PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>(38,322)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of Fixed Assets	<u>(62,442)</u>
NET CASH (USED) PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(62,442)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest Income	<u>7</u>
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	<u>7</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(51,288)
CASH AND CASH EQUIVALENTS JANUARY 1	<u>278,637</u>
CASH AND CASH EQUIVALENTS DECEMBER 31	<u><u>\$ 227,349</u></u>
 <u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES:</u>	
OPERATING INCOME (LOSS)	\$ (34,941)
Adjustments to Reconcile Net Income to Cash (Used) Provided by Operations:	
Depreciation	84,699
(Increase) Decrease in Accounts Receivable	45,313
(Increase) Decrease in Prepaid Expenses	(12,599)
Increase (Decrease) in Accounts Payable	<u>(33,003)</u>
NET CASH (PROVIDED) BY OPERATING ACTIVITIES	<u><u>\$ 49,469</u></u>

The accompanying notes are an integral part of these financial statements.

BRUSH CREEK METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Brush Creek Metropolitan District, herein referred to as the District, conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Significant accounting policies of the District are described below.

A. Financial Reporting Entity

The Brush Creek Metropolitan District was organized pursuant to provisions set forth in the Colorado Special District Act. The governing body of the District consists of a five member Board of Directors that is elected by the registered voters within the District. The District operates a water system, provides trash collection services, and maintains roads within the District.

The Governmental Accounting Standards Board (GASB) has specified the criteria to be used in defining a governmental entity for financial reporting purposes. The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations that are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria discussed above, the District's financial statements do not include any component units, nor do they exclude any potential component units requiring inclusion in the District's reporting entity, nor is the District a component unit of any other government. The District's financial statements include the accounts of all District operations.

B. Basis of Presentation

GOVERNMENT-WIDE STATEMENTS

The statement of net position and the statement of activities display information about the District. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of inter-fund activities. These statements distinguish between the *governmental* and *business-type activities* of the District.

BRUSH CREEK METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the District and for each function of the District's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.
- Program revenues include charges paid by the recipients of goods or services offered by the programs. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

FUND FINANCIAL STATEMENTS

Fund financial statements provide information about the District's funds, for which separate statements for each fund category – *governmental and proprietary* – are presented. During the fiscal year, the District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance by segregating transactions related to certain governmental functions or activities. Fund financial statements are designed to present financial information of the District at this more detailed level. The emphasis of fund financial statements is on major funds, each displayed in a separate column. The funds are outlined in the following paragraphs.

Governmental Funds

Governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are included on their balance sheets. The reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. The District's has one governmental fund which is the General Fund:

General Fund

The General Fund consists of the Road Fund. It accounts for the funding and tax base needed to support capital improvements and maintenance for the road system in the District.

Proprietary Funds

Proprietary fund *operating revenues and expenses* are related to providing management and operational services within the District. Revenues and expenses arising from capital and non-capital financing activities and from investing activities are presented as non-operating revenues or expenses. The funds included in this category are as follows:

Enterprise Fund - Water Fund

The enterprise fund consists of the Water Fund. It accounts for the public water and trash service operations within the District.

BRUSH CREEK METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

The government-wide and proprietary fund 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 at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without directly giving equal value in return, consist of property taxes. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual-basis of accounting*. Under this method, revenues are recognized when measurable and available. The following material revenue sources are considered susceptible to accrual because they are both measurable and available to finance expenditures of the current period:

- Property Taxes
- Specific Ownership Taxes

Taxpayer-assessed local property and specific ownership taxes are considered “measurable” when in the hands of intermediary collecting governments and are recognized as revenue at that time. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt, which is recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities are reported as other financing sources.

D. Property Taxes Receivable and Deferred Inflows of Resources

Property taxes are levied on December 15, and attach as an enforceable lien on property on January 1st of the following year. They may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes which are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16th. Property taxes are levied and collected on behalf of the District by Pitkin County and are reported as revenue when received by the County Treasurer. Property taxes levied in the current year and payable in the following year are reported as a receivable at December 31. However, since the taxes are not available to pay current liabilities, the receivable is recorded as a deferred inflow of resources.

BRUSH CREEK METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgets and Budgetary Accounting

The District uses the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to October 15, the District Secretary submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. A “Notice of Budget” is published when the budget is received.
2. Public hearings are held to obtain taxpayer comments.
3. Prior to December 15, the Board adopts, by resolution, the budget for the ensuing fiscal year and certifies the tax levy.
4. On or before December 31, the Board adopts an annual appropriating resolution in which such sums of money are appropriated as the Board deems necessary to defray all expenses and liabilities of the District during the ensuing year.
5. Annual appropriated budgets are adopted for all funds. The level of control at which expenditures exceed appropriations is at the fund level. The District’s general fund budget is adopted on a basis consistent with generally accepted accounting principles for governmental entities. Enterprise fund budgets are adopted on a non-GAAP basis, which provides that debt principal payments and capital outlay are treated as expenditures. The budget for the Enterprise Fund is reconciled from GAAP basis, as follows:

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
GAAP Operating Revenues	\$ 313,614	\$ 283,267	\$ (30,347)
GAAP Non-Operating Revenues	26,261	(28,777)	(55,038)
Addback: Loss on Asset Disposition	<u>-</u>	<u>55,034</u>	<u>55,034</u>
TOTAL BUDGETARY BASED REVENUES	<u>\$ 339,875</u>	<u>\$ 309,524</u>	<u>\$ (30,351)</u>
EXPENSES:			
GAAP Cost of Sales	\$ 100,000	\$ 89,179	\$ 10,821
GAAP Operating Expenses	168,021	229,029	(61,008)
Capitalized Outlay	100,000	62,442	37,558
Less: Depreciation	<u>-</u>	<u>(84,699)</u>	<u>84,699</u>
TOTAL BUDGETARY APPROPRIATIONS	<u>\$ 368,021</u>	<u>\$ 295,951</u>	<u>\$ 72,070</u>

BRUSH CREEK METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgets and Budgetary Accounting (continued)

6. After adoption of the budget ordinance, the District may make by ordinance the following changes: a) supplemental appropriations to the extent of revenues in excess of the estimated budget; b) emergency appropriations; c) reduction of appropriations for which originally estimated revenues are insufficient.
7. Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the total budget of any fund. Budget amounts included in the financial statements are based on the final, legally amended budget.
8. Budget appropriations lapse at the end of each year.

The District legally adopted annual budgets for all of the District's funds.

F. Cash and Cash Equivalents / Fair Value of Financial Instruments

For the purposes of the statement of cash flows for the proprietary fund, all short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash.

The District reports its investments using the fair value measurements established by generally accepted accounting principles. As such, fair value hierarchy categorizes the inputs used to measure the fair value into three levels. Level 1 inputs are quoted market prices in active markets for identical investments; Level 2 inputs include quoted prices in active markets for similar investments, or other observable inputs; and Level 3 inputs are unobservable inputs. At December 31, 2022 the District had no Level 2 or 3 investments.

G. Capital Assets/Depreciation

All capital assets purchased or acquired with an original cost in excess of capitalization thresholds set by the District are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated fair value on the date of donation. Repairs and maintenance are recorded as expenditures as incurred; while additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Interest costs incurred during construction of capital assets are capitalized as part of the historical cost of acquiring or constructing the qualifying assets. Depreciation is provided on the straight-line basis over the following estimated useful lives.

Equipment	5 years
Infrastructure	5-40 years

H. Allowance for Doubtful Accounts

The District evaluates outstanding accounts receivable at the end of each fiscal year. The District believes that all accounts are collectible, therefore, no allowance for bad debt is reflected in the financial statements.

BRUSH CREEK METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Net Position and Fund Balances –

In the government-wide financial statements, net position is classified in the following categories for both governmental and business-type activities:

Invested in Capital Assets, Net of Related Debt – this category groups all capital assets into one component. Accumulated depreciation and the outstanding debt balances that are attributable to (already invested in) the acquisition, construction or improvement of these assets reduce this category.

Restricted – assets are reported as *restricted* when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by various enabling legislation.

Unrestricted – represents the amount which is not restricted for any purpose. It is the District's policy to first apply restricted resources when an expense is incurred for which both restricted and unrestricted assets are available.

In the fund financial statements, governmental fund balances are classified as follows:

Nonspendable – amounts that cannot be spent because they are either in non-spendable form such as inventory and prepaid expenses, or legally or contractually required to be maintained intact such as the corpus of permanently restricted funds to be retained in perpetuity. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale, when applicable.

Restricted – when constraints are placed on the use of resources either (a) externally imposed by creditors or (b) imposed by law through constitutional provisions or enabling legislation. As discussed in *Note 8*, Colorado voters passed an amendment to the State Constitution, one of the provisions of which requires local governments to establish an emergency reserve calculated at 3% of certain expenditures. These funds may only be expended in cases of emergencies as defined by the amendment, and are used to fund appropriations only after unrestricted resources are depleted.

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (the Board of Directors). These amounts cannot be changed except by taking the same type of action employed to previously commit these amounts.

Assigned – amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the governing body itself, or a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. The District has assigned funds for future capital outlay.

Unassigned – the residual for the general fund.

It is the District's policy to first apply restricted resources when an expense is incurred for which both restricted and unrestricted assets are available. Committed and assigned amounts are considered to have been spent first when an expenditure is incurred for purposes for which such categories and unassigned amounts are available.

BRUSH CREEK METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Contributed Capital

Grants and contributions in the enterprise fund which may be used for either operations or capital expenditures at the discretion of the District are recognized as non-operating revenues. If expenditure of funds is the prime factor for determining eligibility for contributed funds, revenue or contributed capital is recognized at the time of making the expenditure.

K. Internal Balances

To the extent that operating expenses of the District's general fund are paid by the proprietary fund (or vice-verse) and/or transfers are made between the funds and these advances have not been repaid as of year-end, balances of interfund amounts receivable or payable are recorded.

L. Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were used.

NOTE 2 - CASH AND INVESTMENTS

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. The eligible depository is required to pledge to the Colorado Division of Banking a pool of collateral having a market value that at all times exceeds 102 percent of uninsured aggregate public deposits. The eligible collateral is determined by the PDPA, which includes obligations of the United States, the State of Colorado, Local Colorado governments, and obligations secured by first lien mortgages on real property located in the state. 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 uninsured public deposits as a group. The State Regulatory Commissions 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. There is no custodial credit risk for public deposits collateralized under PDPA.

As of December 31, 2022, the District's bank deposits were entirely covered by federal depository insurance (FDIC) or collateralized under PDPA in accordance with state statute. The District had bank balances of \$2,135,517 of which \$468,968 was covered by FDIC insurance and \$1,656,549 by PDPA as described above.

BRUSH CREEK METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022

NOTE 2 - CASH AND INVESTMENTS (continued)

A summary of the District’s cash and cash equivalents at December 31, 2022 are classified below:

	General Fund	Enterprise Fund	Total
Total checking, savings and CDs	\$ 1,899,443	\$ 236,074	\$ 2,135,517
Less outstanding items	(20,927)	(8,725)	(29,652)
Total Cash and Investments	\$ 1,878,516	\$ 227,349	\$ 2,105,865

Certificates of Deposit subject to PDPA are included in cash and cash equivalents:

	<u>Fair Value</u>	<u>Maturity Date</u>
Certificate of Deposit 0.40% (unrated)	\$ 228,968	08/28/24

The District has not adopted a formal investment policy; however, the District invests public funds in a manner which will provide the highest investment return with the maximum security, meet daily cash flow demands, and conform to all federal, state and local statutes governing the investment of public funds. This policy applies to the investment of all financial assets of all funds of the District over which it exercises financial control. Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States and certain U.S. government agency securities, including securities issued by FNMA (federal national mortgage association), GNMA (governmental national mortgage association), FHLMC (federal home loan mortgage corporation), the federal farm credit bank, the federal land bank, the export-import bank, and by the Tennessee Valley authority, and certain international agency securities, including the World Bank.
- . General obligation and revenue bonds of U.S. local government entities, the District of Columbia, and territorial possessions of the U.S. rated in the highest two rating categories by two or more nationally recognized rating agencies.
- . Bankers’ acceptances of certain banks
- . Certain securities lending agreements
- . Commercial paper
- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools
- . The investing local government’s own securities including certificates of participation and lease obligations.

BRUSH CREEK METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022

NOTE 2 - CASH AND INVESTMENTS (continued)

Deposit and Investment Risk Disclosures

The concentration of credit risk, or the risk of loss attributed to the magnitude of a government's investment in a single issuer, occurs when deposits are not diversified. The District's policy places no limit on the amount it may invest in any one issuer; however the District maintains general guidelines for investments to ensure proper diversification by security type and institution. All investments are issued or explicitly guaranteed by securities of the U.S. government, or insured by the Public Depository Protection Act, or are investments in mutual fund or external investment pools, and therefore not subject to concentration of credit risk. The District has no deposits subject to custodial credit risk.

Interest rate risk is the extent to which changes in interest rates will adversely affect the fair value of an investment. The District maintains an investment policy that limits investment maturities as means of managing its exposure to fair value losses arising from increasing interest rates and to avoid undue concentration in any sector of the yield curve. Exceptions to this structure may be allowed where maturities can be structured to accommodate readily identifiable cash flows as approved by the Board. The District has no investments that were subject to material interest rate risk as described above.

The District was not subject to foreign currency risk as of December 31, 2022.

NOTE 3 - CAPITAL ASSETS

A summary of changes in the District's Capital Assets follows:

	<u>Balance</u> <u>1/1/22</u>	<u>Additions</u>	<u>Reclassif./</u> <u>Dispositions</u>	<u>Balance</u> <u>12/31/22</u>
GOVERNMENTAL ACTIVITIES				
Depreciable Assets:				
Infrastructure-Roads	\$ 1,790,357	\$ -	\$ (3,066)	\$ 1,787,291
Less: Accumulated Depreciation	<u>(1,011,492)</u>	<u>(89,343)</u>	<u>3,066</u>	<u>(1,097,769)</u>
Governmental Activities, Capital Assets, Net	<u>\$ 778,865</u>	<u>\$ (89,343)</u>	<u>\$ -</u>	<u>\$ 689,522</u>
BUSINESS-TYPE ACTIVITIES				
Non-Depreciable Assets:				
Land & Water Rights	\$ 138,115	\$ -	\$ -	\$ 138,115
Depreciable Assets:				
Collection/Distribution System	3,367,689	62,442	(85,681)	3,344,450
Less: Accumulated Depreciation	<u>(2,094,727)</u>	<u>(84,699)</u>	<u>30,647</u>	<u>(2,148,779)</u>
Business-Type activities Capital Assets, Net	<u>\$ 1,411,077</u>	<u>\$ (22,257)</u>	<u>\$ (55,034)</u>	<u>\$ 1,333,786</u>

Depreciation expense of \$89,343 has been recorded in governmental activities and \$84,699 in business-type activities.

BRUSH CREEK METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022

NOTE 4 - INTERGOVERNMENTAL AGREEMENTS

Water Purchases Agreement

The District has a water supply agreement with Snowmass Water and Sanitation District. The District purchases water from the Snowmass Water District at a rate of \$2.86 for each 1,000 gallons of water delivered to the District. The term of the water supply agreement is perpetual except upon breach of either party or by mutual consent.

NOTE 5 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors and omissions; injuries to employees; or acts of God. The District has elected to participate in the Colorado Special Districts Property and Liability Pool (the Pool) which is sponsored by the Special District Association of Colorado. The Pool provides property and general liability, automobile physical damage and liability, public official's liability and machinery coverage to its members. There have been no significant reductions in coverage from the prior year and settled claims have not exceeded coverage in the last three years. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool 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 6 - CONTINGENCIES

During the normal course of business, the District may incur claims and other assertions against it from various agencies and individuals. Management of the District and their legal representatives feel none of these claims or assertions are significant enough that they would materially affect the fairness of the presentation of the financial statements at December 31, 2022.

NOTE 7 - TABOR AMENDMENT – Revenue and Spending Limitation Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax, and debt limitations, which apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

In the November 2001 election, the District's electorate voted to allow the District to collect, retain and expend revenues notwithstanding any of TABOR's restrictions.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

BRUSH CREEK METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022

NOTE 7 - TABOR AMENDMENT – Revenue and Spending Limitation Amendment - continued

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of spending (excluding bonded debt service). The required reserve at December 31, 2022 is approximately \$8,650.

The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

NOTE 8 - SUBSEQUENT EVENTS

Management has evaluated events subsequent to December 31, 2022 through the issuance date of this report. There have been no material events noted during this period that would impact the result reflected in this report or the District's results going forward.

NOTE 9 - ADOPTION OF GASB STATEMENT NO. 87, LEASES

The District has implemented the provisions of Governmental Accounting Standards Board Statement No. 87, *Leases*, for government-wide Statement of Net Assets recognition of leases and note disclosure of certain information about lease arrangements. Under the requirements of GASB Statement No. 87, the District must determine whether a contract is a lease at inception and any identified leases are subsequently measured, classified and recognized as lease commitments and leases with contractual terms longer than twelve months as either operating or finance. When applicable, right-to-use assets and lease obligations for operating leases are included in "ROU Lease Assets" and "Present Value of Lease Liability", respectively, in the Statement of Net Assets. Any leased assets represent the District's right to use an underlying asset for the lease term and any lease liabilities represent the District's obligation to make lease payments arising from the lease, subject to annual appropriation. Operating right-of-use assets and associated lease liabilities are recognized based on the present value of future minimum lease payments to be made over the expected lease term, generally using the risk-free discount rate at the commencement date in determining the present value of future payments.

The District has identified no leases requiring recognition or disclosure under the requirements of GASB Statement No. 87.

REQUIRED SUPPLEMENTARY INFORMATION

BRUSH CREEK METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET & ACTUAL
GOVERNMENTAL FUND
For the Year Ended December 31, 2022

	GENERAL FUND			
	Original Budget	Final Budget	Actual Amount	Variance Favorable (Unfavorable)
REVENUES:				
Local Property Taxes	\$ 410,174	\$ 410,174	\$ 410,877	\$ 703
Specific Ownership Taxes	10,167	10,167	14,657	4,490
Highway Users Tax	-	-	25,738	25,738
Interest and Other Income	(189)	(189)	2,063	2,252
TOTAL REVENUES	420,152	420,152	453,335	33,183
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General Government:				
<i>Administration:</i>				
Accounting and Audit	22,309	22,309	33,299	(10,990)
Consulting	17,580	17,580	12,947	4,633
County Treasurer Fees	20,361	20,361	20,579	(218)
Directors' Fees	6,300	6,300	5,400	900
Insurance	2,433	2,433	2,540	(107)
Legal Fees	-	-	719	(719)
Management - Administration	2,297	2,297	2,270	27
Office Expense	1,671	1,671	1,786	(115)
Payroll Taxes/Fees	2,273	2,273	3,771	(1,498)
Website	475	475	236	239
Total Administration	75,699	75,699	83,547	(7,848)
<i>Public Works:</i>				
Fire Mitigation	-	-	23,200	(23,200)
Management – Operations	25,000	25,000	15,370	9,630
Road Maint/Weed Control/Signs	65,500	65,500	65,984	(484)
Snow Removal	90,000	90,000	73,780	16,220
Capital Outlay	25,000	25,000	-	25,000
Total Public Works	205,500	205,500	178,334	27,166
TOTAL EXPENDITURES	281,199	281,199	261,881	19,318
EXCESS (DEFICIT) OF REVENUES OVER				
EXPENDITURES BEFORE TRANSFERS	138,953	138,953	191,454	52,501
Transfers (to) Water Fund	(26,250)	(26,250)	(26,250)	-
EXCESS (DEFICIT) OF REVENUES	112,703	112,703	165,204	52,501
OVER EXPENDITURES				
FUND BALANCE – JANUARY 1	1,710,596	1,710,596	1,710,596	-
FUND BALANCE – DECEMBER 31	\$ 1,823,299	\$ 1,823,299	\$ 1,875,800	\$ 52,501

ADDITIONAL SUPPLEMENTAL INFORMATION

BRUSH CREEK METROPOLITAN DISTRICT
BUDGET AND ACTUAL COMPARISON – BUDGETARY BASIS
PROPRIETARY FUND
For the Year Ended December 31, 2022

	ENTERPRISE FUND			
	Original Budget	Final Budget	Actual Amount	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES – BUDGETARY BASIS:				
Water Sales and Service	\$ 252,000	\$ 252,000	\$ 224,268	\$ (27,732)
Trash Service	61,614	61,614	58,800	(2,814)
Finance Charges and Other	11	11	206	195
Other Financing Sources:				
Transfer from General Fund	26,250	26,250	26,250	-
TOTAL BUDGETARY REVENUES OTHER FINANCING SOURCES	\$ 339,875	\$ 339,875	\$ 309,524	\$ (30,351)
EXPENDITURES AND OTHER FINANCING USES – BUDGETARY BASIS:				
Cost of Sales:				
Water Purchases	\$ 45,000	\$ 45,000	\$ 49,229	\$ (4,229)
Trash Collection	55,000	55,000	39,950	15,050
Subtotal	100,000	100,000	89,179	10,821
Collection, Treatment & Transmission:				
Contracted Services	55,000	55,000	23,620	31,380
Info Share/Server Maintenance	-	-	4,073	(4,073)
Management – Operations	25,000	25,000	15,370	9,630
Repairs and Maintenance	50,000	50,000	41,595	8,405
Utilities/Telephone/Misc	8,500	8,500	6,579	1,924
Water Testing	3,000	-	107	(107)
Subtotal	141,500	138,500	91,341	47,159
Administration:				
Audit and Accounting	15,755	15,755	24,128	(8,373)
Consulting	-	-	16,874	(16,874)
Insurance	11,703	11,703	10,494	1,209
Office Expenses	1,040	1,040	1,111	(71)
Payroll Taxes	1,023	1,023	382	641
Subtotal	29,521	29,521	52,989	(23,468)
Capital Expenditures:				
Capital Outlay	100,000	100,000	62,442	37,558
Subtotal	100,000	100,000	62,442	37,558
TOTAL BUDGETARY EXPENDITURES AND OTHER FINANCING USES	\$ 371,021	\$ 368,021	\$ 295,951	\$ 72,070

The accompany notes are an integral part of these financial statements.