

BRUSH CREEK METROPOLITAN DISTRICT

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

FOR THE YEAR ENDED DECEMBER 31, 2015

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Required Supplementary Information:	
Management Discussion and Analysis	2-9
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet – Governmental Fund	12
Reconciliation of the Balance Sheet of the Governmental Fund to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	15
Statement of Net Position – Proprietary Fund	16
Statement of Revenues, Expenses and Change in Fund Net Position – Proprietary Fund	17
Statement of Cash Flows – Proprietary Fund	18
Notes to Basic Financial Statements	19-30
Required Supplementary Information:	
Budgetary Comparison Schedule – Governmental Fund	31
Additional Supplementary Information:	
Budget and Actual Comparison – Proprietary Fund	32

**Hays
Maggard
& Hood, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

Officers and Directors
Brush Creek Metropolitan District
Aspen, Colorado

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

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, 2015, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2015 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.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, listed as required supplementary information in the table of contents, be presented to supplement the basic financial statements. Such 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. 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 principally 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 supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance thereon.

Other 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 Other 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material aspects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Hays, Maggard & Hood, P.C." in a cursive style.

HAYS, MAGGARD & HOOD, P.C.
Glenwood Springs, Colorado
June 13, 2016

BRUSH CREEK METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2015

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 2015 are as follows:

- The District's overall net position increased \$297,933 or 9.9% from the previous fiscal year.
- The District's *overall* General Revenues accounted for \$543,726 or 73.2% 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 \$199,232 or 26.8% of the District's total revenues of \$742,958.
- *Overall* the District had \$426,582 in expenses, of which \$199,232 or 46.7% were offset by program specific charges for water and trash services. General revenues were sufficient to provide for the remaining expenses. In addition, the District returned \$18,443 of unused conservation trust monies to the Department of Local Affairs.

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, 2015

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, as well as property taxes allocated to outstanding bond service obligations.

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, 2015

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	
	2015	2014	2015	2014	2015	2014
<u>ASSETS:</u>						
Current & Other Assets	\$ 1,055	\$ 1,482	\$ 544	\$ 580	\$ 1,599	\$ 2,062
Capital Assets, Net	1,128	515	1,467	1,542	2,595	2,057
Total Assets	2,183	1,997	2,011	2,122	4,194	4,119
<u>LIABILITIES:</u>						
Current & Other Liabilities	17	18	13	7	30	25
Long-term Debt—Current	100	55	70	145	170	200
Long-term Debt—Non-current	200	300	-	70	200	370
Total Liabilities	317	373	83	222	400	595
<u>DEFERRED INFLOWS OF RESOURCES:</u>						
Unavailable Revenue - from Property Taxes	397	338	77	164	474	502
Total Deferred Inflows	397	338	77	164	474	502
<u>NET POSITION:</u>						
Invested in Capital Assets, Net of Related Debt	828	160	1,397	1,327	2,225	1,487
Restricted	24	22	11	10	35	32
Unrestricted	617	1,104	443	399	1,060	1,503
Total Net Position	\$ 1,469	\$ 1,286	\$ 1,851	\$ 1,736	\$ 3,320	\$ 3,022

Current assets have decreased as the District has now used some of the build-up of cash reserves designated for the future capital outlay and system maintenance needs of the District in the current year. Net Capital Assets increased due to current year additions in excess of depreciation.

Total liabilities decreased primarily due to repayment of the District's long-term debt obligations.

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 \$183 thousand and *net position* of business-type activities increased \$115 thousand, for an overall increase of approximately \$298 thousand.

BRUSH CREEK METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2015

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	
	2015	2014	2015	2014	2015	2014
<u>REVENUES:</u>						
Program Revenues:						
Charges for Services	\$ -	\$ -	\$ 199	\$ 201	\$ 199	\$ 201
General Revenues:						
Taxes	376	365	164	166	540	531
Tap Fees	-	-	-	25	-	25
Interest/Invest Earnings/Misc.	3	4	-	-	3	4
Total Revenues	379	369	363	392	742	761
<u>EXPENSES:</u>						
Program Expenses:						
Services, Operations, Maintenance	113	139	205	219	318	358
General & Administrative	47	44	34	32	81	76
Interest	18	21	10	17	28	38
Total Expenses	178	204	249	268	427	472
NET INCREASE (DECREASE)						
BEFORE TRANSFERS	201	-	114	-	315	-
Transfer (to) from Other Governments	(18)	-	-	-	(18)	-
INCREASE (DECREASE) IN NET POSITION	\$ 183	\$ 165	\$ 114	\$ 124	\$ 297	\$ 289

Overall revenues decreased approximately \$19 thousand primarily due to one water tap fee of \$25 thousand that was collected in the prior year, whereas no tap fees were collected in the current year.

Overall expenses decreased approximately \$45 thousand from the prior year, primarily due to reduced expenses for snow removal and other road maintenance, and fewer water system repairs and maintenance.

BRUSH CREEK METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2015

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	
	2015	2014	2015	2014
Services	\$ 113	\$ 139	\$ 113	\$ 139
Administration	47	44	47	44
Interest on Long-Term Debt	18	21	18	21
Total/Net Cost of Services	\$ 178	\$ 204	\$ 178	\$ 204

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, which are supported by taxes and other general revenues:

<i>(IN THOUSANDS)</i>	TOTAL COST OF SERVICES		NET COST OF SERVICES	
	2015	2014	2014	2013
Services	\$ 205	\$ 219	\$ 6	\$ 17
Administration	34	32	34	32
Interest on Long-Term Debt	10	17	10	17
Total/Net Cost of Services	\$ 249	\$ 268	\$ 50	\$ 66

As indicated above, the District had direct program revenues of \$199 thousand in fiscal year 2015 and \$202 thousand in fiscal year 2014 to offset the cost of services provided to the District, any deficit of which is funded by taxes and other general revenues. The dependence on taxes and other general revenues is apparent whereas excess operations service expenses, administrative costs and the servicing of debt obligations are funded from these general revenue sources, which provided for 20% of overall costs in 2015 and 25% of overall costs in 2014.

BRUSH CREEK METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2015

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 decreased from \$1,126,077 to \$641,194 which is a total decrease of \$484,883. This represents the excess of current period expenditures (financial uses) over current period revenues (financial resources).

The General Fund ending fund balance of \$641,194 consists of \$23,750 of statutorily required emergency reserves and \$617,444 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, 2015, the ending net position of the Proprietary Fund increased from \$1,736,367 to \$1,851,155 which is a total increase of \$114,788. 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 \$199,232 in 2015 and \$201,649 in 2014. Operating expenditures and direct costs incurred for water and trash services were \$238,849 in 2015 and \$250,964 in 2014. The overall change in net position for 2015 as compared to 2014 is \$114,788 and \$124,736 respectively.

**BRUSH CREEK METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2015**

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 \$379,306 exceeded budgetary expectations of \$374,946 by \$4,360. Individual revenue line items approximated budgetary expectations.

Charges to Appropriations (Outflows)

The District's general fund budgetary expenditures and other financing uses of \$864,189 were \$489,243 more than the final appropriated balance of \$374,946. Expenditures exceeding budgetary expectations primarily occurred in the appropriations used for road capital outlay that have been set aside over the years. The current year appropriation being much less than the final cost of capital outlay.

Unappropriated Budgetary Fund Balance

The General Fund's total ending fund balance carryover to fiscal year 2015 is \$641,194.

CAPITAL ASSETS

At the end of the fiscal year, the District had \$2,594,877 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	
	2015	2014	2015	2014	2015	2014
	Infrastructure:					
Land & Water Rights	\$ -	\$ -	\$ 138	\$ 138	\$ 138	\$ 138
Infrastructure - Roads	1,128	515	-	-	1,128	515
Collection/ Distrib System	-	-	1,329	1,404	1,329	1,404
TOTALS	\$ 1,128	\$ 515	\$ 1,467	\$ 1,542	\$ 2,595	\$ 2,057

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

DEBT ADMINISTRATION

In 2004, bond proceeds were received by the District for road improvements and refunding of the District's 1994 series bonds. At December 31, 2015, the District had \$370,000 of outstanding General Obligation Debt, of which \$300,000 is reflected in governmental activities and \$70,000 in business-type activities of the District.

**BRUSH CREEK METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2015**

MAJOR INITIATIVES

The District's planned road improvements which were funded by the 2004 Series General Obligation Bonds were completed in fiscal year 2005. There are no major initiatives included in the District's 2016 adopted budget.

ECONOMIC CONDITION AND OUTLOOK

The District's Board of Directors considered several different factors when establishing 2016 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 26.075 mills for 2015 taxes to be collected in fiscal year 2016 (of which 15.155 mills is for operations and 10.92 mills is for debt service).

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, 2015

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Current Assets:			
Cash and Investments	\$ 622,367	\$ 423,683	\$ 1,046,050
Cash – Restricted	-	11,107	11,107
Receivables:			
Cash with County Treasurer	1,553	-	1,553
Accrued Interest Receivable	520	-	520
Accounts Receivable	-	44,216	44,216
Intergovernmental Receivable	20,828	-	20,828
Property Taxes	396,889	77,412	474,301
Prepaid Expenses	330	895	1,225
Internal Balances	12,817	(12,817)	-
Non-current Assets:			
Capital Assets:			
Land and Infrastructure, Net	1,128,108	1,466,769	2,594,877
Total Assets	2,183,412	2,011,265	4,194,677
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	15,290	12,256	27,546
Accrued Interest	1,931	442	2,373
Long-term General Obligation Bonds:			
Due Within One Year	100,000	70,000	170,000
Due Beyond One Year	200,000	-	200,000
Total Liabilities	317,221	82,698	399,919
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Revenues - from Property Taxes	396,889	77,412	474,301
Total Deferred Inflows	396,889	77,412	474,301
<u>NET POSITION</u>			
Invested in Capital Assets, Net of Related Debt	828,108	1,396,769	2,224,877
Restricted For:			
Debt Service	-	11,107	11,107
Emergencies	23,750	-	23,750
Unrestricted	617,444	443,279	1,060,723
Total Net Position	\$ 1,469,302	\$ 1,851,155	\$ 3,320,457

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

BRUSH CREEK METROPOLITAN DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>
Governmental Activities:		
General Government	\$ 159,886	\$ -
Interest on Long-term Debt	<u>17,832</u>	<u>-</u>
Total Governmental Activities	<u>177,718</u>	<u>-</u>
Business-type Activities:		
Water and Trash Services	238,849	199,232
Interest on Long-term Debt	9,815	-
Debt Service Fees	<u>200</u>	<u>-</u>
Total Business-type Activities	<u>248,864</u>	<u>199,232</u>
Total Primary Government	<u>\$ 426,582</u>	<u>\$ 199,232</u>

General Revenues and Transfers

Taxes:

 Property Taxes, Levied for General Purposes

 Property Taxes, Levied for Debt Service

 Specific Ownership Taxes

 Highway Users Tax

Interest and Investment Earnings

Miscellaneous

Total General Revenues

Transfers (to) from Other Governments

Total General Revenues and 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
\$ (159,886)		\$ (159,886)
<u>(17,832)</u>		<u>(17,832)</u>
<u>(177,718)</u>		<u>(177,718)</u>
	\$ (39,617)	(39,617)
	(9,815)	(9,815)
	<u>(200)</u>	<u>(200)</u>
	<u>(49,632)</u>	<u>(49,632)</u>
<u>(177,718)</u>	<u>(49,632)</u>	<u>(227,350)</u>
261,121	-	261,121
76,829	163,693	240,522
17,565	-	17,565
20,828	-	20,828
2,963	727	3,690
<u>-</u>	<u>-</u>	<u>-</u>
379,306	164,420	543,726
<u>(18,443)</u>	<u>-</u>	<u>(18,443)</u>
<u>360,863</u>	<u>164,420</u>	<u>525,283</u>
183,145	114,788	297,933
<u>1,286,157</u>	<u>1,736,367</u>	<u>3,022,524</u>
<u>\$ 1,469,302</u>	<u>\$ 1,851,155</u>	<u>\$ 3,320,457</u>

FUND FINANCIAL STATEMENTS

BRUSH CREEK METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
December 31, 2015

	<u>General Fund</u>
ASSETS:	
Cash and Investments	\$ 622,367
Receivables:	
Cash with County Treasurer	1,553
Accrued Interest Receivable	520
Intergovernmental Receivable	20,828
Property Taxes Receivable	396,889
Prepaid Expenses	330
Internal Balances	12,817
TOTAL ASSETS	\$ 1,055,304
 LIABILITIES:	
Accounts Payable	\$ 15,290
Accrued Interest	1,931
TOTAL LIABILITIES	17,221
 DEFERRED INFLOWS OF RESOURCES:	
Unavailable Revenues - from Property Taxes	396,889
TOTAL DEFERRED INFLOWS	396,889
 FUND BALANCE:	
Nonspendable	330
Restricted for Emergencies	23,750
Assigned - Capital Projects	431,281
Unassigned	185,833
TOTAL FUND BALANCES	641,194
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 1,055,304

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, 2015

TOTAL FUND BALANCE - GOVERNMENTAL FUND	\$	641,194
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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	\$ 1,638,632	
Less Accumulated Depreciation	<u>(510,524)</u>	1,128,108

Some liabilities are not due and payable in the current year and therefore, are not reported in governmental funds:		
Current Portion of Long-term Liabilities		(100,000)

Long-term liabilities are not due and payable in the current year and therefore, are not reported in governmental funds.		<u>(200,000)</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>1,469,302</u></u>
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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, 2015

	<u>General Fund</u>
REVENUES:	
Property Taxes	\$ 337,950
Specific Ownership Tax	17,565
State Lottery Revenue – Conservation Trust	-
Highway Users Tax	20,828
Interest Income	2,963
TOTAL REVENUES	379,306
 EXPENDITURES:	
General Government	
<i>Administration:</i>	
Accounting and Audit	15,107
County Treasurer Fees	16,805
Directors' Fees	4,400
Election Costs	-
Insurance	2,058
Legal Fees	2,640
Management - Administration	2,244
Office Expense	1,200
Payroll Taxes	1,203
Telephone	502
Website	642
 <i>Public Works:</i>	
Management – Operational	7,973
Road Maintenance/Weed Control/Signs	11,338
Snow Removal	26,377
Capital Outlay	680,425
 Debt Service:	
Principal	55,000
Interest	17,832
TOTAL EXPENDITURES	845,746
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(466,440)
 OTHER FINANCING SOURCES (USES):	
Transfers (to) from Other Governments	(18,443)
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(484,883)
 FUND BALANCE - BEGINNING OF THE YEAR	 1,126,077
FUND BALANCE - END OF THE YEAR	\$ 641,194

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, 2015

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND \$ (484,883)

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	\$ 675,725	
Depreciation	<u>(62,697)</u>	613,028

Repayment of principal is an expenditure in governmental funds, but the repayment of long-term obligations reduces long-term liabilities in the Statement of Net Position.

55,000

CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 183,145

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

BRUSH CREEK METROPOLITAN DISTRICT
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
December 31, 2015

	<u>Business-type Activity</u> <u>Enterprise Fund</u>
CURRENT ASSETS:	
Cash and Investments	\$ 423,683
Cash – Restricted	11,107
Receivables:	
Accounts Receivable	44,216
Property Taxes	77,412
Prepaid Expenses	<u>895</u>
TOTAL CURRENT ASSETS	557,313
NON-CURRENT ASSETS:	
Capital Assets:	
Land and Infrastructure, Net	<u>1,466,769</u>
TOTAL ASSETS	<u>\$ 2,024,082</u>
CURRENT LIABILITIES:	
Accounts Payable	\$ 12,256
Accrued Interest	442
Internal Balances	12,817
General Obligation Bonds Payable – Current Portion	<u>70,000</u>
TOTAL CURRENT LIABILITIES	95,515
NON-CURRENT LIABILITIES:	
General Obligation Bonds payable – Long-term	<u>-</u>
TOTAL LIABILITIES	<u>95,515</u>
DEFERRED INFLOWS OF RESOURCES:	
Unavailable Revenues - from Property Taxes	<u>77,412</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>77,412</u>
NET POSITION:	
Invested in Capital Assets, Net of Related Debt	1,396,769
Restricted for Debt Service	11,107
Unrestricted - Reserved for Capital Outlay	293,176
Unrestricted	<u>150,103</u>
TOTAL NET POSITION	<u>1,851,155</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 2,024,082</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, 2015

	Business-Type Activity <u>Enterprise Fund</u>
OPERATING REVENUES:	
Water Revenues	\$ 140,873
Trash Revenues	58,080
Finance Charges and Other	<u>279</u>
TOTAL OPERATING REVENUES	<u>199,232</u>
COST OF SALES:	
Water Purchases	35,776
Trash Collection	<u>28,550</u>
TOTAL COST OF SALES	<u>64,326</u>
OPERATING EXPENSES:	
Collection, Treatment & Transmission	65,919
Administration	33,525
Depreciation	<u>75,079</u>
TOTAL OPERATING EXPENSES	<u>174,523</u>
OPERATING INCOME (LOSS)	<u>(39,617)</u>
NON-OPERATING REVENUES (EXPENSES)	
Local Property Taxes	163,693
Interest Income	727
Interest Expense	(9,815)
Debt Service Fees	<u>(200)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>154,405</u>
CHANGE IN NET POSITION	114,788
TOTAL NET POSITION – BEGINNING	<u>1,736,367</u>
TOTAL NET POSITION - ENDING	<u>\$ 1,851,155</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, 2015

	<u>Business-Type Activity</u> <u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 197,192
Cash Payments for Goods & Services	(146,999)
Cash Payments to Employees	<u>(10,601)</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>39,592</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Local Property Taxes	163,693
Inter-Fund Financing, Net	<u>(29,898)</u>
NET CASH (USED) PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>133,795</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal Payments on Bond Maturities	(145,000)
Debt Service Fees	(200)
Interest Paid on Bonds	<u>(10,713)</u>
NET CASH (USED) PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(155,913)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of Fixed Assets	-
Interest Income	<u>727</u>
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	<u>727</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	18,201
CASH AND CASH EQUIVALENTS JANUARY 1	<u>416,589</u>
CASH AND CASH EQUIVALENTS DECEMBER 31	<u>\$ 434,790</u>
 <u>RECONCILIATION OF OPERATING INCOME (LOSS) TO</u> <u>NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES:</u>	
OPERATING INCOME (LOSS)	\$ (39,617)
Adjustments to Reconcile Net Income to Cash (Used) Provided by Operations:	
Depreciation	75,079
(Increase) Decrease in Accounts Receivable	(2,041)
(Increase) Decrease in Prepaid Expenses	-
Increase (Decrease) in Accounts Payable	<u>6,171</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u>\$ 39,592</u>

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

BRUSH CREEK METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2015

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, 2015

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, 2015

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, 2015

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	\$ 202,080	\$ 199,232	\$ (2,848)
GAAP Non-Operating Revenues	<u>163,948</u>	<u>164,420</u>	<u>472</u>
TOTAL BUDGETARY BASED REVENUES	<u>\$ 366,028</u>	<u>\$ 363,652</u>	<u>\$ (2,376)</u>
EXPENSES:			
GAAP Cost of Sales	\$ 76,000	\$ 64,326	\$ 11,674
GAAP Operating Expenses	126,435	174,523	(48,088)
GAAP Non-Operating Expenses	10,913	10,015	898
Capitalized Outlay	7,680	-	7,680
Depreciation	-	(75,079)	75,079
Debt Retirement	<u>145,000</u>	<u>145,000</u>	<u>-</u>
TOTAL BUDGETARY APPROPRIATIONS	<u>\$ 366,028</u>	<u>\$ 318,785</u>	<u>\$ 47,243</u>

BRUSH CREEK METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2015

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 has a number of financial instruments, including cash and cash equivalents, receivables, and accounts payable, none of which are held for trading purposes. The District estimates the fair values of its financial instruments at December 31, 2015 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet.

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, 2015

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. Conservation Trust monies received from the State are restricted as to use pursuant to Colorado Revised Statutes.

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, construction or property acquisitions and debt service.

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, 2015

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. The following are the interfund balances at year-end:

	Due To	Due From	
General Fund	\$ 12,817	\$ -	
Enterprise Fund	-	12,817	

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, 2015, 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 \$1,062,488 of which \$465,475 was covered by FDIC insurance and \$597,013 by PDPA as described above.

BRUSH CREEK METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2015

NOTE 2 - CASH AND INVESTMENTS (continued)

A summary of the District's cash and cash equivalents at December 31, 2015 are classified below:

	General Fund	Enterprise Fund	Total
Total checking, savings and CDs	\$ 622,459	\$ 440,029	\$ 1,062,488
Less outstanding items	(92)	(5,239)	(5,331)
Total Cash and Investments	\$ 622,367	\$ 434,790	\$ 1,057,157

At December 31, 2015, the District had \$11,107 restricted for future debt service.

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

	Fair Value	Maturity Date
Certificate of Deposit 0.70% (unrated)	\$ 215,475	08/28/16

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, 2015

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, 2015.

NOTE 3 - CAPITAL ASSETS

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

	<u>Balance</u> <u>1/1/15</u>	<u>Additions</u>	<u>Disposition/ Reclassifi.</u>	<u>Balance</u> <u>12/31/15</u>
GOVERNMENTAL ACTIVITIES				
Depreciable Assets:				
Infrastructure-Roads	\$ 962,907	\$ 675,725	\$ -	\$ 1,638,632
Less: Accumulated Depreciation	<u>(447,827)</u>	<u>(62,697)</u>	<u>-</u>	<u>(510,524)</u>
Governmental Activities, Capital Assets, Net	<u>\$ 515,080</u>	<u>\$ 613,028</u>	<u>\$ -</u>	<u>\$ 1,128,108</u>
BUSINESS-TYPE ACTIVITIES				
Non-Depreciable Assets:				
Land & Water Rights	\$ 138,115	\$ -	\$ -	\$ 138,115
Depreciable Assets:				
Collection/Distribution System	3,003,088	-	-	3,003,088
Less: Accumulated Depreciation	<u>(1,599,355)</u>	<u>(75,079)</u>	<u>-</u>	<u>(1,674,434)</u>
Business-Type activities Capital Assets, Net	<u>\$ 1,541,848</u>	<u>\$ (75,079)</u>	<u>\$ -</u>	<u>\$ 1,466,769</u>

Depreciation expense of \$62,697 has been recorded in governmental activities and \$75,079 in business-type activities.

BRUSH CREEK METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2015

NOTE 4 - LONG-TERM OBLIGATIONS

A summary of changes in the District's long-term obligations follows:

	Balances 01/01/15	Additions	Reductions	Balances 12/31/15	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation					
Bonds – Series 2004:	\$ 355,000	\$ -	\$ (55,000)	\$ 300,000	\$ 100,000
BUSINESS-TYPE ACTIVITIES					
General Obligation					
Bonds – Series 2004:	<u>215,000</u>	<u>-</u>	<u>(145,000)</u>	<u>70,000</u>	<u>70,000</u>
TOTAL LONG-TERM OBLIGATIONS	<u>\$ 570,000</u>	<u>\$ -</u>	<u>\$ (200,000)</u>	<u>\$ 370,000</u>	<u>\$ 170,000</u>

A description of the District's long-term obligations and annual debt service requirements for governmental activities and business-type activities follows:

GOVERNMENTAL ACTIVITIES

General Obligation Bonds in the face amount of \$800,000 were issued with a date of April 14, 2004 for road improvements. The interest rate varies from 2.1% to 5.25% payable semi-annually on May 15 and November 15. The bonds are subject to redemption prior to their maturity at the option of the District on November 15, 2014, or on any date thereafter at a redemption price equal to 100% of the principal amount. The bonds are fully registered in denominations of \$5,000, or any integral multiple thereof. As for the redemption of the bonds, the District will deposit in the Bond Fund, on or before November 15 of each year, monies sufficient to redeem the bonds as set forth in the following summary of annual debt service requirements:

Year	Principal	Interest	Total
2016	\$ 100,000	\$ 15,450	\$ 115,450
2017	100,000	10,400	110,400
2018	<u>100,000</u>	<u>5,250</u>	<u>105,250</u>
	<u>\$ 300,000</u>	<u>\$ 31,100</u>	<u>\$ 331,100</u>

BRUSH CREEK METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2015

NOTE 4 - LONG-TERM OBLIGATIONS - continued

BUSINESS TYPE ACTIVITIES

General Obligation Bonds in the face amount of \$1,440,000 were issued with a date of April 14, 2004 to refund the 1994 general obligation bonds. The interest rate varies from 2.1% to 5.05% payable semi-annually on May 15 and November 15. The bonds are subject to redemption prior to their maturity at the option of the District on November 15, 2014, or on any date thereafter at a redemption price equal to 100% of the principal amount. The bonds are fully registered in denominations of \$5,000, or any integral multiple thereof. As for the redemption of the bonds, the District will deposit, on or before November 15 of each year, monies sufficient to redeem the bonds as set forth in the following summary of annual debt service requirements:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 70,000	\$ 3,535	\$ 73,535

NOTE 5 - 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 6 - 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 7 - 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, 2015.

BRUSH CREEK METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2015

NOTE 8 - 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. 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, 2015 is approximately \$23,750.

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 9 - BUDGETARY COMPLIANCE

The District did not reappropriate a supplemental budget for the general fund for material capital outlay that was made during the year ended December 31, 2015. The additional capital outlay resulted in expenditures in excess of budget appropriations. This may not be in compliance with Colorado Revised Statutes.

NOTE 10 - SUBSEQUENT EVENTS

Management has evaluated events subsequent to December 31, 2015 through the issuance date of this report. There has been no material event noted during this period that would impact the results reflected in this report or the District's results going forward.

REQUIRED SUPPLEMENTARY INFORMATION

BRUSH CREEK METROPOLITAN DISTRICT
BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL FUND
For the Year Ended December 31, 2015

	GENERAL FUND			
	Original Budget	Final Budget	Actual Amount	Variance Favorable (Unfavorable)
REVENUES:				
Local Property Taxes	\$ 337,946	\$ 337,946	\$ 337,950	\$ 4
Specific Ownership Taxes	14,000	14,000	17,565	3,565
State Lottery Revenue	1,000	1,000	-	(1,000)
Highway Users Tax	20,000	20,000	20,828	828
Interest Income	2,000	2,000	2,963	963
TOTAL REVENUES	374,946	374,946	379,306	4,360
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General Government:				
<i>Administration:</i>				
Accounting and Audit	16,600	16,600	15,107	1,493
Consulting	1,200	1,200	-	1,200
County Treasurer Fees	16,714	16,714	16,805	(91)
Directors' Fees	6,000	6,000	4,400	1,600
Election Costs	-	-	-	-
Insurance	2,100	2,100	2,057	43
Legal Fees	4,000	4,000	2,640	1,360
Management - Administration	2,000	2,000	2,244	(244)
Office Expense and Miscellaneous	1,450	1,450	1,200	250
Payroll Taxes	1,300	1,300	1,203	97
Telephone	550	550	502	48
Website	500	500	642	(142)
Total Administration	52,414	52,414	46,800	5,614
<i>Public Works:</i>				
Management – Operations	10,000	10,000	7,973	2,027
Road Maint/Weed Control/Signs	85,300	85,300	11,339	73,961
Snow Removal	95,000	95,000	26,377	68,623
Total Public Works	190,300	190,300	45,689	144,611
Capital Outlay	59,059	59,059	680,425	(621,366)
Debt Service:				
Principal	55,000	55,000	55,000	-
Interest	18,173	18,173	17,832	341
Total Debt Service	73,173	73,173	72,832	341
TOTAL EXPENDITURES	374,946	374,946	845,746	(470,800)
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	-	-	(466,440)	(466,440)
OTHER FINANCING SOURCES (USES):				
Transfers (to) from Other Governments	-	-	(18,443)	(18,443)
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	-	(484,883)	(484,883)
FUND BALANCE – JANUARY 1	1,094,731	1,094,731	1,126,077	31,346
FUND BALANCE – DECEMBER 31	<u>\$ 1,094,731</u>	<u>\$ 1,094,731</u>	<u>\$ 641,194</u>	<u>\$ (453,537)</u>

ADDITIONAL SUPPLEMENTAL INFORMATION

BRUSH CREEK METROPOLITAN DISTRICT
BUDGET AND ACTUAL COMPARISON
PROPRIETARY FUND
For the Year Ended December 31, 2015

	ENTERPRISE FUND			
	Original Budget	Final Budget	Actual Amount	Variance Favorable (Unfavorable)
REVENUES – BUDGETARY BASIS:				
Water Sales and Service	\$ 144,000	\$ 144,000	\$ 140,873	\$ (3,127)
Trash Service	58,080	58,080	58,080	-
Finance Charges and Other	-	-	279	279
Local Property Taxes	163,698	163,698	163,693	(5)
Interest Income	250	250	727	477
	<u>366,028</u>	<u>366,028</u>	<u>363,652</u>	<u>(2,376)</u>
EXPENDITURES – BUDGETARY BASIS:				
Cost of Sales:				
Water Purchases	35,000	35,000	35,776	(776)
Trash Collection	41,000	41,000	28,550	12,450
Subtotal	<u>76,000</u>	<u>76,000</u>	<u>64,326</u>	<u>11,674</u>
Collection, Treatment & Transmission:				
Contracted Services	25,000	25,000	22,800	2,200
Management – Operations	10,000	10,000	7,973	2,027
Meter Reading Agreement	6,500	6,500	4,265	2,235
Repairs and Maintenance	42,300	42,300	25,126	17,174
Utilities	4,700	4,700	4,370	330
Water Testing	1,700	1,700	1,385	315
Subtotal	<u>90,200</u>	<u>90,200</u>	<u>65,919</u>	<u>24,281</u>
Administration:				
Audit and Accounting	14,700	14,700	13,248	1,452
Consulting	500	500	-	500
Insurance	8,300	8,300	8,131	169
Legal Expense	2,000	2,000	1,320	680
Management - Administration	700	700	561	139
Office Expenses and Miscellaneous	1,250	1,250	1,200	50
Payroll Taxes	1,000	1,000	925	75
Treasurer Fees	7,785	7,785	8,140	(355)
Subtotal	<u>36,235</u>	<u>36,235</u>	<u>33,525</u>	<u>2,710</u>
Capital Outlay	<u>7,680</u>	<u>7,680</u>	<u>-</u>	<u>7,680</u>
Debt Service:				
Principal	145,000	145,000	145,000	-
Interest	10,713	10,713	9,815	898
Debt Service Fees	200	200	200	-
Subtotal	<u>155,913</u>	<u>155,913</u>	<u>155,015</u>	<u>898</u>
TOTAL EXPENDITURES	<u>366,028</u>	<u>366,028</u>	<u>318,785</u>	<u>47,243</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES – BUDGETARY BASIS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,867</u>	<u>\$ 44,867</u>