

BEACON POINT METROPOLITAN DISTRICT
(City of Aurora, Colorado)
Financial Statements

Year Ended December 31, 2016

with

Independent Auditors' Report



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Beacon Point Metropolitan District
City of Aurora, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Beacon Point Metropolitan District (the "District"), City of Aurora, Colorado, as of and for the year ended December 31, 2016, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Beacon Point Metropolitan District's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.¹

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.² 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Beacon Point Metropolitan District, City of Aurora, Colorado, as of December 31, 2016, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has not presented Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basis financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basis financial statements is not affected by the missing information

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Beacon Point Metropolitan District 's basic financial statements. The supplemental information listed in the table of contents are presented for the purpose of additional analysis and was not a required part of the financial statements.

The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Watson Coon & Associates P.C.

Watson Coon & Associates PC

September 12, 2017
Greenwood Village, Colorado

BEACON POINT METROPOLITAN DISTRICT

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS					
Cash and investments	\$ 370,506	\$ -	\$ 370,506	\$ -	\$ 370,506
Cash and investments - restricted	27,831	495,207	523,038	-	523,038
Receivable county treasurer - current	2,200	5,970	8,170	-	8,170
Property taxes receivable	407,582	1,106,293	1,513,875	-	1,513,875
Receivable assessments and fees	128,850	-	128,850	-	128,850
Accounts receivable other	10,666	-	10,666	-	10,666
Prepaid expenses	22,247	-	22,247	-	22,247
Bond Insurance, net of amortization	-	-	-	108,954	108,954
Capital Assets not being depreciated	-	-	-	12,983,698	12,983,698
Capital Assets net of accumulated depreciation	-	-	-	1,875,771	1,875,771
Total Assets	<u>969,882</u>	<u>1,607,470</u>	<u>2,577,352</u>	<u>14,968,423</u>	<u>17,545,775</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	-	-	-	589,344	589,344
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>589,344</u>	<u>589,344</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 969,882</u>	<u>\$ 1,607,470</u>	<u>\$ 2,577,352</u>		
LIABILITIES					
Accounts payable	\$ 22,646	\$ -	\$ 22,646	-	22,646
Prepaid assessments	53,505	-	53,505	-	53,505
Regional Mill levy payable	-	98,694	98,694	-	98,694
Accrued interest on bonds	-	-	-	72,259	72,259
Long-term liabilities					
Due within one year	-	-	-	250,000	250,000
Due in more than one year	-	-	-	20,908,167	20,908,167
Total Liabilities	<u>76,151</u>	<u>98,694</u>	<u>174,845</u>	<u>21,230,426</u>	<u>21,405,271</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	407,582	1,106,293	1,513,875	-	1,513,875
Deferred assessments	116,700	-	116,700	-	116,700
Total Deferred Inflows of Resources	<u>524,282</u>	<u>1,106,293</u>	<u>1,630,575</u>	<u>-</u>	<u>1,630,575</u>
FUND BALANCE					
Nonspendable:					
Prepays	22,247	-	22,247	(22,247)	-
Restricted:					
Emergencies	27,831	-	27,831	(27,831)	-
Debt service	-	402,483	402,483	(402,483)	-
Unassigned	319,371	-	319,371	(319,371)	-
Total Fund Balances	<u>369,449</u>	<u>402,483</u>	<u>771,932</u>	<u>(771,932)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 969,882</u>	<u>\$ 1,607,470</u>	<u>\$ 2,577,352</u>		
NET POSITION					
Restricted for:					
Emergencies				27,831	27,831
Debt service				330,224	330,224
Unrestricted				<u>(6,030,714)</u>	<u>(5,258,782)</u>
Total Net Position (Deficit)				<u>\$ (5,672,659)</u>	<u>\$ (4,900,727)</u>

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

BEACON POINT METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES					
Accounting and audit	\$ 19,279	\$ -	\$ 19,279	\$ -	\$ 19,279
Insurance	22,977	-	22,977	-	22,977
Legal and election	62,701	-	62,701	-	62,701
General administration	10,165	-	10,165	-	10,165
Water and Sewer	162,664	-	162,664	-	162,664
Club house/Pool staff	109,051	-	109,051	-	109,051
Club house maintenance	46,394	-	46,394	-	46,394
Contract maintenance	27,777	-	27,777	-	27,777
Landscape contract	154,457	-	154,457	-	154,457
Landscape irrigation repair	13,627	-	13,627	-	13,627
Professional fees	37,171	-	37,171	-	37,171
Pool service	16,158	-	16,158	-	16,158
Social/recreational	10,172	-	10,172	-	10,172
Trash	97,464	-	97,464	-	97,464
Gas electric	30,524	-	30,524	-	30,524
Improvements	124,846	-	124,846	(59,273)	65,573
Miscellaneous expenses	270	-	270	-	270
Treasurer's fees	5,895	15,579	21,474	-	21,474
Treasurer's fees regional mill levy	-	421	421	-	421
Bond principal	-	165,000	165,000	(165,000)	-
Bond interest expense	-	872,056	872,056	25,136	897,192
Paying agent fees and other fees	-	300	300	-	300
Regional mill levy	-	29,802	29,802	-	29,802
Amortization	-	-	-	3,891	3,891
Depreciation expense	-	-	-	95,086	95,086
Total Expenditures	<u>951,592</u>	<u>1,083,158</u>	<u>2,034,750</u>	<u>(100,160)</u>	<u>1,934,590</u>
PROGRAM REVENUES					
Owner assessments and fees	<u>518,727</u>	<u>-</u>	<u>518,727</u>	<u>-</u>	<u>518,727</u>
Total Program Revenues	<u>518,727</u>	<u>-</u>	<u>518,727</u>	<u>-</u>	<u>518,727</u>
Net Program Income (Expense)	(432,865)	(1,083,158)	(1,516,023)	100,160	(1,415,863)
GENERAL REVENUES					
Property taxes	392,783	1,038,043	1,430,826	-	1,430,826
Specific ownership taxes	30,127	79,621	109,748	-	109,748
Property taxes regional mill levy	-	28,056	28,056	-	28,056
Specific ownership taxes regional mill levy	-	2,152	2,152	-	2,152
Development fee	-	33,000	33,000	-	33,000
Other income	<u>3,385</u>	<u>564</u>	<u>3,949</u>	<u>-</u>	<u>3,949</u>
Total General Revenues	<u>426,295</u>	<u>1,181,436</u>	<u>1,607,731</u>	<u>-</u>	<u>1,607,731</u>
CHANGE IN FUND BALANCE	(6,570)	98,278	91,708	(91,708)	
CHANGE IN NET POSITION				191,868	191,868
FUND BALANCE/NET POSITION					
BEGINNING OF YEAR	<u>376,019</u>	<u>304,205</u>	<u>680,224</u>	<u>(5,772,819)</u>	<u>(5,092,595)</u>
END OF YEAR	<u>\$ 369,449</u>	<u>\$ 402,483</u>	<u>\$ 771,932</u>	<u>\$ (5,672,659)</u>	<u>\$ (4,900,727)</u>

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

BEACON POINT METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2016

	Original & Final		Variance
	<u>Budget</u>	<u>Actual</u>	Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 392,990	\$ 392,783	\$ (207)
Specific ownership taxes	23,579	30,127	6,548
Owner assessments and fees	474,820	518,727	43,907
Other income	<u>4,000</u>	<u>3,385</u>	<u>(615)</u>
 Total Revenues	 <u>895,389</u>	 <u>945,022</u>	 <u>49,633</u>
 EXPENDITURES			
Accounting and audit	23,800	19,279	4,521
Insurance	19,000	22,977	(3,977)
Legal and election	53,000	62,701	(9,701)
General administration	14,600	10,165	4,435
Water and Sewer	160,000	162,664	(2,664)
Club house/Pool staff	105,000	109,051	(4,051)
Club house maintenance	38,000	46,394	(8,394)
Contract maintenance	18,000	27,777	(9,777)
Landscape contract	154,000	154,457	(457)
Landscape irrigation repair	14,000	13,627	373
Professional fees	42,500	37,171	5,329
Pool service	22,000	16,158	5,842
Social/recreational	21,000	10,172	10,828
Trash	93,000	97,464	(4,464)
Gas electric	33,500	30,524	2,976
Improvements	105,800	124,846	(19,046)
Miscellaneous expenses	5,500	270	5,230
Treasurer's fees	5,895	5,895	-
Reserve	225,000	-	225,000
Emergency reserve	24,654	-	24,654
Contingency	<u>40,790</u>	<u>-</u>	<u>40,790</u>
Total Expenditures	<u>1,219,039</u>	<u>951,592</u>	<u>267,447</u>
 CHANGE IN FUND BALANCE	 (323,650)	 (6,570)	 317,080
 FUND BALANCE - BEGINNING OF YEAR	 <u>323,650</u>	 <u>376,019</u>	 <u>52,369</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 369,449</u>	<u>\$ 369,449</u>

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

BEACON POINT METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2016

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Beacon Point Metropolitan District, (“the District”) located in the City of Aurora, Colorado, (the “City”) conform to the accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized on December 10, 2002 concurrently with High Plains Metropolitan District (“High Plains”) and East Plains Metropolitan District (“East Plains”), as a quasi-municipal organization established under the State of Colorado Special District Act. On March 10, 2006, an Amended and Restated Consolidated Service Plan for the District, High Plains and East Plains (“ARCSP”) was approved. The District was established to provide sanitation, water, streets, traffic and safety controls, parks and recreation, and other related improvements for the benefit of the taxpayers and service users within the District’s boundaries. The District’s primary revenues are property taxes, facility fees and development fees. The District is governed by a five member elected Board of Directors. On July 26, 2010, in anticipation of the dissolution of East Plains, a Second Amended and Restated Service Plan (“SARSP”), for the District was approved by the City, segregating the rights and responsibilities of the districts. On November 23, 2010 East Plains Metropolitan District was dissolved and all assets and liabilities of East Plains relating to the District were transferred to the District. On May 11, 2015, the SARSP was further amended by a First Amendment to the SARSP to remove the mill levy cap and allow the District to refinance its debt outstanding at a more favorable rate.

Prior to the dissolution of East Plains, the District served as one of two “Taxing Districts” while High Plains served as the other Taxing “District” and East Plains served as the “Operating District.” The Operating District was responsible for providing the day-to-day operations and administrative management for all three Districts. Beacon Point now operates independently.

The District entered into a District Facilities Construction and Service Agreement with East Plains (“FCSA”) which set forth the rights and obligations of the Taxing District to fully fund, and of the Operating District to construct, own, or transfer and to operate and maintain, public facilities and services of benefit to both Districts. The FCSA was terminated upon the dissolution of East Plains.

BEACON POINT METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2016

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

BEACON POINT METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2016

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Intergovernmental Agreement

On November 3, 2004, the District, along with East Plains and High Plains entered into an Amended and Restated Intergovernmental Agreement with the City of Aurora as amended September 26, 2008, by First Amendment (“Service Plan IGA”) as required by the Amended and Restated Consolidated Service Plan. On July 26, 2010, the District entered into a Second Amended and Restated Intergovernmental Agreement (“SARIGA”) concurrent with the approval of the SARSP. Under the SARIGA, the District must obtain the approval of the Aurora City Council prior to any inclusion of property outside of the service area into the boundaries of the District, or any consolidation with any other special district. On June 3, 2015, the District and City entered into a First Amendment to the SARIGA (“First Amendment to SARIGA”) authorizing the District to issue one or more series of unlimited mill levy bonds or other obligations which are not subject to the Maximum Debt Mill Levy (as defined in the First Amendment to SARIGA) for the purpose of refunding or refinancing the debt originally represented by the outstanding bond obligations.

BEACON POINT METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2016

Prior to the issuance of any privately placed debt, the District shall obtain a certificate from an External Financial Advisor certifying to the reasonableness of the interest rate and the structure. Pursuant to the SARIGA and the SARSP, the District is required to levy a regional mill levy and to remit it to an Aurora Regional Improvement (ARI) Authority or to the City under certain circumstances. At December 31, 2016, the District had a payable to the ARI Authority in the amount of \$98,694.

The SARSP requires the District to dedicate certain public improvements to the City of Aurora or other appropriate jurisdiction or owners association for ownership and maintenance. The District is not authorized to operate or maintain any part of the improvements, other than park and recreation improvements, drainage improvements including detention and retention ponds, trickle channels and all necessary or proper equipment or appurtenances thereto unless the provision of such operation and maintenance is pursuant to an intergovernmental agreement with the City.

Budgetary Accounting

In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year end.

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2016, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

BEACON POINT METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2016

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. It is the deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category. Deferred property taxes, and deferred assessments. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred assessments are recognized as revenue when they become measurable and available (if collected within 60 days) in the fund statements. The revenue continues to be recognized when earned in the government-wide statements.

Capital Assets

Capital assets, which include landscape improvements, certain sidewalks, and the recreation facilities, are reported in the applicable governmental activities columns in the government-wide financial statements. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

BEACON POINT METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2016

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Infrastructure improvements	30 years
Equipment	10 years

Property Taxes

Property taxes are levied by the District’s Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government’s fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

BEACON POINT METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2016

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$27,831 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$402,483 is restricted for the payment of the debt service costs associated with the Series 2015 Bonds (see Note 4).

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance

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

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

BEACON POINT METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2016

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

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

Note 2: Cash and Investments

As of December 31, 2016, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	\$ 370,506
Cash and investments – Restricted	<u>523,038</u>
Total	<u>\$ 893,544</u>

Cash and investments as of December 31, 2016 consist of the following:

Deposits with financial institutions	\$ 251,514
Investments – Colotrust	<u>642,030</u>
	<u>\$ 893,544</u>

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District follows state statutes for deposits. None of the District's deposits were exposed to custodial credit risk.

BEACON POINT METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2016

Investments

Credit Risk

The District has not adopted a formal investment policy; however the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Investment Valuation

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized cost.

As of December 31, 2016, the District had the following investments:

<u>Investments</u>	<u>Maturity</u> Weighted	<u>Fair Value</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	average under 60 days	\$ 642,030

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”) is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint ventures established for local government entities in Colorado to pool surplus funds. The trusts operate similarly to a money market fund with each share maintaining a value of \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians’ internal records identify the investments owned by COLOTRUST. At December 31, 2016, the District had \$642,030 invested in COLOTRUST.

BEACON POINT METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2016

Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2016 follows:

<u>Governmental Type Activities:</u>	<u>Balance</u> <u>1/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2016</u>
<u>Capital assets not being depreciated:</u>				
Landscaping	\$ 12,964,348	\$ 19,350	\$ -	\$ 12,983,698
Total capital assets not being depreciated:	<u>12,964,348</u>	<u>19,350</u>	<u>-</u>	<u>12,983,698</u>
<u>Capital assets being depreciated:</u>				
Building - Recreation Center	2,398,732	34,408	-	2,433,140
Fitness equipment	24,495	5,515	-	30,010
Total capital assets being depreciated:	<u>2,423,227</u>	<u>39,923</u>	<u>-</u>	<u>2,463,150</u>
<u>Less accumulated depreciation for:</u>				
Building -Recreation Center	471,664	91,220	-	562,884
Fitness Equipment	20,629	3,866	-	24,495
Accumulated Depreciation	<u>492,293</u>	<u>95,086</u>	<u>-</u>	<u>587,379</u>
Net capital assets being depreciated:	<u>1,930,934</u>	<u>(55,163)</u>	<u>-</u>	<u>1,875,771</u>
Government type assets, net	<u>\$ 14,895,282</u>	<u>\$ (35,813)</u>	<u>\$ -</u>	<u>\$ 14,859,469</u>

Note 4: Long Term Debt

A description of the long-term obligations as of December 31, 2016, is as follows:

General Obligation Refunding Bonds, Series 2015

On June 17, 2015 the District issued \$21,170,000 of General Obligation Refunding Bonds, Series 2015 ("Series 2015 Bonds") for the purpose of advance refunding all of the District's outstanding Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds, Series 2005A, refund on a current basis the District's Subordinate Limited Tax General Obligation Bonds, Series 2014, and pay the cost of issuance of the 2015 Bonds. The Series 2015 Bonds bear interest between the rates of 3.0% - 5.0%, payable semiannually on each June 1 and December 1, commencing on December 1, 2015. The Series 2015 Bonds are due December 1, 2044, and the Bonds maturing on or after December 1, 2026, are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$5,000, in any order of maturity and in whole or partial

BEACON POINT METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2016

maturities, and if in part, in such order of maturities as the District shall determine and by lot within bonds of the same maturity and bearing the same interest rate on December 1, 2025, and on any date thereafter, at a redemption price equal to the par amount thereof (with no redemption premium) plus interest to the redemption date. The Bonds maturing on December 1, 2030, are subject to mandatory redemption, prior to maturity, in part, by lot in such manner as the paying agent shall determine, on December 1 of each year.

The Series 2015 Bonds are secured by Pledged Revenues including ad valorem taxes on all of the taxable property within the District, and specific ownership taxes associated with the Debt Service mills. Development fees are imposed and collected by the District. While the District may use the money collected from the Development Fees to pay debt service on the Series 2015 Bonds, the Development Fees are not pledged to such purpose.

As a result of the issuance of the Series 2015 Bonds, the refunded bonds are considered to be defeased and the liabilities have been removed from the governmental activities column of the statement of net position. The reacquisition price of the old debt exceeded the net carrying amount by \$635,871. This amount is recorded as a deferred outflow and is being amortized over the original remaining life of the refunded bonds. The refunding resulted in an economic gain of \$5,076,862 due to the average interest rate of the Series 2015 Bonds being lower than the refunded bonds.

The following is an analysis of changes in long-term debt for the period ending December 31, 2016:

	Balance 1/1/2016	Additions	Deletions	Balance 12/31/2016	Current Portion
General Obligation Refunding					
Bonds Series 2015	\$ 21,170,000	\$ -	\$ 165,000	\$ 21,005,000	\$ 250,000
Series 2015 Bond Premium	158,637	-	5,470	153,167	-
	<u>\$ 21,328,637</u>	<u>\$ -</u>	<u>\$ 170,470</u>	<u>\$ 21,158,167</u>	<u>\$ -</u>

BEACON POINT METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2016

The following is a summary of the annual long-term debt principal and interest requirements for the General Obligation Bonds.

	Principal	Interest	Total
2017	250,000	867,106	1,117,106
2018	310,000	857,106	1,167,106
2019	320,000	844,706	1,164,706
2020	355,000	831,906	1,186,906
2021	370,000	817,706	1,187,706
2022-2026	2,285,000	3,872,781	6,157,781
2027-2031	3,155,000	3,305,531	6,460,531
2032-2036	4,280,000	2,522,481	6,802,481
2037-2041	5,570,000	1,560,069	7,130,069
2042-2044	4,110,000	344,850	4,454,850
	\$ 21,005,000	\$ 15,824,242	\$ 36,829,242

In 2004, a majority of the qualified electors of the District who voted in the election authorized the issuance of \$1,967,250,000 in general obligation bonds, revenue bonds or other financial obligations to finance the improvements as set forth in the Bond Offering Statement. As of December 31, 2016, the District had remaining voted debt authorization of approximately \$1,341,569,998. In the future, the District may issue a portion or all of the remaining authorized, but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District’s service area, however, as of the date of this audit, the amount and timing of any debt issuances is not determinable. Per the District’s SARSP, the District cannot issue debt in excess of \$100,000,000.

Note 5: Assessments

Pursuant to a Resolution of the District, dated June 15, 2005, the Board of Directors approved the imposition of a quarterly operations fee and a working capital fee against properties within the District. The operations fee of \$140 per quarter is payable in advance for each single-family and each multi-family residential dwelling unit. The working capital fee of \$250 per completed dwelling unit is due and payable at the time of any sale, transfer or re-sale of any single or multiple family dwelling unit for which a certificate of occupancy has been issued. Per the resolutions, each operations fee and/or working capital fee shall, until paid, constitute a perpetual lien on and against the real property in question.

BEACON POINT METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2016

On November 14, 2012, the Board of Directors approved the First Amendment to the Amended and Restated Resolution Concerning the Imposition of District Fees providing for the imposition of an operations fee in the amount of \$90 per quarter on all unoccupied lots until such time as a Residential Unit has been constructed on such lot at which time it will be assessed the operations fee referenced above.

Note 6: Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer Bill of Rights (TABOR) contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

Note 7: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool (the "Pool") which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public official's liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

BEACON POINT METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2016

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

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

- 1) capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and
- 2) long-term liabilities such as bonds payable and accrued bond interest payable are not due and payable in the current period and, therefore, are not in the funds.

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

- 1) Governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities; and
- 2) governmental funds report the repayment of long-term debt (bonds) as an expenditure, however, in the statement of position the repayment of long-term is reported as a decrease in the long-term debt.

SUPPLEMENTAL INFORMATION

BEACON POINT METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2016

	Original & Final		Variance
	<u>Budget</u>	<u>Actual</u>	Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 1,038,617	\$ 1,038,043	\$ (574)
Specific ownership taxes	62,317	79,621	17,304
Property taxes regional mill levy	28,071	28,056	(15)
Specific ownership taxes regional mill levy	1,684	2,152	468
Development fee	-	33,000	33,000
Interest income	<u>21,925</u>	<u>564</u>	<u>(21,361)</u>
 Total Revenues	 <u>1,152,614</u>	 <u>1,181,436</u>	 <u>28,822</u>
 EXPENDITURES			
Bond interest	872,056	872,056	-
Bond principal	165,000	165,000	-
Paying agent fees	8,000	300	7,700
Regional mill levy	29,334	29,802	(468)
Treasurers' fees	15,579	15,579	-
Treasurers' fees regional mill levy	<u>421</u>	<u>421</u>	<u>-</u>
 Total Expenditures	 <u>1,090,390</u>	 <u>1,083,158</u>	 <u>7,232</u>
 CHANGE IN FUND BALANCE	 62,224	 98,278	 36,054
 FUND BALANCE - BEGINNING OF YEAR	 <u>290,998</u>	 <u>304,205</u>	 <u>13,207</u>
 FUND BALANCE - END OF YEAR	 <u>\$ 353,222</u>	 <u>\$ 402,483</u>	 <u>\$ 49,261</u>

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

BEACON POINT METROPOLITAN DISTRICT

SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED

December 31, 2016

UNAUDITED

<u>Year Ended</u> <u>December 31,</u>	<u>Prior</u> <u>Year Assessed</u> <u>Valuation</u> <u>for Current</u> <u>Year Property</u> <u>Tax Levy</u>	<u>Mills Levied</u>			<u>Total Property Tax</u>		<u>Percent</u> <u>Collected</u> <u>to Levied</u>
		<u>General Fund</u>	<u>Debt Service</u>	<u>Contractual</u>	<u>Levied</u>	<u>Collected</u>	
2010	\$ 16,942,390	14.000	50.000	1.000	\$ 1,101,255	\$ 1,099,951	99.88%
2011	\$ 18,638,240	14.000	50.000	1.000	\$ 1,211,486	\$ 1,211,071	99.97%
2012	\$ 18,521,080	14.000	50.000	1.000	\$ 1,203,870	\$ 1,203,063	99.93%
2013	\$ 19,994,550	14.000	50.000	1.000	\$ 1,299,646	\$ 1,287,142	99.04%
2014	\$ 21,238,208	14.000	50.000	1.000	\$ 1,380,484	\$ 1,379,966	99.96%
2015	\$ 23,392,354	14.000	50.000	1.000	\$ 1,520,503	\$ 1,522,579	100.14%
2016	\$ 28,070,732	14.000	37.000	1.000	\$ 1,459,678	\$ 1,458,882	99.95%
Estimated for year ending December 31, 2017	\$ 29,112,973	14.000	37.000	1.000	\$ 1,513,875		

NOTE

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.

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

BEACON POINT METROPOLITAN DISTRICT

ASSESSED AND ACTUAL VALUATION OF CLASSES
OF PROPERTY IN THE DISTRICT

December 31, 2016

UNAUDITED

<u>Class</u>	<u>Assessed Valuation</u>	<u>Percent of Assessed Valuation</u>	<u>Actual Valuation</u>	<u>Percent of Actual Valuation</u>
Residential	\$ 28,644,547	98.39%	\$ 359,856,100	99.55%
State Assessed	157,410	0.54%	542,793	0.15%
Vacant Land	309,604	1.06%	1,067,653	0.30%
Commercial	1,412	0.00%	4,870	0.00%
Total	<u>\$ 29,112,973</u>	<u>100.00%</u>	<u>\$ 361,471,416</u>	<u>100.00%</u>

NOTE

Assessed and Actual Valuations were obtained from the Arapahoe County website.

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

BEACON POINT METROPOLITAN DISTRICT

TOTAL 2016 MILL LEVY

December 31, 2016

UNAUDITED

<u>Taxing Entity</u>	<u>Mill Levy</u>
Arapahoe County	14.039
Cherry Creek School District No. 5	53.232
City of Aurora	8.605
Developmental Disability	1.000
Urban Drainage and Flood Control District	0.559
Urban Drainage and Flood Control District - South Platte	0.061
Overlapping Mill Levy	<u>77.496</u>
The District	<u>52.000</u>
Total Mill Levy	<u><u>129.496</u></u>

NOTE

The Mill Levy detail was obtained from the Arapahoe County website.

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