

SOUTH BEEBE DRAW METROPOLITAN DISTRICT
Adams and Weld Counties Colorado

FINANCIAL STATEMENTS
December 31, 2016



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Independent Auditor's Report

Board of Directors
South Beebe Draw Metropolitan District
Weld County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of South Beebe Draw Metropolitan District (District) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the 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 from material misstatement.

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

We believe 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 and each major fund of South Beebe Draw Metropolitan District, as of December 31, 2016, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and Storm Drainage Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is 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 basic financial statements. Such 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 to 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
September 27, 2017

BASIC FINANCIAL STATEMENTS

SOUTH BEEBE DRAW METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash and investments - unrestricted	\$ 1,912,506
Cash and investments - restricted	928,219
Accounts receivable	19,521
Receivable from county treasurer	44,671
Property taxes receivable	7,919,614
Due from other governments	390,937
Capital assets not being depreciated	9,350,858
Capital assets being depreciated (net of accumulated depreciation)	<u>9,130,745</u>
Total assets	<u><u>29,697,071</u></u>
LIABILITIES	
Accounts payable	218,374
Due to other governments	110,665
Accrued interest on long-term obligations	24,905
Noncurrent liabilities:	
Due within one year	1,068,982
Due in more than one year	<u>10,444,056</u>
Total liabilities	<u><u>11,866,982</u></u>
DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenue	<u>7,919,614</u>
Total deferred inflows of resources	<u><u>7,919,614</u></u>
NET POSITION	
Net investment in capital assets	11,268,796
Restricted	749,006
Unrestricted	<u>(2,107,327)</u>
Total net position	<u><u>\$ 9,910,475</u></u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 11,054,760	\$ 281,158	\$ 327,869	\$ -	\$ (10,445,733)
Interest and expenses on long-term debt	630,353	-	1,287,321	-	656,968
	<u>\$ 11,685,113</u>	<u>\$ 281,158</u>	<u>\$ 1,615,190</u>	<u>\$ -</u>	<u>(9,788,765)</u>
General revenues:					
Intergovernmental revenue - sales and use taxes					917,036
Property taxes					9,528,259
Specific ownership taxes					551,054
Interest					1,056
Other revenues					160
Total general revenues					<u>10,997,565</u>
Change in net position					1,208,800
Net position - beginning of year, as restated					8,701,675
Net position - end of year					<u>\$ 9,910,475</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016**

	General	Debt Service	Debt Service - Storm Drainage	Debt Service - Revenue Note	Debt Service - Lochbuie	Capital Projects	Storm Drainage Special Revenue	Total Governmental Funds
ASSETS								
Cash and investments - unrestricted	\$ 1,384,236	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 528,270	\$ 1,912,506
Cash and investments - restricted	-	-	-	632,614	295,605	-	-	928,219
Accounts receivable	5,126	-	1,814	6,230	-	-	6,351	19,521
Receivable from county treasurer	812	-	-	-	-	43,859	-	44,671
Property taxes receivable	143,992	-	-	-	-	7,775,622	-	7,919,614
Due from other funds	709,038	-	-	-	-	151	-	709,189
Due from other governments	176,536	-	118,228	95,543	-	-	630	390,937
Total assets	<u>\$ 2,419,740</u>	<u>\$ -</u>	<u>\$ 120,042</u>	<u>\$ 734,387</u>	<u>\$ 295,605</u>	<u>\$ 7,819,632</u>	<u>\$ 535,251</u>	<u>\$ 11,924,657</u>
LIABILITIES								
Accounts payable	\$ 203,582	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,792	\$ 218,374
Due to other funds	151	-	155,499	-	509,529	44,010	-	709,189
Due to other governments	110,665	-	-	-	-	-	-	110,665
Total liabilities	<u>314,398</u>	<u>-</u>	<u>155,499</u>	<u>-</u>	<u>509,529</u>	<u>44,010</u>	<u>14,792</u>	<u>1,038,228</u>
DEFERRED INFLOWS OF RESOURCES								
Deferred property tax revenue	143,992	-	-	-	-	7,775,622	-	7,919,614
Total deferred inflows of resources	<u>143,992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,775,622</u>	<u>-</u>	<u>7,919,614</u>
FUND BALANCES								
Restricted								
Emergency reserves	37,700	-	-	-	-	-	-	37,700
Debt service	-	-	-	734,387	-	-	-	734,387
Committed								
Storm drainage	-	-	-	-	-	-	520,459	520,459
Unassigned	1,923,650	-	(35,457)	-	(213,924)	-	-	1,674,269
Total fund balance (deficit)	<u>1,961,350</u>	<u>-</u>	<u>(35,457)</u>	<u>734,387</u>	<u>(213,924)</u>	<u>-</u>	<u>520,459</u>	<u>2,966,815</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,419,740</u>	<u>\$ -</u>	<u>\$ 120,042</u>	<u>\$ 734,387</u>	<u>\$ 295,605</u>	<u>\$ 7,819,632</u>	<u>\$ 535,251</u>	

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

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

18,481,603

Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds

Long-term obligations

(11,513,038)

Accrued interest on long term obligations

(24,905)

Net assets of governmental activities

\$ 9,910,475

These financial statements should be read only in connection with the accompanying notes to financial statements.

SOUTH BEEBE DRAW METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE (DEFICIT)
GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Debt Service - Storm Drainage</u>	<u>Debt Service - Revenue Note</u>	<u>Debt Service - Lochbuie</u>	<u>Capital Projects</u>	<u>Storm Drainage Special Revenue</u>	<u>Total Governmental Funds</u>
REVENUES								
Intergovernmental revenue - sales and use taxes	\$ 917,036	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 917,036
Property taxes	173,241	-	-	-	-	9,355,018	-	9,528,259
Specific ownership taxes	10,019	-	-	-	-	541,035	-	551,054
Water fees	15,000	-	-	-	-	-	-	15,000
Sewer plant investment fees	-	-	-	-	681,600	-	-	681,600
Storm drainage operating fees	-	-	-	-	-	-	296,790	296,790
Storm drainage fees	-	-	-	452,000	-	-	-	452,000
Infrastructure and system development fees	138,039	-	153,721	-	-	-	174,830	466,590
Interest	1,038	-	-	-	18	-	-	1,056
Miscellaneous	160	-	-	-	-	-	-	160
Total revenues	<u>1,254,533</u>	<u>-</u>	<u>153,721</u>	<u>452,000</u>	<u>681,618</u>	<u>9,896,053</u>	<u>471,620</u>	<u>12,909,545</u>
EXPENDITURES								
<u>General</u>								
Audit	6,400	-	-	-	-	-	-	6,400
County treasurer fees	2,599	-	-	-	-	140,325	-	142,924
Directors' fees	5,100	-	-	-	-	-	-	5,100
District management and accounting	107,389	-	9,055	5,479	-	27,090	37,782	186,795
Dues and subscriptions	11,238	-	-	-	-	-	-	11,238
Engineering	-	-	-	-	-	-	22,670	22,670
Fees collection	16,149	-	-	-	128	-	-	16,277
Insurance and bonds	5,417	-	-	-	-	-	-	5,417
IGA - Infrastructure water projects	-	-	-	-	-	9,567,524	-	9,567,524
Legal	47,131	-	6,641	388	-	6,765	30,733	91,658
Miscellaneous	1,791	-	-	-	-	-	1,351	3,142
Permits	-	-	-	-	-	-	3,050	3,050
Repairs and maintenance	-	-	-	-	-	-	3,830	3,830
Storm drainage costs	-	-	-	-	-	-	80,668	80,668
Support services	183,022	-	-	-	-	118,074	120,738	421,834
Surveying and mapping	-	-	-	-	-	1,880	-	1,880
Tax sharing	110,665	-	-	-	-	-	-	110,665
Utility billing	-	-	-	-	-	-	182	182
Water wells	-	-	-	-	-	-	7,088	7,088
Well abandonment - FRICO	-	-	-	-	-	55,287	-	55,287
<u>Debt service</u>								
Bond and note principal payments	-	56,891	120,600	137,418	501,857	-	-	816,766
Bond and note interest	-	87,210	74,050	37,549	60,444	-	-	259,253
Paying agent fees	-	-	150	-	250	-	-	400
Total expenditures	<u>496,901</u>	<u>144,101</u>	<u>210,496</u>	<u>180,834</u>	<u>562,679</u>	<u>9,916,945</u>	<u>308,092</u>	<u>11,820,048</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>757,632</u>	<u>(144,101)</u>	<u>(56,775)</u>	<u>271,166</u>	<u>118,939</u>	<u>(20,892)</u>	<u>163,528</u>	<u>1,089,497</u>
OTHER FINANCING SOURCES (USES)								
Transfers to other funds	(164,993)	-	-	-	-	-	-	(164,993)
Transfers from other funds	-	144,101	-	-	-	20,892	-	164,993
Total other financing sources (uses)	<u>(164,993)</u>	<u>144,101</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,892</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	592,639	-	(56,775)	271,166	118,939	-	163,528	1,089,497
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	1,368,711	-	21,318	463,221	(332,863)	-	356,931	1,877,318
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 1,961,350</u>	<u>\$ -</u>	<u>\$ (35,457)</u>	<u>\$ 734,387</u>	<u>\$ (213,924)</u>	<u>\$ -</u>	<u>\$ 520,459</u>	<u>\$ 2,966,815</u>

These financial statements should be read only in connection with the accompanying financial statements.

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

Amounts reported for governmental activities in the
Statement of Activities are different because:

Net change in fund balance - Total governmental funds	\$ 1,089,497
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt is as follows:

Bond and note principal payments	816,766	816,766
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Some revenues reported in the governmental funds are not collected within 60 days from the end of a fiscal period and are not considered available in governmental funds:

Deferred storm drainage operating fees	(15,632)	(15,632)
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Some expenses reported in the Statement of Activities do not require the use of financial resources and, therefore, are not reported as expenditures in governmental funds:

Net change in accrued interest on long-term liabilities	34,326	
Increase in face value of storm drainage facility fee credit certificates	(405,026)	
Depreciation expense	(311,131)	(681,831)

Change in net position of governmental activities	\$ 1,208,800
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These financial statements should be read only in connection with
the accompanying notes to financial statements.

SOUTH BEEBE DRAW METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2016

	<u>Budget Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES			
Intergovernmental revenue - sales and use taxes	\$ 1,200,000	\$ 917,036	\$ (282,964)
Property taxes	-	173,241	173,241
Specific ownership taxes	-	10,019	10,019
Water fees	15,000	15,000	-
Infrastructure and system development fees	12,000	138,039	126,039
Interest	800	1,038	238
Miscellaneous	-	160	160
Total revenues	<u>1,227,800</u>	<u>1,254,533</u>	<u>26,733</u>
EXPENDITURES			
<u>General</u>			
Audit	3,000	6,400	(3,400)
County treasurer fees	1,680	2,599	(919)
Directors' fees	8,000	5,100	2,900
District management and accounting	66,000	107,389	(41,389)
Dues and subscriptions	11,000	11,238	(238)
Elections	5,000	-	5,000
Fees and licenses	15,000	-	15,000
Fee collection	-	16,149	(16,149)
Insurance and bonds	4,000	5,417	(1,417)
Legal	30,000	47,131	(17,131)
Miscellaneous	3,000	1,791	1,209
Support services	30,000	183,022	(153,022)
Tax sharing	561,000	110,665	450,335
Contingency	25,000	-	25,000
Total expenditures	<u>762,680</u>	<u>496,901</u>	<u>265,779</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>465,120</u>	<u>757,632</u>	<u>292,512</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	1,280,732	-	(1,280,732)
Transfers to other funds	-	(164,993)	(164,993)
Total other financing sources (uses)	<u>1,280,732</u>	<u>(164,993)</u>	<u>(1,445,725)</u>
NET CHANGE IN FUND BALANCE	1,745,852	592,639	(1,153,213)
FUND BALANCE - BEGINNING OF YEAR	<u>486,808</u>	<u>1,368,711</u>	<u>881,903</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,232,660</u>	<u>\$ 1,961,350</u>	<u>\$ (271,310)</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

SOUTH BEEBE DRAW METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
STORM DRAINAGE SPECIAL REVENUE FUND
Year Ended December 31, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Storm drainage operating fees	\$ 292,000	\$ 297,000	\$ 296,790	\$ (210)
System development fees	21,280	175,000	174,830	(170)
Interest	30	-	-	-
Total revenues	313,310	472,000	471,620	(380)
EXPENDITURES				
<u>General</u>				
Audit	1,000	-	-	-
District management and accounting	20,000	38,000	37,782	218
Engineering	35,000	22,500	22,670	(170)
Fee collection	1,000	-	-	-
Insurance and bonds	1,000	-	-	-
Legal	6,000	31,000	30,733	267
Miscellaneous	2,000	1,400	1,351	49
Permits	1,000	3,000	3,050	(50)
Repairs and maintenance	15,000	3,800	3,830	(30)
Storm drainage costs	65,000	81,000	80,668	332
Support services	25,000	121,000	120,738	262
Utilities	2,000	200	182	18
Utility billing	25,000	-	-	-
Water assessments	7,000	-	-	-
Water wells	8,000	7,100	7,088	12
Total expenditures	214,000	309,000	308,092	908
NET CHANGE IN FUND BALANCE	99,310	163,000	163,528	528
FUND BALANCE - BEGINNING OF YEAR	412,166	356,931	356,931	-
FUND BALANCE - END OF YEAR	\$ 511,476	\$ 519,931	\$ 520,459	\$ 528

These financial statement should be ready only in connection with
the accompanying notes to financial statements.

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 1 - DEFINITION OF REPORTING ENTITY

South Beebe Draw Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado was organized on April 23, 1985, and is governed pursuant to provisions of the Colorado Special District Act. The District was organized in Adams County, Colorado, and its boundaries extend into Weld County. The District is one of six contiguous districts - the District, Bromley Park Metropolitan District Nos. 2, 3, 5 and 6 and Brighton Crossing Metropolitan District No. 4 (the Districts, BPMD Nos. 2, 3, 5 or 6 and BC). As of December 31, 2016, all the Districts, with the exception of BPMD No. 2 and BC, have substantially the same membership of their respective boards of directors. The District, BPMD Nos. 2 and 3 and BC are participants in the Annexation Agreement, as amended (Annexation Agreement), between the City of Brighton (City) and the then current developer of the majority of the property within the Districts, BPK Holdings, LLC (BPK). BPMD Nos. 5 and 6 were formed in 2000, and both BPMD Nos. 5 and 6, with the exception of a few parcels, are mostly located in the City. BPMD Nos. 5 and 6 are participating in the Annexation Agreement, as amended.

Pursuant to the Intergovernmental Agreement Regarding Sales and Use Taxes (Sales and Use Tax IGA) entered into on August 4, 1995, between BPK, the District, BPMD Nos. 2 and 3 and BC, the District was designated by BPK to receive and administer all sales and use taxes remitted under the Annexation Agreement, as amended, by the City and to apply the receipts to the common benefit of BPMD No. 2 and 3 and BC, and later, under separate agreements, to the benefit of BPMD Nos. 5 and 6 and Adams East Metropolitan District (Adams East) as revenue pledged for debt service on bonds which funded improvements within those districts and benefitted all Districts.

On March 21, 2000, and amended on July 21, 2004, the District, BPMD Nos. 2 and 3 and BC entered into an Interdistrict Regional Facilities Intergovernmental Agreement, which expanded the responsibilities of the District to include coordination of construction, operation and maintenance of regional facilities with ownership retained by the District. Funding for the regional facilities are from certain fees collected by BPMD Nos. 2 and 3 and BC and transferred to the District (see Note 9).

The District was established principally to provide water, sanitary sewer and storm drainage services, and to provide for the construction, installation, financing, operation and maintenance of streets, park and recreation, mosquito control, transportation and television relay systems and improvements, in addition to the water, sanitary sewer and storm drainage improvements to areas within and outside the boundaries of the District.

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

SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - DEFINITION OF REPORTING ENTITY (CONTINUED)

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set 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 District is not financially accountable for any other District organization nor is the District a component unit of any other primary governmental entity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as net position.

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.

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

SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 related cash flows.

Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for property and equipment are shown as increases in assets and redemption of bonds, notes and developer advances are recorded as a reduction in liabilities.

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes, specific ownership taxes and sales and use taxes. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation paid. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.

The Storm Drainage Special Revenue Fund is used to account for revenues earned and expenditures incurred in connection with the storm drainage.

The Debt Service Fund accounts for the resources accumulated and payments made for principal, interest and related expenses on the long-term general obligation debt of the District, with the exception of the debt service on the District's 2004 Revenue Bonds and the 2007 and 2010 Revenue Notes.

The Debt Service - Storm Drainage Fund accounts for the resources accumulated and payments made for principal, interest and related expenses of the Taxable Contingent Storm Drainage Facility Fee Revenue Bonds, Series 2004, dated April 13, 2004.

The Debt Service Fund - Revenue Note Fund accounts for the resources accumulated and payments made for principal, interest and related expenses of the Revenue Notes - Series 2010, dated March 31, 2010.

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Debt Service - Lochbuie Fund accounts for the resources accumulated and payments made for principal, interest and related expenses for the Revenue Note, Series 2007.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted first, then unrestricted resources as they are needed.

Budgets

In accordance with the Local Government Budget Law of Colorado, the District's board of directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. 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 2016 budget included appropriations for Debt Service - Sewer Fund and Debt Service - Sewer Line Connection Fund; however, no expenditures were incurred during 2016 for these funds. In accordance, budget schedules are not presented.

The District's board of directors amended the total appropriations for the following funds:

Fund	Original Budget	Final Budget
Storm Drainage Special Revenue Fund	\$ 214,000	\$ 309,000
Debt Service Fund	\$ -	\$ 144,101
Debt Service - Storm Drainage Fund	\$ 133,100	\$ 210,500
Debt Service - Lochbuie Fund	\$ 561,500	\$ 562,701
Capital Projects Fund	\$ 6,636,260	\$ 9,917,525

Pooled Cash and Investments

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 single account. 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.

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are 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 of resources in the year they are levied and measurable. The deferred inflows of resources related to property tax revenues are recorded as revenue in the year they are available or collected.

Capital Assets

Capital assets, which include equipment and infrastructure assets (e.g. wastewater treatment plant, storm drainage, water wells and similar items) are reported as a governmental activity in the governmental-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. It is the District's policy to capitalize those assets with a cost or value of \$5,000 or more.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements that will be dedicated to other governmental entities are not depreciated. Improvements to be owned by the District are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Land, easements, and water rights are not depreciated. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Wastewater treatment plant	40 years
Storm drainage	40 years
Water wells	50 years
Equipment	10 years

Fund Balances – Governmental Funds

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned and unassigned. Because circumstances differ among governments not every government or every governmental fund will present all of these components.

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonspendable fund balance – the amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact.

Restricted fund balance – the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level of action to remove or change the constraint.

Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the District board of directors or by an official or body to which the District board of directors delegates the authority.

Unassigned fund balance – amounts that are available for any purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District board of directors has provided otherwise in its commitment or assignment actions.

Fees

The District imposes certain system development, impact and storm drainage fees on property within the Districts. The fees are required to be paid prior to the issuance of a building permit by the City, the Town, Adams County or Weld County. The District records the revenue when the fees are paid.

NOTE 3 - CASH AND INVESTMENTS

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

Statement of net position:

Cash and investments – unrestricted	\$1,912,506
Cash and investments – restricted	<u>928,219</u>
Total	<u>\$2,840,725</u>

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

Cash deposits	\$2,538,727
Investments	<u>301,998</u>
Total	<u>\$2,840,725</u>

SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Cash Deposits

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. 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 for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. 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.

At December 31, 2016, the District's cash deposits had a bank balance of \$2,558,190 and a carrying balance of \$2,538,727.

Investments

Credit Risk

The District has not adopted a formal investment policy, however, the District follows state statutes regarding investments.

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
- . Certain international agency securities
- . General obligation and revenue bonds of U.S. local government entities
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements collateralized by certain authorized securities
- * Certain money market funds
- . Guaranteed investment contracts
- * Local government investment pools

The District generally limits its concentration of investments to those noted with an asterisk (*) above, which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial risk for investments that are in the possession of another party.

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

The local government investment pool, which includes the Colorado Local Government Liquid Asset Trust (Colotrust) is rated AAAM by S&P Global. The Wells Fargo Government Money Market Fund is rated AAAM by S&P Global and Aaa-mf by Moody's.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the board of directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

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

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Local Government Liquid Asset Trust	Weighted average under 60 days	\$ 6,015
Wells Fargo Government Money Market Fund	Weighted average under 60 days	<u>295,983</u>
Total Investments		<u>\$ 301,998</u>

COLOTRUST

During 2016, the District invested in Colotrust, which is an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing Colotrust. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. Colotrust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities 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. A designated custodial bank serves as custodian for Colotrust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for Colotrust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by Colotrust. As of December 31, 2016, the District had \$6,015 invested in COLOTRUST PLUS+ in the name of the District.

SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Wells Fargo Government Money Market Fund

During 2016, the District invested in the Wells Fargo Government Money Market Fund. This fund invests in short-term money market instruments that consist of U.S. Government obligations and repurchase agreements collateralized by U.S. Government obligations. As of December 31, 2016, the district had \$295,983 invested in the Wells Fargo Government Money Market Fund.

Cash and investments are restricted for the following purposes:

Bond Funds

Cash and investments in the following amounts are restricted for use in the fund designated:

2010 Revenue Note

Cash and investments in the amount of \$632,614 are restricted as pledged revenues for security for the District's Series 2010 Refunding Revenue Note.

2007 Revenue Note – Lochbuie

Cash and investments in the amount of \$295,605 are restricted as pledged revenues for security for the District's Series 2007 Revenue Note.

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 4 - CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>Balance at December 31, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2016</u>
Capital assets, not being depreciated				
Easements	\$ 4,387,864	\$ -	\$ -	\$ 4,387,864
Water rights	157,267	-	-	157,267
Construction in process	4,805,727	-	-	4,805,727
Total capital assets, not being depreciated	<u>9,350,858</u>	<u>-</u>	<u>-</u>	<u>9,350,858</u>
Capital assets, being depreciated				
Waste water treatment plant	3,291,446	-	-	3,291,446
Storm drainage	8,036,883	-	-	8,036,883
Water wells	1,230,217	-	-	1,230,217
Equipment	33,188	-	-	33,188
Total capital assets, being depreciated	<u>12,591,734</u>	<u>-</u>	<u>-</u>	<u>12,591,734</u>
Less accumulated depreciation:				
Waste water treatment plant	(493,446)	(82,286)	-	(575,732)
Storm drainage	(2,215,642)	(200,922)	-	(2,416,564)
Water wells	(430,536)	(24,604)	-	(455,140)
Equipment	(10,234)	(3,319)	-	(13,553)
Total accumulated depreciation	<u>(3,149,858)</u>	<u>(311,131)</u>	<u>-</u>	<u>(3,460,989)</u>
Total capital assets, being depreciated, net	<u>9,441,876</u>	<u>(311,131)</u>	<u>-</u>	<u>9,130,745</u>
Total capital assets, net	<u>\$ 18,792,734</u>	<u>\$ (311,131)</u>	<u>\$ -</u>	<u>\$ 18,481,603</u>

Upon completion of construction and financing obligations, the District intends to convey water, sewer and street infrastructure to the City for maintenance and ownership. The District will own and maintain its water wells, as well as the regional storm drainage infrastructure.

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 5 - LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term obligations for the year ended December 31, 2016:

	Balance at December 31, 2015	Additions	Retirements/ Adjustments	Balance at December 31, 2016
Series 1996 G.O. Bonds	\$ 56,891	\$ -	\$ (56,891)	\$ -
Series 2004 Storm Drainage Fee Revenue Bonds	2,931,017	-	(120,600)	2,810,417
Wells Fargo Revenue Note - Lochbuie WWTP - 2007	1,426,618	-	(501,857)	924,761
Wells Fargo Revenue Note - Series 2010	758,566	-	(137,418)	621,148
Storm drainage facility fee credit certificates	5,400,352	405,026	-	5,805,378
Developer advances				
The Theodore R. Shipman Living Trust and				
RAL Holdings, LLC	417,641	-	-	417,641
RAL Holdings, LLC	426,420	-	-	426,420
BPK	62,420	-	-	62,420
Accrued interest on advances	385,769	59,084	-	444,853
	<u>\$ 11,865,694</u>	<u>\$ 464,110</u>	<u>\$ (816,766)</u>	<u>\$ 11,513,038</u>

The details of the District's long-term obligations are as follows:

General Obligation Bonds Series 1996

On August 2, 1996, the District issued its General Obligation Bonds, Series 1996. The outstanding principal plus accrued interest of \$87,210 were paid in January 2016.

Taxable Contingent Storm Drainage Facility Fee Revenue Bonds Series 2004

On April 13, 2004, the District issued \$4,000,000 in Taxable Contingent Storm Drainage Facility Fee Revenue Bonds Series 2004. The bonds mature on January 1, 2034 and are payable from pledged revenues, which are storm drainage facility fees received by the District after April 1, 2004. Interest is payable semiannually on January 1 and July 1 at an interest rate which is contingent upon the amount of pledged revenues received in any semiannual period. If the District has collected not less than \$79,360 of pledged revenue during the applicable semiannual period, the bonds shall be deemed to have borne interest from the previous interest payment date at the rate of 5% per annum. However, if the District has collected less than \$79,360 in pledged revenues, the interest rate for the current interest payment date shall be at the rate of zero percent (0%) per annum. Any pledged revenues collected during the semiannual period that are in excess of the semiannual interest due are applied to bond principal. During 2016, the interest rate on the bonds was 5%. Because these bonds are entirely dependent upon receipt of storm drainage facility fees, no debt service schedule for these bonds can be determined.

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Revenue Note - Lochbuie WWTP - Series 2007

On July 20, 2007, the District executed a revenue note, Series 2007, in the amount of \$3,850,000, with an interest rate of 4.5%. Interest was due on the outstanding principal beginning December 1, 2007 and is due annually thereafter until the maturity date of December 15, 2017. The note is a limited and special obligation of the District, payable from and secured by an irrevocable assignment and pledge of the Plant Investment Fee (PIF) of the District. The note is subject to optional redemption prior to the maturity date at any time upon 30 days notice to the registered owners at a price equal to 100% of the principal amount received plus accrued interest to the date of redemption. The note was issued and authorized for the purpose of financing improvements to the Lochbuie wastewater treatment plant, and paying the costs of issuance of the note. In accordance with the note provisions, a reserve fund was established in 2007. The reserve fund requirement is set at \$385,000 and, as of December 31, 2016, the reserve fund had a balance of \$294,874. Funds were transferred in June 2017 to bring the balance to the required amount. Accrued interest on the note at December 31, 2016 totaled \$1,824. At December 31, 2016, the estimated cash requirement on the note is as follows:

Revenue Note - Lochbuie WWTP - Series 2007			
	Principal	Interest	Total
2017	\$ 924,761	\$ 35,306	\$ 960,067
	\$ 924,761	\$ 35,306	\$ 960,067

Revenue Note – Storm Drainage – Series 2010

On March 31, 2010, the District issued a revenue note in the amount of \$1,354,339. Interest and principal on the note is paid annually on March 31, commencing March 31, 2014, with an interest rate of 4.95%. The note is a limited and special obligation of the District payable from and secured by an irrevocable assignment and pledge of a portion of the storm drainage facility fee of the District, plus all other legally available revenues of the District. The note was issued for purposes of refunding both the 2006A and 2006B revenue notes. Accrued interest on the note at December 31, 2016 totaled \$23,081. At December 31, 2016, the estimated cash requirement on the note is as follows:

Revenue Note - Storm Drainage - Series 2010			
	Principal	Interest	Total
2017	\$ 144,221	\$ 30,747	\$ 174,968
2018	151,360	23,608	174,968
2019	158,852	16,115	174,967
2020	166,715	8,252	174,967
	\$ 621,148	\$ 78,722	\$ 699,870

SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Storm Drainage Facility Fee Credit Certificates

On December 1, 2001, the District issued 20 storm drainage facility fee credit certificates, Series 2001 (Certificates) to The Bromley Companies, L.L.C. in exchange for the construction and conveyance to the District by the Bromley Companies, L.L.C. of \$2,400,000 of certain storm drainage facilities. The Certificates increase in face value at the rate of 7.5% per year. At December 31, 2016, the face value of the outstanding Certificates was \$5,805,378.

On June 1, 2016, The Bromley Companies, L.L.C. assigned all of the Certificates to Robert A. Lembke and Theodore R. Shipman, as equal owners. On June 8, 2016, Robert A. Lembke and Theodore R. Shipman assigned their respective interests in Certificates 5 through 19 to RAL Holdings, L.L.C. (RAL Holdings) and The Theodore R. Shipman Living Trust (The Shipman Trust), to be held equally.

On February 28, 2017, the District, Robert A. Lembke, Theodore R. Shipman, RAL Holdings and The Shipman Trust entered into a storm drainage facility fee credit certificate agreement (Certificate Agreement). Under the Certificate Agreement, the District agreed to reissue, with the presentation of the original Certificates to the District for cancellation, 15 Certificates to RAL Holdings and 15 Certificates to The Shipman Trust in the face amount of \$50,000 each, with each such reissued Certificate having the same date, terms and conditions as the original certificates. Pursuant to the terms of the Certificate Agreement, at the option of the District, the Certificates may be redeemed by providing not less than twenty days written notice to the Certificate's owner. During 2017, the District elected to redeem Certificates 1 through 4 and Certificate 20 in the amount of \$1,339,703 under the terms of the Certificate Agreement.

Advance and Reimbursement Agreements

Developer Advances – The Bromley Companies (Assigned to The Theodore R. Shipman Living Trust and RAL Holdings, LLC)

The District entered into an advance and reimbursement agreement with The Bromley Companies, LLC, on August 25, 1994. The agreement stipulated that the District shall reimburse The Bromley Companies, LLC, for any advances made to the District for construction, maintenance and operating costs. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements and debt service costs and expenses of the District. This agreement was amended and restated on June 1, 2016 pursuant to the Amended and Restated Agreement by and between the District and The Bromley Companies, LLC, which (1) restated the terms of the original agreement concerning advances to the District and reimbursement of those advances and (2) provided that the interest rate applied to all outstanding advances, current and future is 7% per annum. The Amended and Restated Agreement was assigned by The Bromley Companies, LLC to The Theodore R. Shipman Living Trust (50%) and RAL Holdings, LLC (50%) pursuant to the Assignment Re Advance and Reimbursement entered into on June 8, 2016. At December 31, 2016, the outstanding advance under the 2016 Amended and Restated Agreement was \$417,641.

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Developer Advances – Equity Exchange Services (Assigned to RAL Holdings, LLC)

The District entered into an advance and reimbursement agreement with Equity Exchange, LLC, on September 26, 2006. The agreement stipulated that the District shall reimburse Equity Exchange, LLC, for any advances made to the District for construction, maintenance and operating costs, together with interest at the rate of 7% per annum. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements, and debt service costs and expenses of the District. The agreement was assigned by Equity Exchange, LLC to RAL Holdings, LLC pursuant to the Assignment Re Advance and Reimbursement Agreement entered into on June 8, 2016. At December 31, 2016, the outstanding advance under the 2006 agreement was \$426,420.

Developer Advances - BPK

As of December 31, 1988, the District had affirmed certain advances to BPK made for the benefit of the District for organizational costs including engineering. The advances do not bear interest and were intended to be repaid when funds are available. The outstanding principal of \$62,420 was paid in February 2017.

Authorized Debt

On November 4, 2014 (which included re-authorization of certain amounts authorized November 6, 2012 plus additional authorizations), a majority of the eligible electors of the District authorized the issuance of indebtedness in an amount not to exceed \$750,000,000, at an interest rate not to exceed 18% per annum. At December 31, 2016, the District had authorized and unissued indebtedness from these elections in the following amounts allocated for the following purposes:

	Total Authorized	Remaining at December 31, 2016
Streets	\$ 25,000,000	\$ 25,000,000
Water supply improvements	150,000,000	150,000,000
Sewer and drainage	20,000,000	20,000,000
Safety protection	5,000,000	5,000,000
Intergovernmental agreement	100,000,000	100,000,000
Transportation	50,000,000	50,000,000
Operations and maintenance	25,000,000	25,000,000
Refunding financial obligations	375,000,000	375,000,000
	<u>\$ 750,000,000</u>	<u>\$ 750,000,000</u>

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 6 – FUND EQUITY

At December 31, 2016, the District reported the following classifications of fund equity.

Restricted Fund Balance

The restricted fund balance in the General Fund in the amount of \$37,700 is comprised of the emergency reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado.

The restricted fund balance in the Debt Service Funds in the amount of \$734,387 is to be used exclusively for debt service requirements.

Committed Fund Balance

The committed fund balance in the Storm Drainage Special Revenue Fund in the amount of \$520,459 is comprised of amounts committed by the board of directors by a resolution for storm drainage operations.

Deficit Fund Balance

The Debt Service Fund - Lochbuie reported a deficit in the fund financial statements in the amount of \$213,924 as of December 31, 2016. The District anticipates this deficit will be eliminated with the receipt of plant investment fees in 2017.

The Debt Service Fund - Storm Drainage reported a deficit in the fund financial statements in the amount of \$35,457 as of December 31, 2016. The District anticipates this deficit will be eliminated with fund transfers in 2017.

NOTE 7 - NET POSITION

The District's net position consists of three components – net investment in capital assets, restricted and unrestricted.

The net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets. As of December 31, 2016, the District had net investment in capital assets in the amount of \$11,268,796 calculated as follows:

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 7 - NET POSITION (CONTINUED)

	Governmental Activities
Net investment in capital assets:	
Capital assets, net	\$ 18,481,603
Current portion of long-term obligations	(1,068,982)
Noncurrent portion of long-term obligations applicable to capital assets	(6,143,825)
Net investment in capital assets	\$ 11,268,796

Restricted net position includes amounts that are restricted for use either externally by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position at December 31, 2016 of \$749,006 consisting of pledged revenues of \$711,306 associated with the Series 2004 bonds and Series 2007 and 2010 notes and emergency reserves of \$37,700.

As of December 31, 2016, the District had a deficit unrestricted net position of \$2,107,327. This deficit amount is the result of the District being responsible for the repayment of long-term obligations issued for public improvements which were conveyed to other governmental entities.

NOTE 8 - RELATED PARTIES

The members of the board of directors of the District, BPMD Nos. 3, 5 and 6 and Adams East are employees of, owners of or associated with BPK and/or the Bromley Companies, L.L.C., and/or Bromley Park Industrial Land Company, LLC, and/or Equity Exchange, LLC, and/or RAL Holdings, and/or The Shipman Trust (referred to herein as the Affiliates) and may have conflicts of interest in dealing with the District. BPK is the current owner of part of the property previously owned in the District by Bromley Park Associates, Ltd. and the current holder of the BPK Developer Advance (see Note 5). RAL Holdings, is the current holder of a 50% interest in the 2016 Amended and Restated Advance and Reimbursement Agreement, the current holder of the 2006 Advance and Reimbursement Agreement and a current holder of a 50% interest in the Storm Drainage Facility Fee Credit Certificates (see Note 5). The Shipman Trust is the current holder of a 50% interest in the 2016 Amended and Restated Advance and Reimbursement Agreement and a current holder of a 50% interest in the Storm Drainage Facility Fee Credit Certificates (see Note 5). Specific details of transactions with the Affiliates regarding organization, advances and debt are described elsewhere in these footnotes.

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 9 - INTERGOVERNMENTAL AGREEMENTS

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

City of Brighton

Pursuant to (1) the Annexation Agreement, as amended by the first, second, third and fourth amendments, among BPK, the City, the District, BPMD Nos. 2 and 3 and BC, (2) Agreement 2 among BPK, the City, Adams County, the District and BC, and (3) the Interdistrict IGA, as amended, among the District, BPMD Nos. 2 and 3 and BC (see Note 1), the parties have the following mutual responsibilities:

In general, the Districts and BPK or assignees are to install improvements and transfer the installed facilities, except for certain specified improvements, to the City for ownership, maintenance and operation.

Streets - Bromley Lane was improved by funding from the City, BPK, and the Districts. The City is to reimburse BPK for certain sections over a five-year period or require landowners to pay their pro rata share plus interest to the Districts when annexed to the City. The Districts are to pay for their certain sections when development dictates. In 2001, BC transferred the responsibility to plant and maintain the medians to BPMD No. 5.

Streets are to be developed and installed, but if completed by BPK or the Districts, the City will reimburse the Districts for a portion of the costs incurred. The Districts agree to perform street reconstruction and asphalt overlays on all streets as requested from the City as long as the sales and use taxes are remitted by the City. Other streets are to be constructed by the Districts and transferred to the City for perpetual maintenance.

Water - On May 28, 1996, a third amendment to the Annexation Agreement was completed which stipulated that the City would provide water service to the Bromley Park Property to full development as determined under the Phase Master Plans under certain conditions. Of the City's water plant investment fee, \$300 is paid to or retained by the District. In consideration of the developer designing all irrigation systems after December 8, 1998, so that they are capable of being converted to a nonpotable water system, the City will provide water taps for certain public areas at no charge.

Sewer - The City is to provide sewage collection and treatment capacity to the full development of the Bromley Park Property. Pursuant to the fourth amendment to the Annexation Agreement, dated October 24, 1997, the City has fulfilled its obligation to provide wastewater treatment facilities for the property draining into the Beebe Draw Basin by execution of the Beebe Draw Wastewater Service Agreement with the Town. The City remains obligated to provide transmission and treatment service to the property draining in the South Platte Basin. The District or BPK is obligated to install, at its expense, all sanitary sewer collection and transmission lines and facilities as stipulated in the Sanitary Sewer Master Plan..

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 9 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

Storm Drainage – Pursuant to the Annexation Agreement, as amended, the City agrees to provide all offsite storm drainage improvements for the Bromley Park Property. The third amendment to the Annexation Agreement provides that the District may undertake to provide storm drainage to property within the District, District Nos. 2 and 3 and BC, as well as adjoining properties. In such event, the District would pay for offsite improvements and the City shall forego collecting drainage fees and reimbursement. The Districts and/or BPK are to construct all onsite storm drainage improvements.

Sales and Use Tax - Until the earlier of December 16, 2026, or the repayment of the Districts' outstanding debt related to the funding of facilities and services within the Districts' service area, the City agrees to remit annually one third (1/3) of the sales and use taxes (excluding the .75% recreation sales and use tax) generated and collected within the Bromley Park Property (as defined in the second amendment to Annexation Agreement) to the District. The Sales and Use Tax IGA and the Interdistrict IGA, as amended, allow for the sharing of this revenue among the District, BPMD Nos. 2 and 3 and BC. Pursuant to the Sales and Use Tax IGA, the use of funds is determined by the board of directors of the District (see Note 1).

The District entered into the Intergovernmental Agreement to Designate Funds to Support Bonds with BPMD No. 5 on February 23, 2010, as amended on March 31, 2010, whereby BPMD No. 5 would receive a portion of the sales tax revenue allocable to the property within BPMD No. 5, as collected by the District, to be used toward principal and interest payments on the BPMD No. 5 General Obligation Bonds, Series 2010, for as long as those Series 2010 bonds remain outstanding. Any of the designated sales tax revenue that was deemed not necessary by BPMD No. 5 to make the bond payments is to be remitted back to the District. During the year ended December 31, 2016, no funds were remitted back to the District under this agreement.

On February 23, 2010, the District also entered into the Intergovernmental Agreement to Designate Funds to Support Bonds with BPMD No. 6, as amended March 31, 2010, whereby BPMD No. 6 would receive a portion of the sales tax revenue allocable to the property within BPMD No. 6, as collected by the District, to be used toward principal and interest payments on the BPMD No. 6 General Obligation Bonds, Series, 2010, for as long as those Series 2010 bonds remain outstanding. Any of the designated sales tax revenue that was deemed not necessary by BPMD No. 6 to make the bond payments was remitted back to the District. The BPMD No. 6 Series 2010 Bonds were paid in full in December 2016. Subsequently, the termination of the Intergovernmental Agreement to Designate Funds to Support Bonds was memorialized in a joint resolution adopted by the boards of directors of the District and BPMD No. 6 on January 24, 2017.

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 9 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

Beebe Draw Wastewater Service Agreement

On November 4, 1997, the District, BPMD Nos. 2 and 3 and BC entered into the Beebe Draw Wastewater Services Agreement with the City and the Town to provide a comprehensive program to finance, design, construct, acquire, operate, maintain, and use wastewater treatment and discharge facilities serving properties within the Beebe Draw drainage basin. This agreement was amended on August 14, 2009 by the First Amended and Restated Beebe Draw Wastewater Service Agreement (2009 WSA) between the City, the Town and the District. The terms of the 2009 WSA amended and restated the 1997 agreement in its entirety, redefined the Beebe Draw Service Area, addressed future annexations east of Interstate 76, redirected certain services to the City, outlined conditions for expansion of the treatment plant, provided general rules for wastewater treatment service, established provisions for capital funding using Plant Investment Fees (PIFs) and operation and maintenance funding, provided for the Lochbuie Sewer Board, outlined specific terms for the construction of additional infrastructure within the Town or City by the District (which is not anticipated), and provided for rates and charges to be imposed and collected. The District is responsible for constructing and financing certain sewer lines and receives fees from all areas served by the lines, including property within the District. PIFs are due for connections to the sewer system for treatment facilities within the corporate limits of the Town to be paid directly by builders to the Town. Future expansion of the facilities will be coordinated under the terms of this agreement.

Further, under the agreement, the City and Town are to collect and remit to the District certain fees equal to the greater of \$1,301.60 or 40% of the applicable PIF imposed by the Town for a sewer tap connection. The District's sewer line connection fee at December 31, 2016 was \$1,301.60.

Amended and Restated Storm Drainage Management Agreement

On March 19, 1997, the District, the Beebe Draw Drainage Company, LLC (later converted to the Beebe Draw Drainage Partnership) and the Farmers Reservoir and Irrigation Company (FRICO) entered into the Storm Drainage Management Agreement, as amended on March 7, 2000, wherein the District acquired the right to discharge storm water from property within the the District, BPMD Nos. 2 and 3, BC and the Beebe Draw Drainage area into the storm drainage and maintenance facilities owned and operated by Beebe Draw Drainage Company, LLC. The District agreed to collect and pay certain fees to FRICO to defray the cost of drainage improvements required to serve the Property, as described in the Storm Drainage Management Agreement.

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 9 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

On April 13, 2004, the District entered into a Global Settlement Agreement whereby the Storm Drainage Management Agreement of March 19, 1997, was replaced and superseded by an Amended and Restated Storm Drainage Management Agreement (Amended and Restated Agreement) entered into by Weld County Drainage, LLC, FRICO and the District. Under this Amended and Restated Agreement a portion of the District's storm drainage development fee is pledged to the payment of the Taxable Contingent Storm Drainage Facility Fee Revenue Bonds Series 2004 (Series 2004 Bonds). The amount pledged is adjusted annually for increases in the Consumer Price Index.

For 2016, the amount of the storm drainage development fee pledged to the Series 2004 Bonds was \$512. An additional \$92 is also pledged to Weld County Drainage, LLC for the payment of a storm drainage easement fee. In addition, the District purchased from the Beebe Draw Drainage Company for \$4,000,000, the rights to a perpetual, nonexclusive easement to discharge storm water into the Beebe Seep Canal as contemplated by the Master Drainage Plan.

Infrastructure and System Development Fees

The District can impose certain infrastructure and system development fees on property within the District. Pursuant to a Development Agreement between the District, BPMD No. 2 and the City dated April 17, 1998, and a Joint Resolution of the District, BPMD Nos. 2 and 3 and BC dated March 7, 2000, the City agreed to collect an infrastructure fee of not less than \$1,000 and a system development fee of not less than \$1,250 upon issuance of a building permit for each single-family home. The Districts agree to use the system development fees for public improvements such as the construction of parks, street crossings and traffic improvements. At December 31, 2016, the infrastructure fee was \$1,853 per unit for single family attached, single family detached, and low density multi-family units, and the system development fee was \$2,128 per single family attached, single family detached, low density multi-family and high density multi-family units.

Northeast Regional Infrastructure Project Agreement

In 2002 the State of Colorado approved the Northeast Regional Infrastructure Plan-Beebe Draw to be included in the Adams County Enterprise Zone Development Plan, of which certain projects of the District are included. Pursuant to the Northeast Regional Infrastructure Project Agreement between the District and Adams County Economic Development, Inc. (ACED), the District may receive contributions from developers in lieu of developer fees. The contributions may be claimed as tax credits by the contributing developers. In 2006 the District used these funds to refund Gateway for funds previously paid to the District to cover the sewer trunk line extension project.

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 9 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

Town of Lochbuie - Wastewater Service Agreement

On July 19, 2007, the board of directors entered into a Wastewater Service Agreement with the Town whereby the District agreed to pre-purchase Plant Investment Fee Credits from the proceeds of a Revenue Note issued to Wells Fargo Bank in the amount of \$3,850,000. The Town and the District agree that the funds advanced by the District shall be used exclusively for the payment of the project costs related to the Lochbuie Wastewater Treatment Plant expansion and shall not be used for any other purpose.

Town of Lochbuie Agreement for Purchase of Wastewater Plant Investment Certificates and Issues Related to the Expansion of the Lochbuie Wastewater Treatment Plant

On July 19, 2007, the board of directors of the District entered into an Agreement for the Purchase of Wastewater Plant Investment Certificates and Concerning Issues Related to the Expansion of the Lochbuie Wastewater Treatment Plant. The District agreed to purchase prepaid plant investment fees related to the Lochbuie Wastewater Treatment Plant expansion and shall not be used for any other purpose.

Platte River Water Development Authority

On April 22, 2010, Sand Hills Metropolitan District (Sand Hills) and United Water & Sanitation District (United) entered into a contract to form the Platte River Water Development Authority (Authority or PRWDA) for the purpose of establishing a process for the financing, design, construction, acquisition, operation, maintenance and use of water facilities and services. On April 27, 2011, the members approved an amended contract for the purpose of adding the District as a party to the amended contract. Under the terms of the amended contract, Sand Hills, United and the District shall each appoint one director and such appointee may be a director of each district or may be an engineer, water attorney, manager, accountant or other consultant of each district.

The two remaining directors are appointed by joint resolution of the three districts. Each director appointed by joint resolution may be a director of any of the districts or may be an engineer, water attorney, manager, accountant or other consultant of any of the three districts.

Funding and Construction Agreement

On July 28, 2015, the District, acting by and through its 70 Ranch Water Activity Enterprise, entered into a Funding and Construction Agreement with the water activity enterprises of Sand Hills and United and with the Authority for a reservoir located in Weld County (70 Ranch Reservoir). Under the terms of the Funding and Construction Agreement, the Authority is the owner of the 70 Ranch Reservoir and is responsible for the design, bid, construction and installation of the 70 Ranch Reservoir. 70 Ranch, LLC, owns the real property on which the 70 Ranch Reservoir is being built and has provided a perpetual easement to the Authority for the 70

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 9 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

Ranch Reservoir. The Authority has the responsibility to allocate the capacity of the 70 Ranch Reservoir (estimated to be 5,500 acre-feet of storage) between all of the customers and service users.

Funding for the project is to be provided by the District, Sand Hills and United. The maximum construction contribution amount to be provided by the District and Sand Hills from tax revenues received is \$16.5 million. United is obligated to advance funds for construction in excess of District and Sand Hills contributions in an amount sufficient to fully fund the construction costs. The Authority may require other users of the 70 Ranch Reservoir to contribute to the construction costs and will reimburse each district according to their pro rata contributions to the construction costs.

The 70 Ranch Reservoir is being constructed in two phases. Phase I began construction in April 2015 and as of the date of the Funding and Construction Agreement, phase 1 was substantially complete. It is estimated that phase II construction will be completed on or about December 2017. For the year ended December 31, 2016, the District paid \$9,567,523 to the Authority in accordance with this agreement.

NOTE 10 - INTERFUND TRANSFERS

During 2016, the General Fund transferred \$20,892 to the Capital Projects Fund to fund capital expenditures. During 2016, the General Fund transferred \$144,101 to the Debt Service Fund to fund debt service payments on the General Obligation Bonds, Series 1996 (see Note 5).

NOTE 11 - RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors or omissions, injuries to employees or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2016. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials' liability, and workers compensation coverage. 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. Settled claims have not exceeded this coverage in any of the past three fiscal years.

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 12 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments, except Enterprises. On August 21, 2007, the board of directors of the District established the South Beebe Draw Water Activity Enterprise. The Enterprise shall consist of the business represented by all of the District's water facilities and properties for the Project, now owned or hereafter acquired. The Enterprise is not authorized and shall not receive 10% or more of its annual revenue in grants from all Colorado state and local governments combined. The Enterprise shall have no taxing power or authority of any kind. The Enterprise will execute such documents, incur such obligations, give such notices and make such certifications and filings as may be necessary to maintain its status as a water activity enterprise within the meaning of Section 37.45.1-102, C.R.S.

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 District's eligible electors 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.

In November 1994, a majority of the District's electors authorized the District to collect and spend or retain in reserve taxes of \$500,000 annually up to 40 mills and other revenue up to \$14,725,000 annually without regard to any limitations imposed by TABOR.

In November 2014, the District's eligible electors authorized the District to increase taxes \$25,000,000 annually or by a lesser annual amount as necessary to pay the District's operations, maintenance and other expenses, without limitation of mill levy and without regard to any spending, revenue-raising or other limitation contained within Article X, Section 20 of the Colorado Constitution, or Section 29-1-301, C.R.S. The eligible electors also authorized the District to collect, retain and spend any revenue from sources other than ad valorem taxes annually without regard to any limitations imposed by TABOR.

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 13 - LITIGATION

On June 17, 2016, the District was served with a summons and complaint from Infrastructure Projects of America, LLC, EFM & Associates, LLC, Loelgen Investment Company, LLC, and Annmar Equities, LLC (collectively, the Plaintiffs). The complaint alleges breach of contract, unjust enrichment and claims money is owed, all in connection with the Taxable Contingent Storm Drainage Facility Fee Revenues Bonds, Series 2004, issued by the District in the principal amount of \$4,000,000 (the IPA Bonds). Interest and principal payable on the IPA Bonds are contingent on collections of storm drainage facility fees in amounts sufficient to meet the thresholds for payment pursuant to the bond resolution. The District has kept records of payments on the bonds since their issuance and has kept records of the amount of fees collected within the properties whose fees are pledged to payment of the IPA Bonds and does not believe there are any amounts due or owing to the Plaintiffs. The District's audited financial statements do not indicate any failure of payment by the District since the issuance of the IPA Bonds. Accordingly, the District denied all of the Plaintiffs' claims for relief. The case is now at issue and a trial has been set by the court to begin in December 18, 2017. The District does not believe this litigation will negatively affect its financial position.

NOTE 14 - RESTATEMENT

During the year ended December 31, 2016, it was determined that the District's obligation for the issuance of storm drainage facility fee credit certificates in exchange for the construction and conveyance of assets had not been properly reflected in the Statement of Net Position (see Note 5). Therefore, the District's beginning net position of the governmental activities is being restated as follows:

Net position as originally reported December 31, 2015	\$ 14,102,027
Adjustment to reflect storm drainage facility fee credit certificates	<u>(5,400,352)</u>
Net position as restated December 31, 2015	<u><u>\$ 8,701,675</u></u>

NOTE 15 - SUBSEQUENT EVENTS

Bill Barrett/Bonanza - On April 5, 2017, Bill Barret Corporation and Bonanza Creek Energy, Inc. (Plaintiffs), commenced an action against the District by filing a Complaint and Jury Demand, as well as their Forthwith *Ex Parte* Motion for Temporary Restraining Order and Preliminary Injunction. The Complaint seeks injunction relief against the District based on the alleged improper assessment of taxes, failure to confirm with service plans and failure to otherwise comply with the Special District Act. The Weld County district court entered a temporary restraining order on April 6, 2017.

SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 15 - SUBSEQUENT EVENTS (CONTINUED)

The District successfully pursued a motion to dismiss for lack of jurisdiction in the Weld County district court and moved the proceedings to Adams County District Court. On August 25, 2017, the Adams County district court denied the motion for preliminary injunction and granted the District's motion for forthwith disbursement of funds on deposit with the Weld County Treasurer. Plaintiffs have requested that the proceedings in Adams County be stayed while an appeal to the Court of Appeals proceeds on certain claims. The District has opposed the stay. The District does not believe this litigation will negatively affect its financial position.

Weld Adams Water Development Authority - On September 6, 2017, the District and United created Weld Adams Water Development Authority (WAWDA), a water resource authority. WAWDA was created for the purpose of establishing a process for the financing, design, construction, acquisition, operation, maintenance and use of water facilities and services.

Under the establishing contract for WAWDA, the District and United agreed to transfer certain assets to WAWDA in acknowledgement for certain assets, contracts and budgeted projects assigned to WAWDA from PRWDA. In September 2017, the District transferred \$5,775,828 as its initial contribution to WAWDA under this agreement. Future contributions by the District and United will be agreed upon from time to time by all parties based on project funding needs.

IPA Bonds - On July 26, 2017, the Court found in favor of the District on several motions for summary or partial summary judgment. The Plaintiffs have requested that a receiver be appointed for the District a hearing for which is scheduled for September 28, 2017. The District does not believe Plaintiffs will prevail at the receivership hearing.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

SOUTH BEEBE DRAW METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended December 31, 2016

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
<u>Debt Service</u>				
Principal - 1996 bonds	-	56,891	56,891	-
Interest - 1996 bonds	-	87,210	87,210	-
Total expenditures	-	144,101	144,101	-
EXCESS OF EXPENDITURES OVER REVENUES	-	(144,101)	(144,101)	-
OTHER FINANCING SOURCES				
Transfer from other funds	-	144,101	144,101	-
Total other financing sources	-	144,101	144,101	-
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ -	\$ -

SOUTH BEEBE DRAW METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE (DEFICIT)
BUDGET AND ACTUAL
DEBT SERVICE - STORM DRAINAGE FUND
Year Ended December 31, 2016

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Storm drainage fees	\$ 123,750	\$ 123,750	\$ 153,721	\$ 29,971
Total revenues	<u>123,750</u>	<u>123,750</u>	<u>153,721</u>	<u>29,971</u>
EXPENDITURES				
<u>General</u>				
Audit	1,000	-	-	-
District management and accounting	5,000	9,000	9,055	(55)
Legal	1,500	6,700	6,641	59
<u>Debt Service</u>				
Principal - 2004 bonds	125,000	120,600	120,600	-
Interest - 2004 bonds	-	74,000	74,050	(50)
Paying agent fees	600	200	150	50
Total expenditures	<u>133,100</u>	<u>210,500</u>	<u>210,496</u>	<u>4</u>
NET CHANGE IN FUND BALANCE	(9,350)	(86,750)	(56,775)	29,975
FUND BALANCE - BEGINNING OF YEAR	<u>20,501</u>	<u>21,318</u>	<u>21,318</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 11,151</u>	<u>\$ (65,432)</u>	<u>\$ (35,457)</u>	<u>\$ 29,975</u>

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE - REVENUE NOTE
Year Ended December 31, 2016**

	<u>Budget Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES			
Storm drainage fees	\$ 398,250	\$ 452,000	\$ 53,750
Total revenues	<u>398,250</u>	<u>452,000</u>	<u>53,750</u>
EXPENDITURES			
<u>General</u>			
Audit	1,000	-	1,000
District management and accounting	3,000	5,479	(2,479)
Legal	200	388	(188)
<u>Debt Service</u>			
Principal - 2010 note	137,418	137,418	-
Interest - 2010 note	37,549	37,549	-
Paying agent fees	2,000	-	2,000
Total expenditures	<u>181,167</u>	<u>180,834</u>	<u>333</u>
NET CHANGE IN FUND BALANCE	217,083	271,166	54,083
FUND BALANCE - BEGINNING OF YEAR	<u>320,856</u>	<u>463,221</u>	<u>142,365</u>
FUND BALANCE - END OF YEAR	<u>\$ 537,939</u>	<u>\$ 734,387</u>	<u>\$ 196,448</u>

SOUTH BEEBE DRAW METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE (DEFICIT)
BUDGET AND ACTUAL
DEBT SERVICE - LOCHBUIE FUND
Year Ended December 31, 2016

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Sewer plant investment fees	\$ 720,000	\$ 681,600	\$ 681,600	\$ -
Interest	-	-	18	18
Total revenues	<u>720,000</u>	<u>681,600</u>	<u>681,618</u>	<u>18</u>
EXPENDITURES				
<u>General</u>				
Fees collection	-	150	128	22
<u>Debt Service</u>				
Principal - 2007 note	501,857	501,857	501,857	-
Interest - 2007 note	58,143	60,444	60,444	-
Paying agent fees	1,500	250	250	-
Total expenditures	<u>561,500</u>	<u>562,701</u>	<u>562,679</u>	<u>22</u>
NET CHANGE IN FUND BALANCE	158,500	118,899	118,939	40
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	<u>(139,629)</u>	<u>(332,863)</u>	<u>(332,863)</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 18,871</u>	<u>\$ (213,964)</u>	<u>\$ (213,924)</u>	<u>\$ 40</u>

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
Year Ended December 31, 2016**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 6,144,685	\$ 9,355,000	\$ 9,355,018	18
Specific ownership taxes	491,575	541,000	541,035	35
Total revenues	<u>\$ 6,636,260</u>	<u>\$ 9,896,000</u>	<u>\$ 9,896,053</u>	<u>\$ 53</u>
EXPENDITURES				
<u>General</u>				
District management and accounting	15,000	27,000	27,090	(90)
County treasurer fees	-	140,325	140,325	-
Engineering	45,000	-	-	-
Legal	5,000	6,800	6,765	35
Storm water storage	55,000	-	-	-
Support services	25,000	118,100	118,074	26
Surveying and mapping	500	2,000	1,880	120
IGA - Water infrastructure projects	6,375,760	9,568,000	9,567,524	476
Well abandonment - FRICO	-	55,300	55,287	13
<u>Capital Outlay</u>				
Capital projects	115,000	-	-	-
Total expenditures	<u>6,636,260</u>	<u>9,917,525</u>	<u>9,916,945</u>	<u>580</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>-</u>	<u>(21,525)</u>	<u>(20,892)</u>	<u>633</u>
OTHER FINANCING SOURCES				
Transfer from other funds	-	21,525	20,892	(633)
Total other financing sources	<u>-</u>	<u>21,525</u>	<u>20,892</u>	<u>(633)</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

OTHER INFORMATION

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016**

	\$3,850,000		\$1,354,339		
	Revenue Note Series 2007 (1)		Revenue Note Series 2010		
	Dated July 20, 2007		Dated April 15, 2010		
	Interest Rate of 4.50%		Interest Rate of 4.95%		
	Principal and Interest Due on		Principal and Interest		
	June 15 and December 15		Due on March 31		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Notes</u>
2017	\$ 924,761	\$ 35,306	\$ 144,221	\$ 30,747	\$ 1,135,035
2018	-	-	151,360	23,608	174,968
2019	-	-	158,852	16,115	174,967
2020	-	-	166,715	8,252	174,967
	<u>\$ 924,761</u>	<u>\$ 35,306</u>	<u>\$ 621,148</u>	<u>\$ 78,722</u>	<u>\$ 1,659,937</u>

(1) Pledged by Plant Investment Fees revenue of \$3,200 for each single-family detached residence.

NOTE:

Because the Taxable Contingent Storm Drainage Facility Fee Revenue Bonds, Series 2004, are entirely dependent upon receipt of storm drainage facility fees, no debt service schedule for these bonds can be determined (see Note 5).