

SOUTH BEEBE DRAW METROPOLITAN DISTRICT  
Adams and Weld Counties Colorado

FINANCIAL STATEMENTS  
December 31, 2017

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Office of the State Auditor

July 30, 2018

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# SCHILLING & COMPANY, INC.

*Certified Public Accountants*

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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, 2017, 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, 2017, and the respective changes in financial position and the respective budgetary comparisons for the General Fund, Storm Drainage Special Revenue Fund, and Storm Drainage Easement 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  
July 30, 2018

## **BASIC FINANCIAL STATEMENTS**

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT**  
**STATEMENT OF NET POSITION**  
**December 31, 2017**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and investments - unrestricted	\$ 1,718,448
Cash and investments - restricted	1,095,288
Prepays	4,721
Accounts receivable	121,365
Receivable from county treasurer	43,054
Property taxes receivable	7,795,761
Retainer deposits	636,969
Due from other governments	185,083
Capital assets not being depreciated	4,545,131
Capital assets being depreciated (net of accumulated depreciation)	6,186,186
Total assets	<u>22,332,006</u>
<b>LIABILITIES</b>	
Accounts payable	654,481
Prepaid storm drainage maintenance fees	67,423
Due to other governments	28,234
Accrued interest on long-term obligations	17,722
Noncurrent liabilities:	
Due within one year	151,360
Due in more than one year	9,221,175
Total liabilities	<u>10,140,395</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred property tax revenue	7,795,761
Total deferred inflows of resources	<u>7,795,761</u>
<b>NET POSITION</b>	
Net investment in capital assets	5,192,912
Restricted	602,925
Unrestricted	(1,399,987)
Total net position	<u>\$ 4,395,850</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, 2017**

<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	\$ 10,334,194	\$ 379,130	\$ 835,598	\$ -	\$ (9,119,466)
Interest and expenses on long-term debt	610,694	-	1,999,186	-	1,388,492
	<u>\$ 10,944,888</u>	<u>\$ 379,130</u>	<u>\$ 2,834,784</u>	<u>\$ -</u>	<u>(7,730,974)</u>
General revenues:					
Intergovernmental revenue - sales and use taxes					1,572,561
Property taxes					7,919,617
Specific ownership taxes					615,018
Interest					10,796
Other revenues					72,825
Total general revenues					<u>10,190,817</u>
					2,459,843
					1,936,007
					<u>\$ 4,395,850</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, 2017**

	General	Storm Drainage Special Revenue	Storm Drainage Easement	Debt Service - Storm Drainage	Debt Service - Revenue Note	Debt Service - Lochbuie	Storm Drainage Capital Projects	Capital Projects	Total Governmental Funds
<b>ASSETS</b>									
Cash and investments - unrestricted	\$ -	\$ 829,095	\$ -	\$ -	\$ -	\$ 1,113	\$ 888,240	\$ -	\$ 1,718,448
Cash and investments - restricted	-	-	541,441	28,945	524,902	-	-	-	1,095,288
Prepays	4,721	-	-	-	-	-	-	-	4,721
Accounts receivable	47,563	73,802	-	-	-	-	-	-	121,365
Receivable from county treasurer	783	-	-	-	-	-	-	42,271	43,054
Property taxes receivable	141,741	-	-	-	-	-	-	7,654,020	7,795,761
Retainer deposits	636,969	-	-	-	-	-	-	-	636,969
Due from other funds	450,881	91,592	-	-	-	-	-	-	542,473
Due from other governments	184,452	631	-	-	-	-	-	-	185,083
<b>Total assets</b>	<b>\$ 1,467,110</b>	<b>\$ 995,120</b>	<b>\$ 541,441</b>	<b>\$ 28,945</b>	<b>\$ 524,902</b>	<b>\$ 1,113</b>	<b>\$ 888,240</b>	<b>\$ 7,696,291</b>	<b>\$ 12,143,162</b>
<b>LIABILITIES</b>									
Accounts payable	\$ 106,435	\$ 6,605	\$ 541,441	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 654,481
Prepaid storm drainage maintenance fees	-	67,423	-	-	-	-	-	-	67,423
Due to other funds	-	-	-	-	-	500,202	-	42,271	542,473
Due to other governments	28,234	-	-	-	-	-	-	-	28,234
Total liabilities	134,669	74,028	541,441	-	-	500,202	-	42,271	1,292,611
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Deferred property tax revenue	141,741	-	-	-	-	-	-	7,654,020	7,795,761
Deferred storm drainage maintenance fees	-	57,775	-	-	-	-	-	-	57,775
Total deferred inflows of resources	141,741	57,775	-	-	-	-	-	7,654,020	7,853,536
<b>FUND BALANCES</b>									
Restricted									
Emergency reserves	66,800	-	-	-	-	-	-	-	66,800
Debt service	-	-	-	28,945	524,902	-	-	-	553,847
Committed									
Storm drainage	-	863,317	-	-	-	-	888,240	-	1,751,557
Subsequent year's expenditures	67,585	-	-	-	-	-	-	-	67,585
Unassigned	1,056,315	-	-	-	-	(499,089)	-	-	557,226
Total fund balance (deficit)	1,190,700	863,317	-	28,945	524,902	(499,089)	888,240	-	2,997,015
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,467,110</b>	<b>\$ 995,120</b>	<b>\$ 541,441</b>	<b>\$ 28,945</b>	<b>\$ 524,902</b>	<b>\$ 1,113</b>	<b>\$ 888,240</b>	<b>\$ 7,696,291</b>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	10,731,317
Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds	
Long-term obligations	(9,372,535)
Accrued interest on long term obligations	(17,722)
Revenues not collected within 60 days of the end of current fiscal period and, therefore, are not in the governmental funds but are revenue in the governmental activities	
Deferred storm drainage operating fees	57,775
Net position of governmental activities	<u>\$ 4,395,850</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 (DEFICIT)**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2017**

	General	Storm Drainage Special Revenue	Storm Drainage Easement	Debt Service - Storm Drainage	Debt Service - Revenue Note	Debt Service - Lochbuie	Storm Drainage Capital Projects	Capital Projects	Total Governmental Funds
<b>REVENUES</b>									
Intergovernmental revenue - sales and use taxes	\$ 1,572,561	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,572,561
Property taxes	144,018	-	-	-	-	-	-	7,775,599	7,919,617
Specific ownership taxes	11,184	-	-	-	-	-	-	603,834	615,018
Water fees	38,700	-	-	-	-	-	-	-	38,700
Sewer plant investment fees	-	-	-	-	-	651,056	-	-	651,056
Storm drainage operating fees	-	377,985	-	-	-	-	-	-	377,985
Storm drainage fees	-	-	140,102	306,915	462,090	-	579,125	-	1,488,232
Infrastructure and system development fees	272,988	363,876	-	-	-	-	-	-	636,864
Plan review and support fees	-	19,932	-	-	-	-	-	-	19,932
Interest	9,413	-	-	-	-	1,363	-	20	10,796
Miscellaneous	72,825	-	-	-	-	-	-	-	72,825
Total revenues	<u>2,121,689</u>	<u>761,793</u>	<u>140,102</u>	<u>306,915</u>	<u>462,090</u>	<u>652,419</u>	<u>579,125</u>	<u>8,379,453</u>	<u>13,403,586</u>
<b>EXPENDITURES</b>									
<u>General</u>									
Audit	13,100	4,000	-	-	-	-	-	-	17,100
County treasurer fees	2,160	-	-	-	-	-	-	116,634	118,794
Directors' fees	6,300	-	-	-	-	-	-	-	6,300
District management and accounting	211,247	20,000	-	-	-	-	-	15,334	246,581
Dues and subscriptions	6,189	-	-	-	-	-	-	-	6,189
Engineering	19,106	32,891	-	-	-	-	-	-	51,997
Fees collection	16,934	-	-	-	-	-	-	-	16,934
Insurance and bonds	5,706	-	-	-	-	-	-	-	5,706
IGA - Infrastructure water projects - WAWDA	129,973	-	-	-	-	-	-	6,395,855	6,525,828
IGA - Infrastructure water projects - PRWDA	-	-	-	-	-	-	-	1,379,647	1,379,647
Legal	709,680	1,458	-	-	-	-	-	1,116	712,254
Miscellaneous	3,066	22,738	-	-	-	-	-	-	25,804
Permits	-	3,050	-	-	-	-	-	-	3,050
Storm drainage costs	-	101,847	-	-	-	-	-	-	101,847
Storm drainage easement fee	-	-	140,102	-	-	-	-	-	140,102
Support services	341,987	116,159	-	-	-	-	-	104,553	562,699
Surveying and mapping	-	-	-	-	-	-	-	495	495
Tax sharing	118,844	-	-	-	-	-	-	-	118,844
Utilities	-	35	-	-	-	-	-	-	35
Water wells	-	8,439	-	-	-	-	-	-	8,439
Well abandonment - FRICO	-	-	-	-	-	-	-	56,704	56,704
<u>Debt service</u>									
Bond and note principal payments	1,339,703	-	-	93,000	144,221	924,761	-	-	2,501,685
Bond and note interest	-	-	-	140,450	30,747	22,528	-	-	193,725
Developer advance - principal	62,420	-	-	-	-	-	-	-	62,420
Paying agent fees	-	-	-	300	-	250	-	-	550
Total expenditures	<u>2,986,415</u>	<u>310,617</u>	<u>140,102</u>	<u>233,750</u>	<u>174,968</u>	<u>947,539</u>	<u>-</u>	<u>8,070,338</u>	<u>12,863,729</u>
<b>EXCESS OF REVENUES OVER (UNDER)</b>									
<b>EXPENDITURES</b>	(864,726)	451,176	-	73,165	287,122	(295,120)	579,125	309,115	539,857
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers to other funds	(9,955)	-	-	(8,763)	(95,268)	-	-	(309,115)	(423,101)
Transfers from other funds	104,031	-	-	-	-	9,955	309,115	-	423,101
Total other financing sources (uses)	<u>94,076</u>	<u>-</u>	<u>-</u>	<u>(8,763)</u>	<u>(95,268)</u>	<u>9,955</u>	<u>309,115</u>	<u>(309,115)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(770,650)	451,176	-	64,402	191,854	(285,165)	888,240	-	539,857
<b>FUND BALANCE (DEFICIT) - BEGINNING OF YEAR,</b> <b>as restated</b>	1,961,350	412,141	-	(35,457)	333,048	(213,924)	-	-	2,457,158
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	<u>\$ 1,190,700</u>	<u>\$ 863,317</u>	<u>\$ -</u>	<u>\$ 28,945</u>	<u>\$ 524,902</u>	<u>\$ (499,089)</u>	<u>\$ 888,240</u>	<u>\$ -</u>	<u>\$ 2,997,015</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 (DEFICIT) OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2017**

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

Net change in fund balance - Total governmental funds		\$ 539,857
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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:

Developer advance principal repayment	62,420	
Bond and note principal payments	<u>2,501,685</u>	2,564,105

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:

Change in deferred storm drainage maintenance fees	<u>1,145</u>	1,145
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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	(51,901)	
Increase in face value of storm drainage facility fee credit certificates	(364,518)	
Depreciation expense	<u>(228,845)</u>	<u>(645,264)</u>

Change in net position of governmental activities		<u>\$ 2,459,843</u>
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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, 2017**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental revenue - sales and use taxes	\$ 1,200,000	\$ 1,200,000	\$ 1,572,561	\$ 372,561
Property taxes	143,992	143,992	144,018	26
Specific ownership taxes	6,000	6,000	11,184	5,184
Water fees	15,000	40,000	38,700	(1,300)
Infrastructure and system development fees	15,000	280,000	272,988	(7,012)
Interest	800	800	9,413	8,613
Miscellaneous	200	200	72,825	72,625
Total revenues	<u>1,380,992</u>	<u>1,670,992</u>	<u>2,121,689</u>	<u>450,697</u>
<b>EXPENDITURES</b>				
<u>General</u>				
Audit	6,000	13,500	13,100	400
County treasurer fees	2,160	2,160	2,160	-
Directors' fees	8,000	8,000	6,300	1,700
District management and accounting	66,000	225,000	211,247	13,753
Dues and subscriptions	12,000	12,000	6,189	5,811
Engineering	-	20,000	19,106	894
Fees and licenses	15,000	15,000	-	15,000
Fee collection	15,158	20,000	16,934	3,066
IGA - water infrastructure projects - WAWDA	-	130,000	129,973	27
Insurance and bonds	6,000	6,000	5,706	294
Legal	30,000	725,000	709,680	15,320
Miscellaneous	3,000	3,000	3,066	(66)
Support services	55,000	350,000	341,987	8,013
Tax sharing	92,000	125,000	118,844	6,156
Contingency	41,430	30,000	-	30,000
<u>Debt Service</u>				
Storm drainage facility fee credit certificates	-	1,340,000	1,339,703	297
Developer advance - principal	-	63,000	62,420	580
Total expenditures	<u>351,748</u>	<u>3,087,660</u>	<u>2,986,415</u>	<u>101,245</u>
<b>EXCESS OF REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<u>1,029,244</u>	<u>(1,416,668)</u>	<u>(864,726)</u>	<u>551,942</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	-	153,488	104,031	(49,457)
Transfers to other funds	-	-	(9,955)	(9,955)
Total other financing sources (uses)	<u>-</u>	<u>153,488</u>	<u>94,076</u>	<u>(59,412)</u>
<b>NET CHANGE IN FUND BALANCE</b>	1,029,244	(1,263,180)	(770,650)	492,530
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>837,797</u>	<u>1,384,236</u>	<u>1,961,350</u>	<u>577,114</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1,867,041</u>	<u>\$ 121,056</u>	<u>\$ 1,190,700</u>	<u>\$ 1,069,644</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, 2017**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Storm drainage operating fees	\$ 300,000	\$ 300,000	\$ 377,985	\$ 77,985
System development fees	85,000	85,000	363,876	278,876
Plan review and support fees	-	-	19,932	19,932
Total revenues	<u>385,000</u>	<u>385,000</u>	<u>761,793</u>	<u>376,793</u>
<b>EXPENDITURES</b>				
<u>General</u>				
Audit	2,000	2,000	4,000	(2,000)
District management and accounting	30,000	30,000	20,000	10,000
Engineering	35,000	35,000	32,891	2,109
Fee collection	1,000	1,000	-	1,000
Insurance and bonds	1,000	1,000	-	1,000
Legal	8,000	8,000	1,458	6,542
Miscellaneous	2,000	2,000	22,738	(20,738)
Permits	1,000	1,000	3,050	(2,050)
Repairs and maintenance	15,000	15,000	-	15,000
Storm drainage costs	70,000	70,000	101,847	(31,847)
Support services	50,000	50,000	116,159	(66,159)
Utilities	2,000	2,000	35	1,965
Water assessments	7,000	7,000	-	7,000
Water wells	10,000	10,000	8,439	1,561
<u>Capital Outlay</u>				
I-76 projects	-	675,000	-	675,000
Total expenditures	<u>234,000</u>	<u>909,000</u>	<u>310,617</u>	<u>598,383</u>
<b>NET CHANGE IN FUND BALANCE</b>	151,000	(524,000)	451,176	975,176
<b>FUND BALANCE - BEGINNING OF YEAR (Restated)</b>	<u>592,043</u>	<u>528,270</u>	<u>412,141</u>	<u>(116,129)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 743,043</u>	<u>\$ 4,270</u>	<u>\$ 863,317</u>	<u>\$ 859,047</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 EASEMENT FUND  
Year Ended December 31, 2017**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Storm drainage fees	\$ -	\$ 145,000	\$ 140,102	\$ (4,898)
Total revenues	<u>-</u>	<u>145,000</u>	<u>140,102</u>	<u>(4,898)</u>
<b>EXPENDITURES</b>				
Storm drainage easement fee		145,000	140,102	4,898
Total expenditures	<u>-</u>	<u>145,000</u>	<u>140,102</u>	<u>4,898</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**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, 2017, 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, 2017**

**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, 2017**

**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, sales and use taxes and storm drainage maintenance fees. 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 Storm Drainage Easement Fund, a special revenue fund, is used to account for revenues earned and expenditures incurred in connection with an easement related to storm drainage.

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.

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

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 2017 budget did not include appropriations for the Storm Drainage Capital Projects Fund; however, no expenditures were incurred during 2017 for this fund.

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

<b>Fund</b>	<b>Original Budget</b>	<b>Final Budget</b>
General Fund	\$ 351,748	\$ 3,024,660
Storm Drainage Special Revenue Fund	\$ 234,000	\$ 909,000
Storm Drainage Easement Fund	\$ -	\$ 145,000
Debt Service - Storm Drainage Fund	\$ 147,600	\$ 243,100
Debt Service - Revenue Note	\$ 183,468	\$ 270,968
Capital Projects Fund	\$ 8,175,622	\$ 8,379,622

**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, 2017**

**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:

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, 2017**

**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, 2017 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments – unrestricted	\$1,718,448
Cash and investments – restricted	<u>1,095,288</u>
Total	<u>\$2,813,736</u>

Cash and investments as of December 31, 2017 consist of the following:

Cash deposits	\$1,529,350
Investments	<u>1,284,386</u>
Total	<u>\$2,813,736</u>

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**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, 2017, the District's cash deposits had a bank balance of \$1,613,628 and a carrying balance of \$1,529,350.

**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, 2017**

**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, 2017, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Carrying Value</u>
Colorado Local Government Liquid Asset Trust	Weighted average under 60 days	\$1,283,273
Wells Fargo Government Money Market Fund	Weighted average under 60 days	<u>1,113</u>
Total Investments		<u>\$1,284,386</u>

**COLOTRUST**

During 2017, 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, 2017, the District had \$1,283,273 invested in COLOTRUST PLUS+ in the name of the District.

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

**Wells Fargo Government Money Market Fund**

During 2017, 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, 2017, the District had \$1,113 invested in the Wells Fargo Government Money Market Fund. This investment is valued at net asset value per share.

Cash and investments are restricted for the following purposes:

**Storm Drainage Easement Fund**

Cash and investments in the amount of \$541,441 are restricted for the payment of the storm drainage easement fee related to the Amended and Restated Storm Drainage Management Agreement.

**Debt Service - Storm Drainage Fund**

Cash and investments in the amount of \$28,945 are restricted as pledged revenues for security for the District's Series 2004 Taxable Contingent Storm Drainage Facility Fee Revenue Bonds.

**Debt Service - Revenue Note Fund**

Cash and investments in the amount of \$524,902 are restricted as pledged revenues for security for the District's Series 2010 Refunding Revenue Note.

**Investment Valuation**

Certain investments are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: 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.

The District's investments are not required to be categorized within the fair value hierarchy. These investments are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments. The District held investments in Colotrust at yearend for which the investment valuations were determined as follows.

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

Colotrust determines the NAV of the shares of each portfolio as of the close of business on each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of Colotrust, are accrued daily. The NAV is calculated at fair value using various inputs in determine value in accordance with FASB guidance. It is the goal of Colotrust to maintain a NAV of \$1.00 per share, however changes in interest rates may affect the fair value of the securities held by Colotrust and there can be no assurance that the NAV will not vary from \$1.00 per share.

**NOTE 4 - CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2017 follows:

<u><b>Governmental Activities</b></u>	<b>Balance at December 31, 2016 (Restated)</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance at December 31, 2017</b>
Capital assets, not being depreciated				
Easements	\$ 4,387,864	\$ -	\$ -	\$ 4,387,864
Water rights	157,267	-	-	157,267
Total capital assets, not being depreciated	<u>4,545,131</u>	<u>-</u>	<u>-</u>	<u>4,545,131</u>
Capital assets, being depreciated				
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>9,300,288</u>	<u>-</u>	<u>-</u>	<u>9,300,288</u>
Less accumulated depreciation:				
Storm drainage	(2,416,564)	(200,922)	-	(2,617,486)
Water wells	(455,140)	(24,604)	-	(479,744)
Equipment	(13,553)	(3,319)	-	(16,872)
Total accumulated depreciation	<u>(2,885,257)</u>	<u>(228,845)</u>	<u>-</u>	<u>(3,114,102)</u>
Total capital assets, being depreciated, net	<u>6,415,031</u>	<u>(228,845)</u>	<u>-</u>	<u>6,186,186</u>
Total capital assets, net	<u>\$ 10,960,162</u>	<u>\$ (228,845)</u>	<u>\$ -</u>	<u>\$ 10,731,317</u>

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

The District has conveyed 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.

**NOTE 5 - LONG-TERM OBLIGATIONS**

The following is an analysis of changes in long-term obligations for the year ended December 31, 2017:

	Balance at December 31, 2016	Additions	Retirements/ Adjustments	Balance at December 31, 2017	Due Within One Year
Series 2004 Storm Drainage Fee Revenue Bonds	\$ 2,810,417	\$ -	\$ (93,000)	\$ 2,717,417	\$ -
Wells Fargo Revenue Note - Lochbuie WWTP - 2007	924,761	-	(924,761)	-	-
Wells Fargo Revenue Note - Series 2010	621,148	-	(144,221)	476,927	151,360
Storm drainage facility fee credit certificates	5,805,378	364,518	(1,339,703)	4,830,193	-
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	444,853	59,084	-	503,937	-
	<u>\$ 11,513,038</u>	<u>\$ 423,602</u>	<u>\$ (2,564,105)</u>	<u>\$ 9,372,535</u>	<u>\$ 151,360</u>

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

**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 (Series 2004 Bonds). The Series 2004 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 Series 2004 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

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)**

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 2017, the interest rate on the Series 2004 Bonds was 5%. Because the Series 2004 Bonds are entirely dependent upon receipt of storm drainage facility fees, no debt service schedule for the Series 2004 Bonds can be determined.

**Revenue Note - Lochbuie WWTP - Series 2007**

On July 20, 2007, the District executed a revenue note, Series 2007 (Series 2007 Note), 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 Series 2007 Note was 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 Series 2007 Note was 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 Series 2007 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 Series 2007 Note. In accordance with the Series 2007 Note provisions, a reserve fund was established in 2007. The outstanding principal of \$924,761 plus interest of \$22,528 were paid in 2017.

**Revenue Note – Storm Drainage – Series 2010**

On March 31, 2010, the District issued a revenue note (Series 2010 Note) in the amount of \$1,354,339. Interest and principal on the Series 2010 Note is paid annually on March 31, commencing March 31, 2014, with an interest rate of 4.95%. The Series 2010 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 Series 2010 Note was issued for purposes of refunding both the 2006A and 2006B revenue notes. Accrued interest on the 2010 Series Note at December 31, 2017 totaled \$17,722.

At December 31, 2017, the estimated cash requirement on the note is as follows:

<b>Revenue Note - Storm Drainage - Series 2010</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ 151,360	\$ 23,608	\$ 174,968
2019	158,852	16,115	174,967
2020	166,715	8,252	174,967
	\$ 476,927	\$ 47,975	\$ 524,902

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**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.

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.

At December 31, 2017, the carrying value of the outstanding Certificates was \$4,830,193.

**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, 2017, the outstanding advance under the 2016 Amended and Restated Agreement was \$417,641 and \$118,883 of accrued interest.

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**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, 2017, the outstanding advance under the 2006 agreement was \$426,420 and \$385,054 of accrued interest.

**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, 2017, the District had authorized and unissued indebtedness from these elections in the following amounts allocated for the following purposes:

	<b>Total Authorized</b>	<b>Remaining at December 31, 2017</b>
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, 2017**

**NOTE 6 – FUND EQUITY**

At December 31, 2017, the District reported the following classifications of fund equity.

**Restricted Fund Balance**

The restricted fund balance in the General Fund in the amount of \$66,800 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 \$553,847 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 \$863,317 is comprised of amounts committed by the board of directors by a resolution for storm drainage operations. The committed fund balance in the Storm Drainage Capital Projects Fund in the amount of \$888,240 is comprised of amounts committed by the board of directors by a resolution for storm drainage improvements.

**Assigned Fund Balance**

The assigned fund balance of \$67,585 in the General Fund represents the amount appropriated for use in the budget for the year ending December 31, 2018.

**Deficit Fund Balance**

The Debt Service Fund - Lochbuie reported a deficit in the fund financial statements in the amount of \$499,089 as of December 31, 2017. The District anticipates this deficit will be eliminated with fund transfers from other funds and/or with funds received from other governments.

**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.

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 7 - NET POSITION (CONTINUED)**

As of December 31, 2017, the District had net investment in capital assets in the amount of \$5,192,912 calculated as follows:

	<b>Governmental Activities</b>
Net investment in capital assets:	
Capital assets, net	\$ 10,731,317
Current portion of long-term obligations	(151,360)
Noncurrent portion of long-term obligations applicable to capital assets	(5,387,045)
Net investment in capital assets	\$ 5,192,912

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, 2017 of \$602,925 consisting of pledged revenues of \$536,125 associated with the Series 2004 bonds, Series 2010 note and emergency reserves of \$66,800.

As of December 31, 2017, the District had a deficit unrestricted net position of \$1,399,987. This deficit amount is primarily 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, 2017**

**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, 2017**

**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, 2017, 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, 2017**

**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, 2017 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.

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

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 9 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)**

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 2017, the amount of the storm drainage development fee pledged to the Series 2004 Bonds was \$527 per lot and \$10,267 per acre. An additional \$132 per lot and \$2,567 per acre is also payable 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. As of December 31, 2017, the District had accrued \$541,441 of fees payable to Weld County Drainage, LLC, which were remitted on April 4, 2018.

**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, 2017, 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.

**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 were to be used exclusively for the payment of the project costs related to the Lochbuie wastewater treatment plant expansion and were not to be used for any other purpose.

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 9 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)**

**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 agreed these fees 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 (PRWDA), a water resource authority, 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.

Contributions to PRWDA by Sand Hills, United and the District will be agreed upon from time to time by all parties based on funding needs.

**Weld Adams Water Development Authority**

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

Under the terms of the contract, United shall appoint one director and the United appointee shall appoint one additional director. Such appointee and director may be directors of United or may be an engineer, water attorney, manager, accountant or other consultant of United. The District shall also appoint one director and such District appointee shall appoint one additional director. Such appointee and director may be directors of the District or may be an engineer, water attorney, manager, accountant or other consultant of the District. One additional director shall be appointed by a majority of the directors in attendance at the meeting where the appointment is made. Such director may be a director of United or the District, or may be engineer, water attorney, manager, accountant or other consultant of United or the District.

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 9 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)**

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. Future contributions to WAWDA by the District and United will be agreed upon from time to time by all parties based on funding needs.

**Funding and Construction Agreement**

On July 28, 2015, the District entered into a Funding and Construction Agreement with the water activity enterprises of Sand Hills and United, and with PRWDA for a reservoir located in Weld County (70 Ranch Reservoir). Under the terms of the Funding and Construction Agreement, PRWDA was the owner of the 70 Ranch Reservoir and was 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 had provided a perpetual easement to PRWDA for the 70 Ranch Reservoir. PRWDA had 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. Under the agreement, PRWDA could require other users of the 70 Ranch Reservoir to contribute to the construction costs and was to reimburse each district according to their pro rata contributions to the construction costs.

During the year ended December 31, 2017, the District paid \$1,379,647 to PRWDA in accordance with this agreement. Future contributions will be agreed upon from time to time by all parties based on project funding needs.

On September 26, 2017, PRWDA assigned, transferred and delegated to WAWDA all of PRWDA's rights, duties and obligations arising out of the terms and conditions of the Funding and Construction Agreement. During the year ended December 31, 2017, the District paid \$6,525,828 to WAWDA in accordance with this agreement. Future contributions will be agreed upon from time to time by all parties based on project funding needs.

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 10 - INTERFUND TRANSFERS**

During 2017, transfers were made between funds to provide for administrative, debt and capital expenses. The General Fund made transfers to the Debt Service - Lochbuie Fund for debt-related expenses. The Debt Service - Storm Drainage and Debt Service - Revenue Note Funds made transfers to the General Fund for reimbursement of prior year administrative costs. The Capital Projects Fund transferred \$309,115 to the Capital Projects Storm Drainage Fund to fund future capital storm drainage expenditures.

<u>Fund</u>	<u>Transfer In (Out)</u>	<u>Amount</u>
General	Transfer out	\$ (9,955)
General	Transfer in	104,031
Debt Service - Storm Drainage	Transfer out	(8,763)
Debt Service - Revenue Note	Transfer out	(95,268)
Debt Service - Lochbuie	Transfer in	9,955
Storm Drainage Capital Projects	Transfer in	309,115
Capital Projects	Transfer out	(309,115)
		<u>\$ -</u>

**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, 2017. 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, 2017**

**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, 2017**

**NOTE 13 - LITIGATION**

**IPA et al.** - 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.

Through a series of motions for summary judgment, the District has successfully narrowed the Plaintiffs' claims and damages. As of December 31, 2017, the Plaintiffs' claimed damages have been reduced from approximately \$2.7 million to approximately \$727,000.

Furthermore, 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. In fact, the District's retained expert accounting witnesses, Stephanie Drew and Matthew Wester of RubinBrown, have prepared a rebuttal report to the Plaintiffs' expert report on damages, which indicates that the District has actually overpaid on the IPA Bonds a net amount of \$96,718.

The Plaintiffs also requested that a receiver be appointed for the District, and a hearing on that request was held on September 28, 2017. The District Court denied the request for a receiver, which the Plaintiffs have appealed to the Colorado Court of Appeals. Briefing has yet to occur, and a ruling from the Court of Appeals is not expected until late 2018 or early 2019 on this issue.

In late 2017, the District successfully consolidated the IPA Bond case with a separate action that it filed against UMB Bank, ANB Bank, Loelgen Investment Company, LLC, BHC, LLC, RSB, LLC and BFT, LLC, related to alleged unauthorized transfers of certain IPA Bonds to non-permitted transferees in violation of the District's right of first refusal.

The Plaintiffs' remaining IPA Bond claims against the District, and the District's claims against ANB, UMB, Loelgen, BHC, RSB and BFT are now consolidated and set to go to trial on December 3, 2018. The District does not believe this litigation will negatively affect its financial position.

**Bill Barrett/Bonanza** - On April 5, 2017, Bill Barrett Corporation (n/k/a Highpoint Resources 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 sought injunctive relief against the District based on the alleged improper assessment of taxes, failure to conform 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, 2017**

**NOTE 13 - LITIGATION (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 on the basis that the Plaintiffs had not shown a reasonable likelihood of success on the merits of any of their claims, and granted the District's motion for forthwith disbursement of funds on deposit with the Weld County treasurer.

Plaintiffs thereafter requested that the proceedings in Adams County be stayed while an appeal to the Court of Appeals proceeds on certain claims. The stay was denied by the District Court on April 27, 2018. However, the Plaintiffs then moved for a stay in the Court of Appeals, which issued a temporary injunction through and including the Court of Appeals' decision on the substantive issues before the Court. The briefs to the Court of Appeals on the substantive issues are complete and filed from all parties; no decision of the Court of Appeals has been issued as of July 24, 2018.

**NOTE 14 - RESTATEMENTS**

The District's beginning net position and fund balances are being restated for the reasons below.

**Capital assets**

During the year ended December 31, 2017 it was determined that capital assets consisting of construction in process (\$4,805,727) and the waste water treatment plant (\$2,715,714 net of accumulated depreciation) had been transferred to other entities for ownership or otherwise were no longer owned by the District in 2016 or prior years.

**Storm Drainage Easement Fees**

During the year ended December 31, 2017 it was determined that the District had collected storm drainage easement fees in the amount of \$401,339 in 2016 and prior years, which were not remitted to another entity in accordance with the Amended and Restated Storm Drainage Management Agreement (See Note 9).

**Storm Drainage Maintenance Fees**

During the year ended December 31, 2017 it was determined that certain prepaid storm drainage maintenance fees in the amount of \$112,221 had not been properly reported at December 31, 2016. Additionally, the deferred revenue for storm drainage maintenance fees not collected within 60 days of the year ended December 31, 2016 in the amount of \$56,631 had not been properly reported at December 31, 2016.

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 14 - RESTATEMENTS (CONTINUED)**

The effect of these errors on the beginning net position and beginning fund balances is as follows:

	<u>Governmental Activities</u>	<u>Storm Drainage Special Revenue Fund</u>	<u>Debt Service - Revenue Note Fund</u>	<u>Total Governmental Funds</u>
Net position/fund balances as originally reported December 31, 2016	\$ 9,910,475	\$ 520,459	\$ 734,387	\$ 2,966,815
Capital assets	(7,521,441)	-	-	-
Storm drainage easement fees	(401,339)	-	(401,339)	(401,339)
Storm drainage maintenance fees:				
Prepaid storm drainage maintenance fees	(112,221)	(112,221)	-	(112,221)
Storm drainage maintenance fees receivable	60,533	60,533	-	60,533
Storm drainage maintenance fees not collected within 60 days of year end	-	(56,630)	-	(56,630)
Net position/fund balances as restated as of December 31, 2016	<u>\$ 1,936,007</u>	<u>\$ 412,141</u>	<u>\$ 333,048</u>	<u>\$ 2,457,158</u>

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 - STORM DRAINAGE FUND  
Year Ended December 31, 2017**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Storm drainage fees	\$ 150,000	\$ 307,000	\$ 306,915	\$ (85)
Total revenues	<u>150,000</u>	<u>307,000</u>	<u>306,915</u>	<u>(85)</u>
<b>EXPENDITURES</b>				
<u>General</u>				
Audit	1,000	-	-	-
District management and accounting	6,000	-	-	-
Legal	50,000	-	-	-
<u>Debt Service</u>				
Principal - 2004 bonds	90,000	93,000	93,000	-
Interest - 2004 bonds	-	141,000	140,450	550
Paying agent fees	600	300	300	-
Total expenditures	<u>147,600</u>	<u>234,300</u>	<u>233,750</u>	<u>550</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>2,400</u>	<u>72,700</u>	<u>73,165</u>	<u>465</u>
<b>OTHER FINANCING USES</b>				
Transfers to other funds	-	(8,800)	(8,763)	37
Total other financing uses	<u>-</u>	<u>(8,800)</u>	<u>(8,763)</u>	<u>37</u>
<b>NET CHANGE IN FUND BALANCE</b>	2,400	63,900	64,402	502
<b>FUND BALANCE (DEFICIT) - BEGINNING OF YEAR</b>	<u>18,790</u>	<u>(35,457)</u>	<u>(35,457)</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 21,190</u>	<u>\$ 28,443</u>	<u>\$ 28,945</u>	<u>\$ 502</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, 2017**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Storm drainage fees	\$ 435,000	\$ 537,100	\$ 462,090	\$ (75,010)
Total revenues	<u>435,000</u>	<u>537,100</u>	<u>462,090</u>	<u>(75,010)</u>
<b>EXPENDITURES</b>				
<u>General</u>				
Audit	1,000	-	-	-
District management and accounting	5,000	-	-	-
Legal	500	-	-	-
<u>Debt Service</u>				
Principal - 2010 note	144,221	144,221	144,221	-
Interest - 2010 note	30,747	30,747	30,747	-
Paying agent fees	2,000	-	-	-
Total expenditures	<u>183,468</u>	<u>174,968</u>	<u>174,968</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>251,532</u>	<u>362,132</u>	<u>287,122</u>	<u>(75,010)</u>
<b>OTHER FINANCING USES</b>				
Transfer to other funds	-	(96,000)	(95,268)	732
Total other financing uses	<u>-</u>	<u>(96,000)</u>	<u>(95,268)</u>	<u>732</u>
<b>NET CHANGE IN FUND BALANCE</b>	251,532	266,132	191,854	(74,278)
<b>FUND BALANCE - BEGINNING OF YEAR (Restated)</b>	<u>442,683</u>	<u>258,048</u>	<u>333,048</u>	<u>75,000</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 694,215</u>	<u>\$ 524,180</u>	<u>\$ 524,902</u>	<u>\$ 722</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, 2017**

	<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>
<b>REVENUES</b>			
Sewer plant investment fees	\$ 991,800	\$ 651,056	\$ (340,744)
Interest	-	1,363	1,363
Total revenues	<u>991,800</u>	<u>652,419</u>	<u>(339,381)</u>
<b>EXPENDITURES</b>			
<u>Debt Service</u>			
Principal - 2007 note	914,286	924,761	(10,475)
Interest - 2007 note	35,306	22,528	12,778
Paying agent fees	-	250	(250)
Total expenditures	<u>949,592</u>	<u>947,539</u>	<u>2,053</u>
<b>EXCESS OF REVENUES OVER (UNDER)</b>			
<b>EXPENDITURES</b>	<u>42,208</u>	<u>(295,120)</u>	<u>(337,328)</u>
<b>OTHER FINANCING SOURCES</b>			
Transfer from other funds	-	9,955	9,955
Total other financing sources	<u>-</u>	<u>9,955</u>	<u>9,955</u>
<b>NET CHANGE IN FUND BALANCE</b>	42,208	(285,165)	(327,373)
<b>FUND BALANCE (DEFICIT) - BEGINNING OF YEAR</b>	<u>(599,196)</u>	<u>(213,924)</u>	<u>385,272</u>
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	<u>\$ (556,988)</u>	<u>\$ (499,089)</u>	<u>\$ 57,899</u>

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
STORM DRAINAGE CAPITAL PROJECTS FUND  
Year Ended December 31, 2017**

	<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>
<b>REVENUES</b>			
Storm drainage fees	\$ -	\$ 579,125	\$ 579,125
Total revenues	<u>-</u>	<u>579,125</u>	<u>579,125</u>
<b>EXPENDITURES</b>			
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>-</u>	<u>579,125</u>	<u>579,125</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers from other funds	-	309,115	(309,115)
Total other financing sources	<u>-</u>	<u>309,115</u>	<u>(309,115)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	888,240	888,240
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 888,240</u>	<u>\$ 888,240</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, 2017**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 7,775,622	\$ 7,775,622	\$ 7,775,599	(23)
Specific ownership taxes	400,000	604,000	603,834	(166)
Interest	-	-	20	20
Total revenues	<u>\$ 8,175,622</u>	<u>\$ 8,379,622</u>	<u>\$ 8,379,453</u>	<u>\$ (169)</u>
<b>EXPENDITURES</b>				
<u>General</u>				
District management and accounting	20,000	20,000	15,334	4,666
County treasurer fees	116,634	116,634	116,634	-
Engineering	25,000	-	-	-
Legal	7,000	1,500	1,116	384
Support services	45,000	110,000	104,553	5,447
Surveying and mapping	2,500	2,500	495	2,005
IGA - Water infrastructure projects - WAWDA	-	6,400,000	6,395,855	4,145
IGA - Water infrastructure projects - PRWDA	4,830,000	1,400,000	1,379,647	20,353
Well abandonment - FRICO	-	60,000	56,704	3,296
<u>Capital Outlay</u>				
Capital projects	3,129,488	-	-	-
Total expenditures	<u>8,175,622</u>	<u>8,110,634</u>	<u>8,070,338</u>	<u>40,296</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>-</u>	<u>268,988</u>	<u>309,115</u>	<u>40,127</u>
<b>OTHER FINANCING USES</b>				
Transfer to other funds	-	(268,988)	(309,115)	(40,127)
Total other financing uses	<u>-</u>	<u>(268,988)</u>	<u>(309,115)</u>	<u>(40,127)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## **OTHER INFORMATION**

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT  
 SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
 December 31, 2017**

**\$1,354,339**

**Revenue Note Series 2010**

**Dated April 15, 2010**

**Interest Rate of 4.95%**

**Principal and Interest**

**Due on March 31**

	<b>Principal</b>	<b>Interest</b>	<b>Total Notes</b>
2018	\$ 151,360	\$ 23,608	\$ 174,968
2019	158,852	16,115	174,967
2020	166,715	8,252	174,967
	\$ 476,927	\$ 47,975	\$ 524,902

**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).

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT  
SCHEDULE OF ASSESSED VALUATION,  
MILL LEVY AND PROPERTY TAXES COLLECTED  
December 31, 2017**

<b>Year Ended December 31,</b>	<b>Prior Year Assessed Valuation for Current Year Property Tax Levy</b>	<b>Mills Levied</b>	<b>Total Property Taxes</b>		<b>Percentage Collected to Levied</b>
			<b>Levied</b>	<b>Collected</b>	
2016	\$ 173,241,010	55.000	\$ 9,528,255	\$ 9,528,259	100.00%
2017	\$ 143,993,000	55.000	\$ 7,919,614	\$ 7,919,617	100.00%
Estimated for the year ending December 31, 2018	\$ 141,741,120	55.000	\$ 7,795,761		

**NOTE:**

Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the county treasurer does not permit identification of specific year of assessment.