

BEEBE DRAW FARMS METROPOLITAN DISTRICT NO. 1
Weld County, Colorado
—
FINANCIAL STATEMENTS
December 31, 2018

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Board of Directors
Beebe Draw Farms Metropolitan District No. 1
Weld County, Colorado

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Beebe Draw Farms Metropolitan District No. 1 (the "District") as of and for the year ended December 31, 2018, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards general 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 Beebe Draw Farms Metropolitan District No. 1 as of December 31, 2018, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted the management's discussion and analysis that 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information as listed in the table of contents is presented for the purposes of legal compliance and 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 relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Stratagem PC
Certified Public Accountants
Lakewood, Colorado

September 23, 2019

Beebe Draw Farms Metropolitan District No. 1

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2018

	General	Conservation Trust	Debt Service	Total	Adjustments	Statement of Net Position
ASSETS						
Cash and investments	\$ 21,808	\$ -	\$ -	\$ 21,808	\$ -	\$ 21,808
Cash and investments - restricted	6,776	7,231	6,666	20,673	-	20,673
Receivable - County Treasurer	1,651	-	-	1,651	-	1,651
Property taxes receivable	201,335	-	-	201,335	-	201,335
Prepaid expenses	350	-	-	350	-	350
Total Assets	<u>\$ 231,920</u>	<u>\$ 7,231</u>	<u>\$ 6,666</u>	<u>\$ 245,817</u>	<u>-</u>	<u>245,817</u>
LIABILITIES						
Accounts payable	\$ 4,903	\$ -	\$ -	\$ 4,903	-	4,903
Due to the Authority	25,682	-	-	25,682	-	25,682
Total Liabilities	<u>30,585</u>	<u>-</u>	<u>-</u>	<u>30,585</u>	<u>-</u>	<u>30,585</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	201,335	-	-	201,335	-	201,335
Total Deferred Inflows of Resources	<u>201,335</u>	<u>-</u>	<u>-</u>	<u>201,335</u>	<u>-</u>	<u>201,335</u>
FUND BALANCES/NET POSITION						
Fund Balances:						
Nonspendable:						
Prepays	350	-	-	350	(350)	-
Restricted:						
Emergencies	6,776	-	-	6,776	(6,776)	-
Debt service	-	-	6,666	6,666	(6,666)	-
Conservation Trust	-	7,231	-	7,231	(7,231)	-
Unassigned	(7,126)	-	-	(7,126)	7,126	-
Total Fund Balances	<u>-</u>	<u>7,231</u>	<u>6,666</u>	<u>13,897</u>	<u>(13,897)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 231,920</u>	<u>\$ 7,231</u>	<u>\$ 6,666</u>	<u>\$ 245,817</u>		
Net Position:						
Restricted for:						
Emergencies					6,776	6,776
Debt service					6,666	6,666
Conservation trust projects					7,231	7,231
Unrestricted					<u>(6,776)</u>	<u>(6,776)</u>
Total Net Position					<u>\$ 13,897</u>	<u>\$ 13,897</u>

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

Beebe Draw Farms Metropolitan District No. 1

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

For the Year Ended December 31, 2018

	<u>General</u>	<u>Conservation Trust</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Accounting and audit	\$ 8,347	\$ -	\$ -	\$ 8,347	\$ -	\$ 8,347
Election expense	7,303	-	-	7,303	-	7,303
Insurance	4,310	-	-	4,310	-	4,310
Legal	5,689	-	-	5,689	-	5,689
Management fees	4,678	-	-	4,678	-	4,678
Miscellaneous expenses	51	-	-	51	-	51
Director's fees	300	-	-	300	-	300
Treasurer's fees	2,037	-	2,196	4,233	-	4,233
Transfer to Authority- Infrastructure	17,751	-	-	17,751	-	17,751
Transfer to Authority- Amenities	4,438	-	-	4,438	-	4,438
Transfer to Authority general fund	106,177	-	-	106,177	-	106,177
Debt Service						
Bond Interest	-	-	3,192	3,192	(266)	2,926
Bond Principal	-	-	140,000	140,000	(140,000)	-
Paying agent fees	-	-	250	250	-	250
Total Expenditures	<u>161,081</u>	<u>-</u>	<u>145,638</u>	<u>306,719</u>	<u>(140,266)</u>	<u>166,453</u>
GENERAL REVENUES						
Property taxes	135,582	-	146,216	281,798	-	281,798
Specific ownership taxes	21,544	-	-	21,544	-	21,544
Interest income	3,955	117	621	4,693	-	4,693
Lottery funds	-	800	-	800	-	800
Total General Revenues	<u>161,081</u>	<u>917</u>	<u>146,837</u>	<u>308,835</u>	<u>-</u>	<u>308,835</u>
NET CHANGES IN FUND BALANCES	-	917	1,199	2,116	(2,116)	
CHANGE IN NET POSITION					142,382	142,382
FUND BALANCES/NET POSITION:						
BEGINNING OF YEAR	<u>-</u>	<u>6,314</u>	<u>5,467</u>	<u>11,781</u>	<u>(140,266)</u>	<u>(128,485)</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 7,231</u>	<u>\$ 6,666</u>	<u>\$ 13,897</u>	<u>\$ -</u>	<u>\$ 13,897</u>

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

Beebe Draw Farms Metropolitan District No. 1

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

For the Year Ended December 31, 2018

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ 135,319	\$ 135,319	\$ 135,582	\$ 263
Specific ownership taxes	10,000	23,940	21,544	(2,396)
Interest income	<u>25</u>	<u>4,741</u>	<u>3,955</u>	<u>(786)</u>
Total Revenues	<u>145,344</u>	<u>164,000</u>	<u>161,081</u>	<u>(2,919)</u>
EXPENDITURES				
Accounting and audit	10,200	8,500	8,347	153
Election expense	10,000	7,500	7,303	197
Insurance	5,000	5,000	4,310	690
Legal	1,500	6,000	5,689	311
Management fees	4,000	4,375	4,678	(303)
Miscellaneous expenses	1,000	841	51	790
Director's fees	1,077	1,077	300	777
Treasurer's fees	2,030	2,030	2,037	(7)
Transfer to Authority- Infrastructure	-	18,000	17,751	249
Transfer to Authority- Amenities	-	4,500	4,438	62
Transfer to Authority general fund	106,177	106,177	106,177	-
Emergency reserve	<u>4,360</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>145,344</u>	<u>164,000</u>	<u>161,081</u>	<u>2,919</u>
NET CHANGES IN FUND BALANCES	-	-	-	-
FUND BALANCE:				
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

BEEBE DRAW FARMS METROPOLITAN DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 1 – DEFINITION OF REPORTING ENTITY

Definition of Reporting Entity

Beebe Draw Farms Metropolitan District No. 1 (The “District”), a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District’s service area is located in Weld County, Colorado. The District was established to provide water, parks and recreational facilities, street and drainage improvements, safety protection and related services.

During 1999, the District’s service plan was amended. A new district, Beebe Draw Farms Metropolitan District No. 2 (“District No. 2”) was created and the District’s name was changed from Beebe Draw Farms Metropolitan District to Beebe Draw Farms Metropolitan District No. 1.

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

BEEBE DRAW FARMS METROPOLITAN DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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 measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

BEEBE DRAW FARMS METROPOLITAN DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

The government reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Special Revenue Fund - Conservation Trust Fund - The Conservation Trust Fund is a special revenue fund used to account for all financial resources that are restricted, committed or assigned for Conservation Trust Fund eligible expenditures.

Budgetary Accounting

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

During 2018, the District amended its total appropriations in the General Fund from \$145,344 to \$164,000 due to an increase in transfers to the Authority.

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2018, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

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

BEEBE DRAW FARMS METROPOLITAN DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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

Estimates

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

BEEBE DRAW FARMS METROPOLITAN DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Long-Term Obligations

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

Fund Equity

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

Nonspendable Fund Balance

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

The nonspendable fund balance in the General Fund in the amount of \$350 represents prepaid expenditures.

Restricted Fund Balance

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

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$6,776 of the General Fund balance has been reserved in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$6,666 is restricted for the payment of the debt service costs.

The restricted fund balance in the Conservation Trust Fund in the amount of \$7,231 is restricted for the payment of the eligible costs related to the Conservation Trust.

Committed Fund Balance

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

BEEBE DRAW FARMS METROPOLITAN DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

Assigned Fund Balance

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

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all other funds can report negative amounts.

Net Position

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

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

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

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

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

NOTE 3 - CASH AND INVESTMENTS

As of December 31, 2018, cash is classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	\$ 21,808
Cash and investments - restricted	<u>20,673</u>
Total	\$ <u>42,481</u>

Cash as of December 31, 2018, consist of the following:

Deposits with financial institutions	\$ 34,878
COLOTRUST	<u>7,603</u>
Total	\$ <u>42,481</u>

BEEBE DRAW FARMS METROPOLITAN DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS December 31, 2018

Cash Deposits

Custodial Credit Risk

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

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

Investments

Credit Risk

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

Custodial and Concentration of Credit Risk

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

Interest Rate Risk

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

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District’s investment is not required to be categorized within the fair value hierarchy. This investment’s value is calculated using the net asset value method (NAV) per share.

BEEBE DRAW FARMS METROPOLITAN DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

As of December 31, 2018, the District had the following investment:

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”) is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians’ internal records identify the investments owned by COLOTRUST. At December 31, 2018, the District had \$7,603 invested in COLOTRUST.

NOTE 4 – LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term obligations for the year ended December 31, 2018:

	<u>Balance</u> <u>1/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2018</u>	<u>Current</u> <u>Portion</u>
2012 Tax free Loan	\$ 140,000	\$ -	\$ 140,000	\$ -	\$ -
	<u>\$ 140,000</u>	<u>\$ -</u>	<u>\$ 140,000</u>	<u>\$ -</u>	<u>\$ -</u>

The detail of the District’s long-term obligations is as follows:

\$1,090,000 Tax Free Loan, dated December 20, 2012. In 2012 the District issued a Tax Free Loan (the “Loan”) in the amount of \$1,090,000, the proceeds of which were used to refund in its entirety the remaining balance of its 1998 General Obligation Bonds in the amount of \$990,000. The Loan accrued interest at 2.28% per year and matured on October 1, 2018. The District realized a net present value savings on the refunding in the amount of \$65,650. During 2018 the loan was repaid in full.

BEEBE DRAW FARMS METROPOLITAN DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS December 31, 2018

On November 2, 2010 the voters of the District revoked all of its previous debt authorization and authorized the following:

	<u>Debt Authorization</u>	<u>Maximum Interest Rate</u>	<u>Maximum Annual Property Tax Increase</u>
Street improvements	\$ 1,500,000	15%	\$ 320,000
Park and recreation improvements	1,500,000	15%	\$ 320,000
Water improvements	1,500,000	15%	\$ 320,000
Total	<u>\$ 4,500,000</u>		

NOTE 5 – RELATED PARTIES

The primary developer of real property in the District is R.E.I. Limited Liability Company (“Developer”), successor in interest to Beebe Draw Farms, Ltd. All Directors are residents of the District.

NOTE 6 – RISK MANAGEMENT

The District is exposed to various risks of loss related to 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, 2018. 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 and public officials liability 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.

NOTE 7 – 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.

BEEBE DRAW FARMS METROPOLITAN DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS December 31, 2018

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions.

Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District has reserved \$6,776 in compliance with the emergency reserve.

The District management believes, after consultation with legal counsel, that 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.

On November 3, 1998, the voters of the District approved the retention of all property taxes collected from a levy of 40 mills and all other District revenue in 1998 and annually thereafter without limitation under TABOR or other laws.

NOTE 8 – INTERGOVERNMENTAL AGREEMENTS

Beebe Draw Farms Authority Establishment Agreement (AEA)

Effective April 12, 2011 the District entered into an Establishment Agreement with the District No. 2 and the Beebe Draw Farms Authority ("Authority"), as amended December 11, 2012. The District, through the Authority, will provide for financing the operations and maintenance of the existing public improvements as well as providing for financing, constructing and operating and maintaining additional public improvements. In no case shall the mill levy imposed by the District for debt service and operations and maintenance exceed its' respective mill levy caps. Other than the existing 2012 Tax Free Loan and the Capital Pledge Agreement (see Note 4 and 9), the District will not issue any additional debt.

As a part of the Establishment Agreement, District No. 1 has agreed to impose the District required mill levy until 2018 and to transfer such revenues to the Authority for deposit into either the infrastructure account or the amenity account. For tax collection year 2011 and thereafter the District shall transfer all revenues from the operations and maintenance mill levy less the Districts direct operations and maintenance costs to the Authority.

BEEBE DRAW FARMS METROPOLITAN DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS December 31, 2018

NOTE 9 – CAPITAL PLEDGE AGREEMENT

The District has an Amended and Restated Consolidated Service Plan for the District and District No. 2 approved by the Weld County Board of County Commissioners on March 16, 2011 (“Amended and Restated Service Plan”). Pursuant to the Amended and Restated Service Plan, and subject to the conditions of the Amended and Restated Service Plan, on June 14, 2011, the District entered into a Capital Pledge Agreement (the Original Capital Pledge Agreement) between the District and the Authority with a principal amount of \$1,500,000, plus interest at a rate of 15%. The mill levy for payment of this obligation is capped at 40 mills, minus the 1998 Bond Mill Levy for each year and less the Operating and Maintenance Mill Levy for each year, to be imposed for collection beginning in 2012 and ending in tax collection year 2018. The total debt repayment will be the lesser of the \$1,500,000, plus 15% interest accrued per annum or the total revenue that flows from the imposition of the 40 mills, minus the 1998 Bond Mill Levy and the Operating and Maintenance Mill Levy, over the 2012-2018 term of the mill levy imposition.

On December 20, 2012, with the support of District No. 2, the District and the Authority entered into that certain First Amendment to District No. 1 Capital Pledge Agreement (“First Amended Capital Pledge Agreement”), wherein the Authority consented to the issuance of the District’s Loan and waived any limitations set forth in the Original Capital Pledge Agreement to the extent necessary for the District to issue its Loan.

NOTE 10 – RECONCILIATION OF *GOVERNMENT-WIDE* AND FUND FINANCIAL STATEMENTS

Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

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

- 1) Long-term liabilities such as notes payable, and accrued interest on notes are not due and payable in the current period and, therefore, are not in the funds.

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

- 1) Governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method in the statement of activities.

SUPPLEMENTAL INFORMATION

Beebe Draw Farms Metropolitan District No. 1

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
Conservation Trust Fund
For the Year Ended December 31, 2018

	Original/Final		Variance
	<u>Budget</u>	<u>Actual</u>	Favorable <u>(Unfavorable)</u>
REVENUES			
Interest income	\$ 50	\$ 117	\$ 67
Lottery funds	<u>280</u>	<u>800</u>	<u>520</u>
Total Revenues	<u>330</u>	<u>917</u>	<u>587</u>
EXPENDITURES			
Contingency	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	330	917	587
FUND BALANCE:			
BEGINNING OF YEAR	<u>6,228</u>	<u>6,314</u>	<u>86</u>
END OF YEAR	<u>\$ 6,558</u>	<u>\$ 7,231</u>	<u>\$ 673</u>

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

Beebe Draw Farms Metropolitan District No. 1

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

For the Year Ended December 31, 2018

	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 145,851	\$ 146,216	\$ 365
Interest income	<u>100</u>	<u>621</u>	<u>521</u>
Total Revenues	<u>145,951</u>	<u>146,837</u>	<u>886</u>
EXPENDITURES			
Bond Interest	3,192	3,192	-
Bond Principal	140,000	140,000	-
Treasurer's fees	2,188	2,196	(8)
Contingency	490	-	490
paying agent fees	<u>250</u>	<u>250</u>	<u>-</u>
Total Expenditures	<u>146,120</u>	<u>145,638</u>	<u>482</u>
NET CHANGE IN FUND BALANCE	(169)	1,199	1,368
FUND BALANCE:			
BEGINNING OF YEAR	<u>169</u>	<u>5,467</u>	<u>5,298</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 6,666</u>	<u>\$ 6,666</u>

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