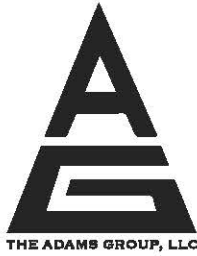


**MEAD WESTERN MEADOWS METROPOLITAN DISTRICT
WELD COUNTY, COLORADO
TOWN OF MEAD, COLORADO
FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Mead Western Meadows Metropolitan District
Weld County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Mead Western Meadows Metropolitan District, (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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, 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 Mead Western Meadows Metropolitan District 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

Required Supplementary Information

Management has omitted the Management Discussion & 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.

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 Budgetary Comparison Schedule and the Schedule of Debt Service Requirements to Maturity are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Budgetary Comparison Schedule 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Schedule of Debt Service Requirements to Maturity 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.

May 10, 2019

The Adams Group, LLC

MEAD WESTERN MEADOWS METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and investments – unrestricted	\$ 120,641
Cash and investments – restricted	29,897
Property taxes receivable	226,589
Prepaid expense	<u>2,508</u>
Total assets	<u>379,635</u>
 <u>Deferred Outflows of Resources</u>	
Deferred loss on bond refunding, net of amortization	<u>387,981</u>
Total deferred outflows of resources	<u>387,981</u>
 <u>Liabilities</u>	
<u>Current liabilities</u>	
Accounts payable	1,832
Accrued interest on obligation to other governmental entities	1,529
Accrued note interest payable	11,638
<u>Non-current liabilities</u>	
Due within one year	47,830
Due in more than one year	<u>2,928,121</u>
Total Liabilities	<u>2,990,950</u>
 <u>Deferred Inflows of Resources</u>	
Deferred property tax revenue	<u>226,589</u>
Total Deferred Inflows of Resources	<u>226,589</u>
 <u>Net Position</u>	
<u>Restricted for</u>	
Emergency reserves	1,409
Debt services	160,076
Unrestricted	<u>(2,611,408)</u>
Total Net Position	<u>\$ (2,449,923)</u>

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

MEAD WESTERN MEADOWS METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in</u> <u>Net Position</u>
	<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Govern-</u> <u>mental</u> <u>Activities</u>
Primary government				
Governmental activities:				
General government	\$ 46,951	\$ 0	\$ 0	\$ (46,951)
Interest and expenses on long-term debt	<u>256,200</u>	<u>0</u>	<u>0</u>	<u>(256,200)</u>
	<u>\$ 303,151</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>(303,151)</u>
		General revenues:		
				296,605
				22,744
				<u>1,517</u>
				<u>320,866</u>
				17,715
				<u>(2,467,638)</u>
				<u>\$ (2,449,923)</u>

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

MEAD WESTERN MEADOWS METROPOLITAN DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Total Govern- mental Funds</u>
<u>Assets</u>			
Cash and investments – unrestricted	\$ 0	\$ 120,642	\$ 120,642
Cash and investments – restricted	0	29,897	29,897
Property tax receivable	37,765	188,823	226,588
Prepaid expense	2,508	0	2,508
Due from other funds	0	9,538	9,538
Total assets	40,273	348,900	389,173
<u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>			
<u>Liabilities</u>			
Accounts payable	1,832	0	1,832
Due to other funds	9,538	0	9,538
Total liabilities	11,370	0	11,370
<u>Deferred Inflows of Resources</u>			
Deferred property tax revenue	37,765	188,824	226,589
Total deferred inflows of resources	37,765	188,824	226,589
<u>Fund Balances</u>			
<u>Restricted for</u>			
Emergencies	1,409	0	1,409
Debt service	0	160,076	160,076
Unassigned	(10,271)	0	(10,271)
Total fund balances (deficit)	(8,862)	160,076	151,214
Total liabilities, deferred inflows of resources and fund balances (deficit)	\$ 40,273	\$ 348,900	
Amounts reported for governmental activities in the statement of net position are different because:			
Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds			
Long-term obligations			(2,975,951)
Accrued interest on long-term obligations			(13,167)
Deferred loss on refunding, net of accumulated amortization			387,981
Net position of governmental activities			\$ (2,449,923)

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

MEAD WESTERN MEADOWS METROPOLITAN DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICIT)
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Total Govern- mental Funds</u>
<u>Revenues</u>			
Property taxes	\$ 37,665	\$ 258,940	\$ 296,605
Specific ownership tax	2,815	19,929	22,744
Investment earnings	4	1,513	1,517
Total revenues	<u>40,484</u>	<u>280,382</u>	<u>320,866</u>
<u>Expenditures</u>			
General Government			
Accounting, audit and management	15,052	0	15,052
County treasurer's fees	551	3,899	4,450
Dues and subscriptions	278	0	278
Insurance and bonds	2,913	0	2,913
Legal	6,857	0	6,857
Parks and recreation IGA	17,170	0	17,170
Elections	60	0	60
Miscellaneous	171	0	171
Debt Service			
Note principal	0	30,000	30,000
Note interest	0	70,903	70,903
Cost of issuance	0	155,104	155,104
Total expenditures	<u>43,052</u>	<u>259,906</u>	<u>302,958</u>
Excess (deficiency) of revenues over Expenditures	(2,568)	20,476	17,908
<u>Other Financing Sources (Uses)</u>			
Proceeds of refunding bonds	0	2,955,000	2,955,000
Payment to bond refunding escrow agent	0	(3,064,027)	(3,064,027)
Total other financing sources (uses)	<u>0</u>	<u>(109,027)</u>	<u>(109,027)</u>
Net change in fund balances	(2,568)	(88,551)	(91,119)
Fund balances - beginning	<u>(6,294)</u>	<u>248,627</u>	<u>242,333</u>
Fund balances - ending	<u>\$ (8,862)</u>	<u>\$ 160,076</u>	<u>\$ 151,214</u>

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

MEAD WESTERN MEADOWS METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIT)
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Net Change in Fund Balances – Governmental Funds \$ (91,119)

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 difference in the treatment of long-term debt is as follows:

Note principal payment	30,000
IGA principal payment	2,830
Proceeds on bond refunding	(2,955,000)
Payment to escrow agent	3,064,027

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:

Amortization of loss on bond refunding	(31,348)
Net change in accrued interest on long-term liabilities	<u>(1,675)</u>

Change in Net Position of Governmental Activities \$ 17,715

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

MEAD WESTERN MEADOWS METROPOLITAN DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE (DEFICIT) – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Budgeted</u> <u>Amounts</u> <u>Original</u> <u>& Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
<u>Revenues</u>			
Property taxes	\$ 37,664	\$ 37,665	\$ 1
Specific ownership tax	2,400	2,815	415
Investment earnings	<u>0</u>	<u>4</u>	<u>4</u>
Total revenues	<u>40,064</u>	<u>40,484</u>	<u>420</u>
<u>Expenditures</u>			
General Government			
Accounting, audit and management	10,600	15,052	(4,452)
County treasurer's fees	565	551	14
Dues and subscriptions	300	278	22
Insurance and bonds	2,700	2,913	(213)
Legal	1,500	6,857	(5,357)
Parks and recreation IGA	18,569	17,170	1,399
Elections	300	60	240
Miscellaneous	0	171	(171)
Emergency reserve	<u>1,050</u>	<u>0</u>	<u>1,050</u>
Total expenditures	<u>35,584</u>	<u>43,052</u>	<u>(7,468)</u>
Net change in fund balance	<u>\$ 4,480</u>	(2,568)	<u>\$ (7,048)</u>
Fund balances - beginning		<u>(6,294)</u>	
Fund balances - ending		<u>\$ (8,862)</u>	

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

MEAD WESTERN MEADOWS METROPOLITAN DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mead Western Meadows Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado was organized on May 24, 2006, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located within the Town of Mead, Colorado.

The District was established principally to provide streets, traffic and safety controls, street lighting, water, sanitary sewer, storm drainage, landscaping, parks and recreation, and mosquito control to areas within and without the boundaries of the District.

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

The District's 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 of 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.

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 except those required to be reported in fiduciary funds. 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 and deferred outflows and liabilities and deferred inflows of the District is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expense 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.

MEAD WESTERN MEADOWS METROPOLITAN DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - 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 has been met. 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. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation paid.

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 Debt Service Fund accounts for the resources accumulated and payments made for principal, interest, and related expenses on the long-term general obligation debt of the governmental funds.

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 State Budget Law, the District's Board of Directors hold 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. The General and Debt Service Funds are over budget and this may be a violation of State of Colorado statute.

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.

MEAD WESTERN MEADOWS METROPOLITAN DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Tax

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 for which they are levied, in most instances in the year in which collection occurs.

Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statement of net position and balance sheets will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position and fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then.

In addition to liabilities, the statement of net position and balance sheets 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 and fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred Loss on Refunding

In the government-wide financial statements the deferred loss on bond refunding is being amortized using the straight-line method over the life of the refunded bonds. The amortization amount is a component of interest expense and the unamortized deferred cost of \$387,981 at December 31, 2018, is reflected as deferred outflows of financial resources.

Fund Balances-Governmental Funds

The District's governmental fund balances may consist of five classifications based on the relative strength of the spending constraints:

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.

MEAD WESTERN MEADOWS METROPOLITAN DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances-Governmental Funds (Continued)

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 action to remove or change the constraint. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board.

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, then finally unassigned funds, as needed, unless the District Board of Directors has provided otherwise in its commitment or assignment actions.

The District reports a deficit balance in the General Fund of (\$8,862), see Note 9.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2018, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments – unrestricted	\$ 120,642
Cash and investments – restricted	<u>29,897</u>
Total cash and investments	<u>\$ 150,539</u>

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

Cash deposits	\$ 120,642
Investments	<u>29,897</u>
	<u>\$ 150,539</u>

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.

MEAD WESTERN MEADOWS METROPOLITAN DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Cash Deposits (Continued)

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories the reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2018, the District's cash deposits had a bank balance of \$149,291, and a carrying balance of \$150,539. At December 31, 2018, of the District's deposits were covered by the Federal Deposit Insurance Corporation (FDIC).

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 and the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Bankers acceptances of certain banks
- Commercial paper
- Certain reverse repurchase agreements
- Certain securities and lending agreements
- Certain corporate bonds
- 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.

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.

Interest Rate Risk

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST), 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 the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust 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 the Trust's portfolios pursuant to a custodian agreement.

MEAD WESTERN MEADOWS METROPOLITAN DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk (Continued)

The custodian acts as safekeeping agent for the Trust'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 the Trust. COLOTRUST is rated AAAM by Standards & Poor's. COLOTRUST does not have any unfunded commitments, redemption restrictions or redemption notice periods. As of December 31, 2018, COLOTRUST Plus+ had weighted average maturities of 41 days to reset and 61 days to maturity.

Cash and investments are restricted for the following purposes:

Bond Funds

Cash and investments in the amount of \$29,897 are restricted for the payment of debt service on the District's long-term obligations.

Fair Value Measurements and Application

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure 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. Investments not measured at fair value and not categorized include COLOTRUST which record its investments at amortized cost.

NOTE 3 - 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>12/31/17</u>	<u>Additions</u>	<u>Retirements/ Conversions</u>	<u>Balance</u> <u>12/31/2018</u>	<u>Due in</u> <u>One Year</u>
G.O. limited tax refunding notes					
Series 2013	\$ 3,005,000	\$ 0	\$ 3,005,000	\$ 0	\$ 0
Series 2018	0	2,955,000	30,000	2,925,000	45,000
Town of Mead Agreement	<u>53,781</u>	<u>0</u>	<u>2,830</u>	<u>50,951</u>	<u>2,830</u>
	<u>\$ 3,058,781</u>	<u>\$ 2,955,000</u>	<u>\$ 3,037,830</u>	<u>\$ 2,975,951</u>	<u>\$ 47,830</u>

General Obligation Limited Tax Refunding Notes, Series 2013

On July 9, 2013, the District issued \$3,225,000 General Obligation Limited Tax Refunding Notes, Series 2013. Interest on the notes is payable semi-annually on June 1 and December 1, commencing December 1, 2013, at an interest rate of 4%. The notes are secured by and payable from pledged revenue which consists of the moneys derived from the District from the following sources: (i) the required mill levy (not to exceed 50.000 mills); (ii) a portion of the Specific Ownership Tax; and (iii) any other legally available monies which the District determines to transfer to the Trustee. In accordance with the issuance of the notes, the outstanding liability due to the Developer was cancelled.

A Reserve account of \$155,000 was established in accordance with the Note requirements. As of December 31, 2018, the balance of the Reserve account was \$0.

MEAD WESTERN MEADOWS METROPOLITAN DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 3 - LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Limited Tax Refunding Notes, Series 2018

On May 30, 2018, the District issued Series 2018 GO Limited Tax Refunding Bonds in the amount of \$2,955,000 with interest rates ranging from 4.55% to 5.0% and mature on December 1, 2037 and December 1, 2047. The bonds may be redeemed prior to maturity on December 1, 2028. The proceeds, in addition to payment of \$363,798, were used to advance refund \$3,064,027 of outstanding 2013 Series GO bonds. The net proceeds of \$2,799,896 after payment of \$155,104 in underwriting fees and other issuance costs were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2013 Series GO bonds are considered defeased and the liability for those bonds has been removed from the statement of net position. The net carrying amount of the old debt exceeded the reacquisition price by \$59,027. This amount is being amortized over the remaining life of the refunding debt.

A Surplus account of \$96,619 resulted from the issue of the bonds. As of December 31, 2018, the balance of the Surplus account was \$29,897.

The Following table sets forth the estimated debt service payment debt service payment schedule for the principal and interest on the notes:

	<u>General Obligation Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 45,000	\$ 139,658	\$ 184,658
2020	50,000	137,610	187,610
2021	50,000	135,335	185,335
2022	55,000	133,060	188,060
2023	60,000	130,557	190,557
2024-2028	345,000	608,880	953,880
2029-2033	430,000	523,340	953,340
2034-2047	<u>1,890,000</u>	<u>773,050</u>	<u>2,663,050</u>
	<u>\$ 2,925,000</u>	<u>\$ 2,581,490</u>	<u>\$ 5,506,490</u>

Authorized Debt

On May 2, 2006, a majority of qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$6,900,000 for public improvements. At December 31, 2018, the District had authorized and issued indebtedness from the election in the following amounts allocated for the following purposes:

	<u>Total Authorized</u>	<u>Remaining at 12/31/18</u>
Streets	\$ 1,084,553	\$ 267,968
Water	632,315	117,570
Sanitation	1,174,654	40,059
Parks and recreation	508,478	279,403
Operations and maintenance	100,000	100,000
Refunding financial obligations	<u>3,400,000</u>	<u>445,000</u>
	<u>\$ 6,900,000</u>	<u>\$ 1,250,000</u>

MEAD WESTERN MEADOWS METROPOLITAN DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 4 - FUND EQUITY

The restricted fund balance in the General Fund in the amount of \$1,409 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 Fund in the amount of \$160,076 is to be used exclusively for debt service requirements.

Unassigned Fund Balance

At December 31, 2018, the General Fund had a fund balance deficit of \$8,862. (See Note 9)

NOTE 5 - NET POSITION

The District's net position consists of two components – restricted and unrestricted. The Restricted net position of the District at December 31, 2018 is as follows:

	<u>Governmental Activities</u>
TABOR emergency reserve	\$ 1,409
Debt service	<u>160,076</u>
	<u>\$ 161,485</u>

In the government-wide financial statements, the District's liabilities and deferred inflows exceeded assets by \$2,449,923 as a result of capital improvements that were funded with long-term debt that have been dedicated to other entities, while the long-term debt remains an obligation of the District. The district believes that future property tax and related revenues will eliminate this deficit.

NOTE 6 - AGREEMENTS

On June 25th, 2007, the District entered into the Intergovernmental Agreement (IGA) with the Town of Mead, Colorado (Town) to provide net bond proceeds of \$185,000 to be used by the Town for capital improvements that the District would otherwise be empowered to finance and construct and for which the District is authorized to incur indebtedness, which improvements shall be of benefit to both the Town and the District. This obligation was satisfied in prior years by the District. On August 6, 2012, the District approved to be effective July 31, 2012, the First Amendment to the IGA generally limiting the debt service mill levy to 50 mills, limiting future debt issuance providing provisions regarding Developer reimbursement, notice provisions to the Town and District property owners, and cooperation on service plan amendments. The execution of the First Amendment to the IGA was conditional on bonds being issued by the District on or before December 31, 2012. The District did not issue bonds in 2012.

The IGA with the Town also required the District to impose a mill levy of three (3.000) mills for purposes of operations and maintenance expenses associated with the Town park and recreational capital improvements. As of December 31, 2018, the District has not made all required payments to the Town. In February 2017, the District signed an agreement with the Town that addressed the deficit payments. The Agreement imposed an interest rate and minimum annual payment due by the District for prior years.

MEAD WESTERN MEADOWS METROPOLITAN DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 7 - 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). 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.

NOTE 8 - 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 those governmental activities designated as Enterprises.

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

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

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

On May 2, 2006, a majority of the District's electors authorized the District to collect and spend or retain in reserve all revenue other than ad valorem taxes annually without regard to any limitations imposed by TABOR.

NOTE 9 - INTERNAL BALANCES

The following are the balances owed between funds and between the primary government and its component units as of December 31, 2018. All balances are expected to be repaid within one year.

MEAD WESTERN MEADOWS METROPOLITAN DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 9 - INTERNAL BALANCES (CONTINUED)

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 0	\$ 9,538
Debt Service Fund	<u>9,538</u>	<u>0</u>
Totals	<u>\$ 9,538</u>	<u>\$ 9,538</u>

NOTE 10 - GOING CONCERN

As of December 31, 2018, the District's General Fund reported a deficit fund balance of (\$8,862). This deficit has accumulated over the last several fiscal years due to the operating costs of the District exceeding the available revenues for the payment of those costs. In addition, the District has not been paying the Town of Mead the 3.000 mills per the IGA on a consistent basis and will need to make up the deficit payments in future years. The District is economically dependent upon real property and specific ownership taxes to fund the operational costs of the District. For the 2019 fiscal year, the District budgeted for revenues to exceed expenditures; the amount of this excess is anticipated to eliminate the deficit fund balance. In addition, the District Board has taken significant steps in reducing operating costs. District management continues to monitor costs and will address the deficit issue during the 2019 Budget process. Management believes the District will continue to operate as a going concern.

SUPPLEMENTARY INFORMATION

MEAD WESTERN MEADOWS METROPOLITAN DISTRICT
DEBT SERVICE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amount Original & Final	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Property taxes	\$ 258,940	\$ 258,940	\$ 0
Specific ownership tax	14,000	19,929	5,929
Investment earnings	700	1,513	813
Total revenues	273,640	280,382	6,742
<u>Expenditures</u>			
<u>General Government</u>			
County treasurer's fees	3,885	3,899	(14)
Paying agent fees	300	0	300
<u>Debt Service</u>			
Note principal	50,000	30,000	20,000
Note interest	120,200	70,903	49,297
Cost of issuance	0	155,104	(155,104)
Total expenditures	174,385	259,906	(85,521)
Excess (deficiency) of revenues over Expenditures	99,255	20,476	(78,779)
<u>Other financing sources (uses)</u>			
Proceeds on refunding bonds	0	2,955,000	2,955,000
Payment to bond refunding escrow agent	0	(3,064,027)	(3,064,027)
Total other financing sources (uses)	0	(109,027)	(109,027)
Net change in fund balance	\$ 99,255	(88,551)	\$ (187,806)
Fund balances – beginning of year		248,627	
Fund balances – ending of year		\$ 160,076	

OTHER INFORMATION

MEAD WESTERN MEADOWS METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2018

\$2,925,000 Series 2018
 General Obligation
 Limited Tax Refunding Notes
 Interest Rate of 4.55% & 5.00%
 Payable on June 1 and December 1
 Principal Due on December 1

	General Obligation Notes		
	Principal	Interest	Total
2019	\$ 45,000	\$ 139,658	\$ 184,658
2020	50,000	137,610	187,610
2021	50,000	135,335	185,335
2022	55,000	133,060	188,060
2023	60,000	130,557	190,557
2024	65,000	127,827	192,827
2025	65,000	124,870	189,870
2026	70,000	121,912	191,912
2027	70,000	118,727	188,727
2028	75,000	115,542	190,542
2029	80,000	112,130	192,130
2030	80,000	108,490	188,490
2031	85,000	104,850	189,850
2032	90,000	100,983	190,983
2033	95,000	96,888	191,888
2034	100,000	92,565	192,565
2035	105,000	88,015	193,015
2036	110,000	83,238	193,238
2037	115,000	78,233	193,233
2038	115,000	73,000	188,000
2039	120,000	67,250	187,250
2040	130,000	61,250	191,250
2041	135,000	54,750	189,750
2042	140,000	48,000	188,000
2043	150,000	41,000	191,000
2044	155,000	33,500	188,500
2045	165,000	25,750	190,750
2046	170,000	17,500	187,500
2047	180,000	9,000	189,000
	<u>\$ 2,925,000</u>	<u>\$ 2,581,490</u>	<u>\$ 5,506,490</u>