

PLAINS METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2018

with

Independent Auditors' Report

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Board of Directors
Plains Metropolitan District
Jefferson 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 Plains 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.

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 Plains 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

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

Stratagem PC
Certified Public Accountants
Lakewood, Colorado

September 23, 2019

PLAINS METROPOLITAN DISTRICT

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

	<u>General</u>	<u>Adjustments</u>	Statement of <u>Net Position</u>
ASSETS			
Cash and investments	\$ 401,916	\$ -	\$ 401,916
Cash and investments - restricted	9,918	-	9,918
Receivable County Treasurer	5,689	-	5,689
Prepaid expenses	7,830	-	7,830
Property taxes receivable	641,050	-	641,050
Capital assets, net of accumulated depreciation	-	65,957	65,957
Capital assets not being depreciated	-	1,308,024	1,308,024
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,066,403</u>	<u>1,373,981</u>	<u>2,440,384</u>
LIABILITIES			
Accounts payable	\$ 5,546	-	5,546
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>5,546</u>	<u>-</u>	<u>5,546</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	641,050	-	641,050
	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	<u>641,050</u>	<u>-</u>	<u>641,050</u>
FUND BALANCE			
Nonspendable:			
Prepays	7,830	(7,830)	-
Restricted			
Emergencies	9,882	(9,882)	-
Conservation trust	36	(36)	-
Assigned			
Capital reserve	62,176	(62,176)	-
Recreation trust account	1,378	(1,378)	-
Unassigned	338,505	(338,505)	-
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>419,807</u>	<u>(419,807)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,066,403</u>		
NET POSITION			
Net investment in capital assets		1,373,981	1,373,981
Restricted for:			
Emergencies		9,882	9,882
Conservation trust		36	36
Unrestricted		409,889	409,889
		<u> </u>	<u> </u>
Total Net Position		<u>\$ 1,793,788</u>	<u>\$ 1,793,788</u>

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

PLAINS METROPOLITAN DISTRICT

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>Adjustments</u>	Statement of <u>Activities</u>
EXPENDITURES			
Accounting and audit	\$ 14,009	\$ -	\$ 14,009
District management	41,819	-	41,819
Insurance	8,915	-	8,915
Legal	22,083	-	22,083
Litigation	23,485	-	23,485
Miscellaneous expenses	3,801	-	3,801
Director's Fees	2,400	-	2,400
Payroll taxes	3,508	-	3,508
Treasurer's fees	9,599	-	9,599
Utilities	1,465	-	1,465
Irrigation water	16,516	-	16,516
Landscape maintenance	141,001	-	141,001
Park & Rec Capital - Trust	300,000	-	300,000
Promissory note - repayment	480,000	(480,000)	-
Tree maintenance	5,831	-	5,831
Interest expense	4,079	-	4,079
Depreciation	<u>-</u>	<u>6,877</u>	<u>6,877</u>
Total Expenditures	<u>1,078,511</u>	<u>(473,123)</u>	<u>605,388</u>
GENERAL REVENUES			
Property taxes	639,977	-	639,977
Specific ownership taxes	61,629	-	61,629
Conservation trust	3,179	-	3,179
Sale of land	670,000	(670,000)	-
Interest income	<u>8,495</u>	<u>-</u>	<u>8,495</u>
Total General Revenues	<u>1,383,280</u>	<u>(670,000)</u>	<u>713,280</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	304,769	(196,877)	713,280
OTHER FINANCING SOURCES (USES)			
Net gain from sale of land	<u>-</u>	<u>69,524</u>	<u>69,524</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>69,524</u>	<u>69,524</u>
NET CHANGE IN FUND BALANCES	304,769	(304,769)	
CHANGE IN NET POSITION		177,416	177,416
FUND BALANCE/NET POSITION:			
BEGINNING OF YEAR	<u>115,038</u>	<u>1,501,334</u>	<u>1,616,372</u>
END OF YEAR	<u>\$ 419,807</u>	<u>\$ 1,373,981</u>	<u>\$ 1,793,788</u>

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

PLAINS METROPOLITAN DISTRICT

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	\$ 665,599	\$ 665,599	\$ 639,977	\$ (25,622)
Specific ownership taxes	53,248	53,248	61,629	8,381
Conservation trust	4,500	4,500	3,179	(1,321)
Sale of land	-	670,000	670,000	-
Miscellaneous income	14,700	14,700	-	(14,700)
Interest income	<u>8,000</u>	<u>8,000</u>	<u>8,495</u>	<u>495</u>
Total Revenues	<u>746,047</u>	<u>1,416,047</u>	<u>1,383,280</u>	<u>(32,767)</u>
EXPENDITURES				
Accounting and audit	13,000	13,000	14,009	(1,009)
District management	45,000	45,000	41,819	3,181
Insurance	12,000	12,000	8,915	3,085
Legal	30,000	30,000	22,083	7,917
Litigation	20,000	20,000	23,485	(3,485)
Election expense	5,000	5,000	-	5,000
Miscellaneous expenses	5,000	5,000	3,801	1,199
Director's Fees	6,000	6,000	2,400	3,600
Payroll taxes	3,600	3,600	3,508	92
Treasurer's fees	9,984	9,984	9,599	385
Utilities	3,000	3,000	1,465	1,535
Irrigation water	16,000	16,000	16,516	(516)
Engineering	2,000	2,000	-	2,000
Landscape construction	5,000	5,000	-	5,000
Landscape maintenance	141,000	141,000	141,001	(1)
Park & Rec Capital - Trust	300,000	300,000	300,000	-
Street lighting	4,000	4,000	-	4,000
Promissory note - repayment	8,000	480,000	480,000	-
Tree maintenance	10,000	10,000	5,831	4,169
Interest expense	3,500	3,500	4,079	(579)
Storm drainage	5,000	5,000	-	5,000
Reserve	85,000	85,000	-	85,000
Contingency	29,574	29,574	-	29,574
Emergency reserve	<u>10,413</u>	<u>10,413</u>	<u>-</u>	<u>10,413</u>
Total Expenditures	<u>772,071</u>	<u>1,244,071</u>	<u>1,078,511</u>	<u>165,560</u>
NET CHANGE IN FUND BALANCE	(26,024)	171,976	304,769	132,793
FUND BALANCE				
BEGINNING OF YEAR	<u>26,024</u>	<u>26,024</u>	<u>115,038</u>	<u>89,014</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 198,000</u>	<u>\$ 419,807</u>	<u>\$ 221,807</u>

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

PLAINS METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2018

Note 1: Summary of Significant Accounting Policies

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

Definition of Reporting Entity

The District, a quasi-municipal organization, was established under the State of Colorado Special District Act. The District was established to provide for the construction of streets, storm sewer, signalization and landscape improvements, and park and recreation facilities within the District. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

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 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.

Basis of Presentation

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

PLAINS METROPOLITAN DISTRICT

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.

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 the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

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

The District reports the following major governmental fund:

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.

PLAINS METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2018

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.

In September 2019, the District amended its total appropriation in the General Fund from \$772,071 to \$1,244,071 to due the repayment of the promissory note.

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.

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.

PLAINS METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2018

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 does not have any items that qualify for reporting under 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.

Capital Assets

Capital assets, which include; property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

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

Irrigation	40 years
Signs & monuments	15 years

PLAINS METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2018

Property Taxes

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

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

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 \$7,830 represents prepaid expenses.

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.

A portion of 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 \$9,882 of the General Fund balance has been restricted in compliance with this requirement.

PLAINS METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2018

A portion of the restricted fund balance in the General Fund represents unspent Conservation Trust Fund proceeds restricted under the State Conservation Trust Fund statutes for acquisition, development and maintenance of parks and recreation facilities. This restricted balance was \$36 at December 31, 2018.

Committed Fund Balance

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

Assigned Fund Balance

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

The assigned fund balance in the General Fund represents funds set aside as a Capital Reserve in the amount of \$62,176, and for a Recreation trust account for the construction of 3 ball fields, an outdoor swimming pool, and 2 tennis courts in the amount of \$1,378 at December 31, 2018. (See Note 8.)

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.

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

Net Position

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

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

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.

PLAINS METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2018

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

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

Note 2: Cash and Investments

Cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 401,916
Cash and investments – Restricted	<u>9,918</u>
Total	<u>\$ 411,834</u>

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

Deposits with financial institutions	\$ 1,572
Investments – COLOTRUST	<u>410,262</u>
	<u>\$ 411,834</u>

Deposits

Custodial Credit Risk

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

The District does not have a formal policy 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.

PLAINS METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2018

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.

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 the 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 the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. At December 31, 2018, the District had \$410,262 invested in COLOTRUST.

PLAINS METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2018

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2018, follows:

Governmental Type Activities:	Balance 1/1/18	Additions	Deletions	Balance 12/31/18
<u>Capital assets not being depreciated:</u>				
Construction in Progress	\$ 1,149,677	\$ -	\$ -	\$ 1,149,677
Landscaping	158,347	-	-	158,347
Land	600,476	-	600,476	-
Total capital assets not being depreciated	<u>1,908,500</u>	<u>-</u>	<u>600,476</u>	<u>1,308,024</u>
<u>Capital assets being depreciated:</u>				
Signs & monuments	90,553	-	-	90,553
Irrigation	33,635	-	-	33,635
Total capital assets being depreciated	124,188	-	-	124,188
Accumulated Depreciation:				
Signs & monuments	(26,126)	(6,036)	-	(32,162)
Irrigation	(25,228)	(841)	-	(26,069)
Total accumulated depreciation	<u>(51,354)</u>	<u>(6,877)</u>	<u>-</u>	<u>(58,231)</u>
Net capital assets being depreciated	<u>72,834</u>	<u>(6,877)</u>	<u>-</u>	<u>65,957</u>
Government type assets, net	<u>\$ 1,981,334</u>	<u>\$ (6,877)</u>	<u>\$ 600,476</u>	<u>\$ 1,373,981</u>

Note 4: Long Term Debt

A description of the long-term obligations as of December 31, 2018, is as follows:

Promissory Note \$480,000

On January 14, 2016, the District executed a Promissory Note (“Note”) in the amount of \$480,000 dated January 14, 2016, for the purpose of funding the acquisition of certain land in Jefferson County, Colorado. The Promissory Note bears interest at the initial rate of 7.5%, payable quarterly, effective with the first calendar quarter of 2016 and is due within 15 days of the quarter end. The interest rate shall be adjusted on each anniversary date to the rate of prime plus 4%. The entire principal balance outstanding and accrued interest thereon shall be due and payable on January 13, 2021. The District may prepay the principal amount outstanding under this Note, in whole or in part, at any time without penalty. The Note is secured by a Deed of Trust dated January 14, 2016. All quarterly payments were made on a timely basis during 2017. Repayment of this debt is based upon annual appropriations. During 2018, this note was paid in full upon the sale of the land for \$670,000.

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Notes to Financial Statements
December 31, 2018

The following is an analysis of changes in long-term debt for the period ending 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>
Promissory Note - North					
Woodlands Company	<u>\$ 480,000</u>	<u>\$ -</u>	<u>\$ 480,000</u>	<u>\$ -</u>	<u>\$ -</u>

Debt Authorization

As of December 31, 2018, the District does not have any voted debt authorization or service plan debt authorization available.

Note 5: Maintenance Agreements

The District has entered into landscape maintenance agreements with the Mountain Gate I, II and III Condominium Association and the Ken-Caryl Office Park Association (the “Associations”). In accordance with the District’s Service Plan, the District is to provide, among other things, landscape maintenance and related services and improvements within the areas served by the Associations. The agreements provide for the District to pay for a portion of the landscape maintenance costs incurred by the Associations. During 2018, the District’s portion was \$78,609 in accordance with the agreements.

Note 6: Tax, Spending and Debt Limitations

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

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

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

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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 November 2, 2004, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

Note 7: Risk Management

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

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

Note 8: Litigation

Litigation with the Ken-Caryl Metropolitan District has resulted in a Court Order obligating the District to construct certain recreational facilities as outlined in its Service Plan. The District is in the process of complying with the Court Order.

Note 9: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

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

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

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Notes to Financial Statements
December 31, 2018

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

- 1) Governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities or depreciated over their useful lives,
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities; and,
- 3) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.