

**BASELINE METROPOLITAN  
DISTRICT NO. 1**

**BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

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## **FINANCIAL SECTION**



# JOHN CUTLER & ASSOCIATES

Board of Directors  
Baseline Metropolitan District No. 1  
Loveland, 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 Baseline Metropolitan District No. 1, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Baseline Metropolitan District No. 1, as of December 31, 2019, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 21 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has not presented the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion 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 individual fund schedule is presented for purposes of additional analysis and is not a required part of the financial statements. Such 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 individual fund schedules are fairly stated in all material respects in relation to the financial statements as a whole.

*John Cutler & Associates, LLC*

July 30, 2020

## **BASIC FINANCIAL STATEMENTS**

BASELINE METROPOLITAN DISTRICT NO. 1

STATEMENT OF NET POSITION

As of December 31, 2019

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Investments	\$ 28,319,853
Accounts Receivable	2,461
Escrow Deposits	10,151,007
Deposits	10,000
Prepaid Expenses	9,103
Capital Assets, not depreciated	12,951,314
Capital Assets, depreciated, net of accumulated depreciation	<u>1,506,421</u>
<b>TOTAL ASSETS</b>	<u>52,950,159</u>
<b>LIABILITIES</b>	
Accounts Payable	1,301,356
Retainage Payable	351,710
Accrued Interest	22,185
Noncurrent Liabilities	
Due within One Year	671,249
Due in More Than One Year	<u>64,865,275</u>
<b>TOTAL LIABILITIES</b>	<u>67,211,775</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	(51,078,789)
Restricted for Emergencies	43,800
Unrestricted	<u>36,773,373</u>
<b>TOTAL NET POSITION</b>	<u>\$ (14,261,616)</u>

See the accompanying independent auditors' report.

BASELINE METROPOLITAN DISTRICT NO. 1

STATEMENT OF ACTIVITIES  
Year Ended December 31, 2019

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
<b>PRIMARY GOVERNMENT</b>			
<b>Governmental Activities</b>			
General Government	\$ 2,223,047	\$ 19,209	\$ (2,203,838)
Interest on Long-Term Debt	3,519,869	-	(3,519,869)
	<u>\$ 5,742,916</u>	<u>\$ 19,209</u>	<u>(5,723,707)</u>
<b>GENERAL REVENUES</b>			
Taxes			646,839
Interest			792,793
			<u>1,439,632</u>
			<b>CHANGE IN NET POSITION</b> (4,284,075)
			<b>NET POSITION, Beginning</b> (9,977,541)
			<b>NET POSITION, Ending</b> <u>\$ (14,261,616)</u>

See the accompanying independent auditors' report.

BASELINE METROPOLITAN DISTRICT NO. 1

BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of December 31, 2019

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTALS
<b>ASSETS</b>				
Cash and Investments	\$ 353,358	\$ 18,678,280	\$ 9,288,215	\$ 28,319,853
Accounts Receivable	1,474	-	987	2,461
Escrow Deposits	-	10,151,007	-	10,151,007
Deposits	-	10,000	-	10,000
Prepaid Expenses	9,103	-	-	9,103
<b>TOTAL ASSETS</b>	<b>\$ 363,935</b>	<b>\$ 28,839,287</b>	<b>\$ 9,289,202</b>	<b>\$ 38,492,424</b>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 48,375	\$ 1,252,981	\$ -	\$ 1,301,356
Retainage Payable	-	351,710	-	351,710
<b>TOTAL LIABILITIES</b>	<b>48,375</b>	<b>1,604,691</b>	<b>-</b>	<b>1,653,066</b>
<b>FUND EQUITY</b>				
Fund Balance				
Nonspendable	9,103	10,161,007	-	10,170,110
Restricted for Capital Projects	-	17,073,589	-	17,073,589
Restricted for Debt Service	-	-	9,289,202	9,289,202
Restricted for Emergencies	43,800	-	-	43,800
Unassigned	262,657	-	-	262,657
<b>TOTAL FUND EQUITY</b>	<b>315,560</b>	<b>27,234,596</b>	<b>9,289,202</b>	<b>36,839,358</b>
<b>TOTAL LIABILITIES FUND EQUITY</b>	<b>\$ 363,935</b>	<b>\$ 28,839,287</b>	<b>\$ 9,289,202</b>	

Amounts reported for governmental activities in the statement of Net Position are different because:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 14,457,735

Long-term liabilities are not due and payable in the current period and are not reported in the funds. These include bonds payable (\$65,110,000), bond discount \$244,725 developer advances (\$671,248), and accrued interest payable (\$22,186). (65,558,709)

Net Position of governmental activities \$ (14,261,616)

See the accompanying independent auditors' report.

BASELINE METROPOLITAN DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
Year Ended December 31, 2019

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTALS
REVENUES				
Service Fees	\$ 1,289	\$ -	\$ 17,920	\$ 19,209
TIF Revenues	400,000	-	8,142	408,142
Use Fee Revenues	238,697	-	-	238,697
Interest and Other	-	547,752	245,041	792,793
	<u>639,986</u>	<u>547,752</u>	<u>271,103</u>	<u>1,458,841</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
General Government	435,973	3,327,330	6,500	3,769,803
Debt Service				
Principal	-	-	-	-
Interest	-	-	3,613,894	3,613,894
Capital Outlay	-	8,636,561	-	8,636,561
	<u>435,973</u>	<u>11,963,891</u>	<u>3,620,394</u>	<u>16,020,258</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES (UNDER) EXPENSES	<u>204,013</u>	<u>(11,416,139)</u>	<u>(3,349,291)</u>	<u>(14,561,417)</u>
OTHER FINANCING SOURCES (USES)				
Repayment of Developer Advances	<u>(640,207)</u>	<u>(683,183)</u>	<u>-</u>	<u>(1,323,390)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(640,207)</u>	<u>(683,183)</u>	<u>-</u>	<u>(1,323,390)</u>
NET CHANGE IN FUND BALANCES	(436,194)	(12,099,322)	(3,349,291)	(15,884,807)
FUND BALANCES, Beginning	<u>751,754</u>	<u>39,333,918</u>	<u>12,638,493</u>	<u>52,724,165</u>
FUND BALANCES, Ending	<u>\$ 315,560</u>	<u>\$ 27,234,596</u>	<u>\$ 9,289,202</u>	<u>\$ 36,839,358</u>

See the accompanying independent auditors' report.

BASELINE METROPOLITAN DISTRICT NO. 1

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2019

Amounts Reported for Governmental Activities in the Statement of Activities  
are Different Because:

Net Changes in Fund Balances - Total Governmental Funds	\$ (15,884,807)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount includes capital outlay \$10,247,013 and depreciation expense (\$55,258).	10,191,755
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This amount includes principal payment on developer debt \$1,323,390, change in accrued interest payable \$94,025, and amortization of bond discount of (\$8,438).	<u>1,408,977</u>
Change in Net Position of Governmental Activities	<u><u>\$ (4,284,075)</u></u>

See the accompanying independent auditors' report.

# BASELINE METROPOLITAN DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

### NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Baseline Metropolitan District No. 1 (the “District”) was formed to provide construction, installation, financing and operation of public improvements. Specifically, the activities include providing streets, traffic and safety control, water and sanitation and other services in order to benefit the public. The District is governed by a five-member Board of Directors (“Board”) elected by the constituents. In prior years the District was known as North Park Metropolitan District No. 1. The name was changed in 2019.

The accounting policies of the District conform to generally accepted accounting principles (“GAAP”) as applicable to governments. The following is a summary of the more significant policies:

#### **Reporting Entity**

In accordance with governmental accounting standards, the District has considered the possibility of inclusion of additional entities in its financial statements.

The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if District officials appoint a voting majority of the organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. The District may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of these criteria, the District does not include additional organizations in its reporting entity.

#### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the 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*.

BASELINE METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Government-Wide and Fund Financial Statements** (Continued)

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 the 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 collected 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.

Service fees, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

In the fund financial statements, 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 District, except those required to be accounted for in another fund.

BASELINE METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

The *Capital Projects Fund* accounts for the construction of public infrastructure and other capital improvements within the District.

The *Debt Service Fund* accounts for the District's Debt activities.

**Cash and Investments**

Cash equivalents include investments with original maturities of three months or less.

Investments are recorded at fair value.

**Prepaid Expenses**

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses. An expenditure is reported in the year in which the services were consumed.

**Capital Assets**

Capital assets, which include property and equipment, are reported in the governmental activities column 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 one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property and equipment of the District is depreciated using the straight-line method over the estimated useful lives between fifteen and thirty years.

**Long-Term Obligations**

In the Government-Wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities fund type statement of net position.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

BASELINE METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Property Taxes**

Property taxes are levied on December 15 and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's office collects property taxes and remits to the District on a monthly basis.

Assessed property taxes are first submitted to Baseline Metropolitan District Nos 2 and 3 and are subsequently forwarded to the District as payment for administrative and other services.

**Net Position**

The government-wide financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

*Net Investment in Capital Assets* includes the District's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted Net Position* includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The District typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

*Unrestricted Net Position* typically includes unrestricted liquid assets. The Board has the authority to revisit or alter this designation.

**Net Position/Fund Balance Classification**

In the Government-Wide financial statements, net position is restricted when constraints placed on the net position are externally imposed.

The Governmental Fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the Governmental Fund financial statements are as follows:

- Nonspendable – This classification includes amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. The District has classified prepaid expenses and deposits as nonspendable as of December 31, 2019.

BASELINE METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Net Position/Fund Balance Classification** (Continued)

- **Restricted** – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. The fund balance in the capital projects fund is restricted for construction of capital projects and the fund balance of the debt service fund is restricted to pay debt service.
- **Committed** – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

The District did not have any committed resources as of December 31, 2019.

- **Unassigned** – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned.

BASELINE METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting**

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- On or before October 15th, District Management submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- District Management is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board.
- Budgets are legally adopted for all funds of the District on a basis consistent with GAAP.
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Board. All appropriations lapse at year end.

**NOTE 3: CASH AND INVESTMENTS**

A summary of deposits and investments as of December 31, 2019 follows:

Deposits	\$ 2,956,645
Investments	<u>25,363,208</u>
Total	<b><u>\$ 28,319,853</u></b>

**Deposits**

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. 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 regulations. At December 31, 2019, State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories.

BASELINE METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

**NOTE 3: CASH AND INVESTMENTS** (Continued)

**Deposits** (Continued)

Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. 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 uninsured deposits. The District has no policy regarding custodial credit risk for deposits.

At December 31, 2019, the District had deposits with financial institutions with a carrying amount of \$2,956,645 and bank balance of \$2,957,045. Of these balances, \$250,000 was covered by federal depository insurance and \$2,707,045 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

**Investments**

Interest Rate Risk

The District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Colorado statutes specify in which instruments the units of local government may invest which includes:

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

The above investments are authorized for all funds and fund types used by Colorado municipalities.

BASELINE METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

**NOTE 3: CASH AND INVESTMENTS** (Continued)

**Investments** (Continued)

Local Government Investment Pools

The District had invested \$25,363,207 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAM by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

ColoTrust is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables.

**NOTE 4: CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2019, is summarized below:

	<u>Balances</u> <u>12/31/18</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/19</u>
<b>Governmental Activities</b>				
Capital Assets, not depreciated				
Construction in Progress	\$ 2,733,637	\$ 11,619,079	\$ 1,401,402	\$ 12,951,314
Capital Assets, depreciated				
Landscaping	781,790	-	-	781,790
Infrastructure	710,240	-	-	710,240
Sewer	124,597	29,336	-	124,597
Total Capital Assets, depreciated	<u>1,616,627</u>	<u>29,336</u>	<u>-</u>	<u>1,616,627</u>
Accumulated Depreciation				
Landscaping	53,211	31,272	-	84,483
Infrastructure	31,073	17,756	-	48,829
Sewer	-	6,230	-	6,230
Total Accumulated Depreciation	<u>84,284</u>	<u>55,258</u>	<u>-</u>	<u>139,542</u>
Net Capital Assets, Depreciated	<u>1,532,343</u>	<u>75,569</u>	<u>-</u>	<u>1,506,421</u>
Governmental Activities, Capital Assets, Net	<u>\$ 4,265,980</u>	<u>\$ 11,593,157</u>	<u>\$ 1,401,402</u>	<u>\$ 14,457,735</u>

BASELINE METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

**NOTE 4: CAPITAL ASSETS** (Continued)

Depreciation expense is charged to the general government program.

**NOTE 5: LONG-TERM DEBT**

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2019.

	Balance <u>12/31/18</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>12/31/19</u>	Due In <u>One Year</u>
Developer Advances					
- Operating	\$ 640,207	\$ -	\$ 300,077	\$ 340,130	\$ 340,130
Developer Advances					
- Capital	985,430	-	654,311	331,119	331,119
Special Revenue Bonds, Series 2018A-1	18,000,000	-	-	18,000,000	-
Special Revenue Bonds, Series 2018A-2	47,110,000	-	-	47,110,000	-
Bond Discount	<u>(253,163)</u>	<u>-</u>	<u>(8,438)</u>	<u>(244,725)</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 66,482,474</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 945,950</u></b>	<b><u>\$ 65,536,524</u></b>	<b><u>\$ 671,249</u></b>

**Developer Advances - Operating**

On January 1, 2019, the District entered into a 2019 Funding and Reimbursement Agreement (the "Operating Agreement"), with McWhinney CCOB Land Investments, LLC ("MCLI") to provide financing for the operations and maintenance of the District. Pursuant to the Operating Agreements MCLI agreed to loan the District amounts not to exceed \$1,100,000 including amounts previously advanced of \$327,737, \$59,010, and \$253,460. Pursuant to the Operating Agreement the District issued the notes to MCLI further evidencing the District's obligation to make repayment of all amounts borrowed from MCLI (the "Operating Notes"). The terms of the Operating Notes provide for a maturity date of December 31, 2019 and further provide that in the event the District cannot repay all amounts due and owing at the maturity date, the District shall refund the existing notes and issue new notes on similar terms, with a maturity date of December 31 of the succeeding year. As of December 31, 2019. The previously advanced amounts of \$59,010 had been repaid in full.

BASELINE METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

**NOTE 5: LONG-TERM DEBT** (Continued)

**Developer Advances - Capital**

On January 1, 2017, the District entered into a 2017 Advance and Reimbursement Agreement (“Capital Agreement”) with MCLI to provide for the financing and repayment of costs associated with the District’s construction of public infrastructure within and without the District’s boundaries through December 31, 2017. Pursuant to the Capital Agreement the District agreed to loan the Districts funds in an amount not to exceed \$7,500,000, which amount includes previous advanced amounts.

On November 2, 2017, the District and MCLI entered into a First Amendment to Capital Agreement for purposes of increasing the amount to be advanced to the District by MCLI to \$10,000,000, including previous advanced amounts, and extended the funding term of the Capital Agreement through December 31, 2018.

On July 12, 2018, the District and MCLI entered into a Second Amendment to Capital Agreement to provide for he District to use advances to construct improvements in Baseline Metropolitan District No. 4. On August 24, 2018, the District an MCLI entered into a Third Amendment to Capital Agreement to increase the amount of advances to the District from MCLI to \$15,000,000.

To evidence the District’s reimbursement obligation to MCLI, the District refunded existing subordinate promissory notes and, on January 1, 2019, issued a promissory note to MCLI in the amount in an amount not to exceed \$5,000,000 (“Capital Note B”) with a maturity date of December 31, 2019. If the District cannot repay the Capital Note in full on the maturity date, the District will issue a new note with maturity date of December 31, of the succeeding year. Simple interest accrues at the greater of 6% or prime + 2%, which is currently 6% per annum, from the date of any advances made. As of December 31, 2019, the accrued interest and principal on the Capital Note A and Note B has been paid in full.

On May 5, 2012, the District and MCLI entered into a 2012 Advance and Reimbursement Agreement to provide financing for the construction of public infrastructure within and without the District’s boundaries for public infrastructure that is not financed by the Second North PUD Amended and Restated Managed Growth and Development Agreement. MCLI will advance funds in an amount not to exceed \$500,000. The District issued a note to MCLI to evidence the District’s repayment obligation. The note does not bear interest and matures on May 4, 2052. As of December 31, 2019, the District owed MCLI \$331,119 pursuant to the Note.

On November 13, 2019 the District and Nash Anthem, LLC entered into an Improvement Acquisition and Reimbursement Agreement pursuant to which the District agreed to reimburse Nash Anthem for its costs associated with public improvements constructed in amount not to exceed \$42,000 upon the submission of a purchase application. As of December 31, 2019 the District did not owe any amounts on this note.

BASELINE METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

**NOTE 5: LONG-TERM DEBT**(Continued)

**Special Revenue Bonds**

On October 23, 2018 the District issued Special Revenue Bonds, Series 2018A-1 and 2018A-2 in the amounts of \$18,000,000 and \$47,110,000, respectively. The 2018A-1 and 2018A-2 Bonds are secured and payable solely from the senior pledged revenue and subordinated pledged revenue, as applicable. These revenues consist of monies derived by the District from property tax collections, specific ownership tax collections, and any other legally available funds which the District determines at its discretion, to credit to the bonds.

The 2018A-1 Bonds carry an interest rate of 5.375% and the 2018A-2 Bonds carry an interest rate of 5.125%. Interest payments on the bonds are due semi-annually on June 1 and December 1. Principal payments on the Bonds are due annually on December 1 beginning on December 1, 2023.

Estimated annual debt service requirements for the outstanding bonds at December 31, 2019 are as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 3,613,894	\$- 3,613,894
2021	-	3,613,894	3,613,894
2022	-	3,613,894	3,613,894
2023	645,000	3,613,894	4,258,894
2024	1,040,000	3,580,425	4,620,425
Thereafter	<u>63,425,000</u>	<u>41,834,353</u>	<u>105,259,353</u>
<b>Total</b>	<b><u>\$ 65,110,000</u></b>	<b><u>\$59,870,354</u></b>	<b><u>\$ 124,980,354</u></b>

**NOTE 6: RELATED PARTIES**

All of the members of the Board of Directors are employees at McWhinney Real Estate Services, Inc., managers of MCLI and investors in MCLI, or otherwise affiliated with the MCLI. The District owes the Developers \$671,249 in note principal and \$22,186 in accrued interest as of December 31, 2019.

BASELINE METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

**NOTE 7: COMMITMENTS AND CONTINGENCIES**

**Managed Growth and Development Agreement (“MGDA”)**

The District is a party to the Second North PUD Amended and Restated Managed Growth and Development Agreement (“MGDA”), dated September 27, 2011, as subsequently amended on September 25, 2012, and on September 25, 2018, entered into with Baseline Metropolitan District No. 2 (“District No. 2”), Baseline Metropolitan District No. 3 (“District No. 3”), Baseline Metropolitan District No. 4 (“District No. 4”) the City and County of Broomfield (“City”), The Broomfield Urban Renewal Authority (“BURA”), MCLI, and McWhinney Real Estate Services, Inc. for the purpose of providing terms and conditions for the construction and financing of certain public improvements by the District, the City, the BURA and MCLI within the boundaries of District No. 2 and District No. 3 and District No. 4.

Under the terms of the agreement, the City and County of Broomfield and BURA are obligated to forward pledged revenues from a portion of property, sales and lodging tax collected as well as public improvement fee revenues to the District to fund certain eligible public improvements. The maximum reimbursement obligation for all eligible public improvements (excluding public parking) shall not exceed \$208,530,271 and \$508,610,417 for all bond requirements and structured parking.

During the year ended December 31, 2019, the District received a total amount of \$638,698 from the City and County of Broomfield, representing pledged revenues collected by the City and County of Broomfield for fiscal years 2012 through 2018.

**TABOR Amendment**

Colorado voters passed the TABOR Amendment (“Amendment”) to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the Amendment.

The District has established an Emergency Reserve, representing 3% of fiscal year spending (excluding debt service), as required by the Amendment. At December 31, 2019, the emergency reserve of \$43,800 was recorded as a restriction of fund balance in the General Fund.

BASELINE METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

**NOTE 8: RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District participates in the Colorado Special Districts Property and Liability Insurance Pool (the "Pool"). The Pool insures property and liability exposures through contributions made by member districts. The District does not maintain an equity interest in the Pool. The District funds its Pool contributions, outside insurance purchases, deductibles, and uninsured losses through the General Fund. Settled claims resulting from these risks have not exceeded commercial or District coverages in any of the past three years.

**NOTE 9: DEBT AUTHORIZATION**

On November 1, 2011, a majority of the qualified electors of the District authorized the issuance of general obligation indebtedness as follows:

- An amount not to exceed \$200,000,000 at an interest rate not to exceed 18% per annum, for the cost of constructing street improvements; and
- An amount not to exceed \$75,000,000 at an interest rate not to exceed 18% per annum, for the cost of constructing parks and recreation facilities; and
- An amount not to exceed \$50,000,000 at an interest rate not to exceed 18% per annum, for the cost of constructing a water and distribution system.
- An amount not to exceed \$50,000,000 at an interest rate not to exceed 18% per annum, for the cost of constructing a sanitation and storm sewer system; and
- An amount not to exceed \$450,000,000 at an interest rate not to exceed 18% per annum, for the cost of constructing transportation facilities and equipment; and
- An amount not to exceed \$1,000,000 at an interest rate not to exceed 18% per annum, for mosquito control purposes; and
- An amount not to exceed \$2,000,000 at an interest rate not to exceed 18% per annum, for traffic and safety purposes; and
- An amount not to exceed \$2,000,000 at an interest rate not to exceed 18% per annum, for television relay and translation purposes; and
- An amount not to exceed \$5,000,000 at an interest rate not to exceed 18% per annum, for fire protection purposes; and

BASELINE METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

**NOTE 9: DEBT AUTHORIZATION** (Continued)

- An amount not to exceed \$5,000,000 at an interest rate not to exceed 18% per annum, for security purposes; and
- An amount not to exceed \$150,000,000 at an interest rate not to exceed 18% per annum, for operations and maintenance purposes; and
- An amount not to exceed \$1,100,000,000 at an interest rate not to exceed 18% per annum, for the cost of refunding bonds; and
- An amount not to exceed \$550,000,000 at an interest rate not to exceed 18% per annum, for the cost of intergovernmental agreements; and
- An amount not to exceed \$550,000,000 at an interest rate not to exceed 18% per annum, for reimbursement agreement purposes.
- An amount not to exceed \$35,000,000 at an interest rate not to exceed 18% per annum, for the cost of construction management; and
- An amount not to exceed \$10,000,000 at an interest rate not to exceed 18% per annum, to issue mortgages.

The District's Service Plan includes a debt authorization limit of \$550,000,000.

As of December 31, 2019, the amount of debt authorized but unissued was \$484,890,000. The District intends to issue over time a part or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area.

**NOTE 10: DEFICIT NET POSITION**

As of December 31, 2019, the District had a government-wide deficit in net position of \$14,164,540. This deficit was created as the District used loan proceeds from the Developer to construct capital assets that were later transferred to the City and County of Broomfield.

BASELINE METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

**NOTE 11: SUBSEQUENT EVENTS**

Potential subsequent events were considered through July 30, 2020. It was determined that the following event is required to be disclosed through this date.

**Covid-19**

As a result of the coronavirus pandemic (COVID-19), economic uncertainties may have economic implications on the financial position, results of operations and cash flows of the District. The duration of these uncertainties and the ultimate financial effects cannot be estimated at this time.

**REQUIRED SUPPLEMENTAL INFORMATION**

BASELINE METROPOLITAN DISTRICT NO. 1

GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended December 31, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Interest	\$ -	\$ -	\$ 1,289	\$ 1,289
TIF Revenues	388,964	388,864	400,000	11,136
Use Fee Revenues	218,067	218,067	238,697	20,630
<b>TOTAL REVENUES</b>	<b>607,031</b>	<b>606,931</b>	<b>639,986</b>	<b>33,055</b>
EXPENDITURES				
Current				
General Government				
Accounting and Administration	66,500	66,500	70,829	(4,329)
District Management	102,120	102,120	102,120	-
Insurance	9,000	9,000	8,886	114
Ground Maintenance	71,385	71,385	59,569	11,816
Utilities	24,300	24,300	11,830	12,470
Legal Expenses	175,000	175,000	136,966	38,034
Office, Dues and Other	27,100	27,100	5,484	21,616
Formation and Organization	-	-	40,289	(40,289)
Contingency	137,126	137,126	-	137,126
<b>TOTAL EXPENDITURES</b>	<b>612,531</b>	<b>612,531</b>	<b>435,973</b>	<b>176,558</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(5,500)</b>	<b>(5,600)</b>	<b>204,013</b>	<b>209,613</b>
OTHER FINANCING SOURCES (USES)				
Repayment of Developer Advances	-	(640,207)	(640,207)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>(640,207)</b>	<b>(640,207)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(5,500)</b>	<b>(645,807)</b>	<b>(436,194)</b>	<b>209,613</b>
FUND BALANCE, Beginning	54,579	751,752	751,754	2
FUND BALANCE, Ending	\$ 49,079	\$ 105,945	\$ 315,560	\$ 209,615

See the accompanying independent auditors' report.

**INDIVIDUAL FUND SCHEDULES**

BASELINE METROPOLITAN DISTRICT NO. 1

CAPITAL PROJECTS FUND  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended December 31, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
<b>REVENUES</b>				
Interest	\$ -	\$ 500,000	\$ 547,752	\$ 47,752
TOTAL REVENUES	-	500,000	547,752	47,752
<b>EXPENDITURES</b>				
Current				
Project Management	22,500	22,500	1,242,639	(1,220,139)
Engineering and Surveying	125,000	155,000	2,084,691	(1,929,691)
Direct Project Costs	23,536,185	26,965,661	8,636,561	18,329,100
TOTAL EXPENDITURES	23,683,685	27,143,161	11,963,891	15,179,270
CHANGE IN FUND BALANCE	(23,683,685)	(26,643,161)	(11,416,139)	15,227,022
<b>OTHER FINANCING SOURCES (USES)</b>				
Repayment of Developer Advances	-	(683,183)	(683,183)	-
TOTAL OTHER FINANCING SOURCES	-	(683,183)	(683,183)	-
NET CHANGE IN FUND BALANCE	(23,683,685)	(27,326,344)	(12,099,322)	15,227,022
FUND BALANCE, Beginning	-	39,352,155	39,333,918	(18,237)
FUND BALANCE, Ending	\$ (23,683,685)	\$ 12,025,811	\$ 27,234,596	\$ 15,208,785

See the accompanying independent auditors' report.

BASELINE METROPOLITAN DISTRICT NO. 1

DEBT SERVICE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended December 31, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Interest	\$ -	\$ -	\$ 245,041	\$ 245,041
TIF Revenues	-	-	8,142	8,142
Service Fees	18,086	18,086	17,920	(166)
TOTAL REVENUES	18,086	18,086	271,103	253,017
EXPENDITURES				
Current				
General Government	-	6,500	6,500	-
Bond Interest	3,608,719	3,613,894	3,613,894	-
Contingency	10,000	5,000	-	5,000
TOTAL EXPENDITURES	3,618,719	3,625,394	3,620,394	5,000
NET CHANGE IN FUND BALANCE	(3,600,633)	(3,607,308)	(3,349,291)	258,017
FUND BALANCE, Beginning	12,582,903	12,582,903	12,638,493	55,590
FUND BALANCE, Ending	\$ 8,982,270	\$ 8,975,595	\$ 9,289,202	\$ 313,607

See the accompanying independent auditors' report.