

**SMPG Metropolitan District No. 1
Weld County, Colorado**

**AUDITOR'S REPORT AND FINANCIAL STATEMENTS
December 31, 2019**

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Independent Auditor's Report

Members of the Board of Directors
SMPG Metropolitan District No. 1

We have audited the accompanying financial statements of the governmental activities and the major funds of SMPG 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 an opinion 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 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 the major funds of SMPG Metropolitan District No. 1, as of December 31, 2019 and the respective changes in financial position and the 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

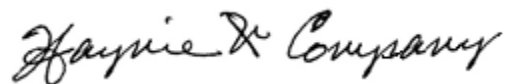
Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise SMPG Metropolitan District No. 1's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Littleton, Colorado
May 8, 2020

BASIC FINANCIAL STATEMENTS

SMPG METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
December 31, 2019

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 4,207,142
Prepaid expenses	2,913
Due from county	34,241
Property taxes receivable	13
Total assets	<u>4,244,309</u>
 LIABILITIES	
Accounts payable	<u>12,948</u>
Total liabilities	<u>12,948</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenues	<u>13</u>
Total liabilities and deferred inflows of resources	<u>12,961</u>
 NET POSITION	
Restricted for:	
Emergency reserves	44,581
Unrestricted	<u>4,186,767</u>
Total net position	<u><u>\$ 4,231,348</u></u>

SMPG METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Government activities:					
General government	\$ 36,348	\$ 6,316,519	\$ -	\$ -	\$ 6,280,171
Interest and related costs on long-term debt	68,232	-	-	-	(68,232)
	<u>\$ 104,580</u>	<u>\$ 6,316,519</u>	<u>\$ -</u>	<u>\$ -</u>	<u>6,211,939</u>
General revenues:					
Property taxes					18
Investment earnings					28,359
Total general revenues					<u>28,377</u>
Change in net position					6,240,316
Net position (deficit) - Beginning					(2,008,968)
Net position (deficit) - Ending					<u>\$ 4,231,348</u>

SMPG METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2019

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$1,031,453	\$ 3,175,689	\$ -	\$ 4,207,142
Property taxes receivable	13	-	-	13
Due from county	34,241	-	-	34,241
Prepaid expenses	2,913	-	-	2,913
TOTAL ASSETS	<u>\$1,068,620</u>	<u>\$3,175,689</u>	<u>\$ -</u>	<u>\$ 4,244,309</u>
LIABILITIES				
Accounts payable	\$ 12,948	\$ -	\$ -	\$ 12,948
Total liabilities	<u>12,948</u>	<u>-</u>	<u>-</u>	<u>12,948</u>
DEFERRED INFLOWS OF RESOURCES				
Property tax revenue	13	-	-	13
Total liabilities & deferred inflows	<u>12,961</u>	<u>-</u>	<u>-</u>	<u>12,961</u>
FUND BALANCES				
Nonspendable:				
Prepaid expenses	2,913	-	-	2,913
Restricted for:				
Emergency reserves (TABOR)	44,581	-	-	44,581
Unassigned	1,008,165	3,175,689	-	4,183,854
Total fund balances	<u>1,055,659</u>	<u>3,175,689</u>	<u>-</u>	<u>4,231,348</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$1,068,620</u>	<u>\$3,175,689</u>	<u>\$ -</u>	

SMPG METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2019

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES				
Service fees-SMPG No. 2	\$ 1,457,657	\$ 4,858,858	\$ -	\$ 6,316,515
Service fees-SMPG No. 3-6	-	4	-	4
Property tax revenue	4	14	-	18
Interest and other income	28,359	-	-	28,359
Total revenues	<u>1,486,020</u>	<u>4,858,876</u>	<u>-</u>	<u>6,344,896</u>
EXPENDITURES				
Accounting	8,050	-	-	8,050
Legal	10,283	-	-	10,283
Insurance and bonds	2,903	-	-	2,903
District management	11,835	-	-	11,835
Other	3,277	-	-	3,277
	<u>36,348</u>	<u>-</u>	<u>-</u>	<u>36,348</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,449,672</u>	<u>4,858,876</u>	<u>-</u>	<u>6,308,548</u>
OTHER FINANCING SOURCES (USES)				
Developer advances	(284,598)	-	-	(284,598)
Developer interest expense	(125,265)	-	-	(125,265)
Capital advance repayment	-	-	(1,550,000)	(1,550,000)
Debt service interest expense	-	-	(178,377)	(178,377)
Interfund transfers in (out)	-	(1,683,187)	1,683,187	-
Total other financing sources (uses)	<u>(409,863)</u>	<u>(1,683,187)</u>	<u>(45,190)</u>	<u>(2,138,240)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,039,809	3,175,689	(45,190)	4,170,308
FUND BALANCES - BEGINNING OF YEAR	<u>15,850</u>	<u>-</u>	<u>45,190</u>	<u>61,040</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,055,659</u>	<u>\$ 3,175,689</u>	<u>\$ -</u>	<u>\$ 4,231,348</u>

**SMPG METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
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	\$ 4,170,308
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Repayment of Developer Promissory Note	1,550,000
Repayment of Developer Advances	284,598

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest on developer advances - Change in liability	114,680
Accrued interest on developer note payable - Change in liability	120,730

Change in net position of governmental activities	<u><u>\$ 6,240,316</u></u>
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SMPG METROPOLITAN DISTRICT NO. 1
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2019

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>General Fund (Negative)</u>
REVENUES			
Property taxes	\$ 4	\$ 4	\$ -
Service fees	1,479,685	1,457,657	(22,028)
Interest income & other	-	28,359	28,359
Total revenues	<u>1,479,689</u>	<u>1,486,020</u>	<u>6,331</u>
EXPENDITURES			
Accounting	8,050	8,050	-
District administration & management	11,835	11,835	-
Engineering	1,000	-	1,000
Insurance & risk management	3,578	2,903	675
Legal/ election	15,000	10,283	4,717
Office, dues and other	2,500	3,277	(777)
Contingency	100,000	-	100,000
Developer Advance repayment			
Principal	284,598	284,598	-
Interest	121,980	125,265	(3,285)
Total expenditures	<u>548,541</u>	<u>446,211</u>	<u>102,330</u>
EXCESS OF REVENUES OVER (UNDER)			
EXPENDITURES	<u>931,148</u>	<u>1,039,809</u>	<u>108,661</u>
NET CHANGE IN FUND BALANCE	931,148	1,039,809	<u>\$ 108,661</u>
FUND BALANCE - BEGINNING OF YEAR	<u>8,885</u>	<u>15,850</u>	
FUND BALANCE - END OF YEAR	<u>\$ 940,033</u>	<u>\$ 1,055,659</u>	

SMPG METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 - DEFINITION OF REPORTING ENTITY

SMPG Metropolitan District No. 1 (District), a quasi-municipal corporation, was organized in 2004, is governed pursuant the Colorado Special District Act (§32-1-101, et al, C.R.S.). The District operates under a service plan initially approved by the Town of Berthoud on September 14, 2004, which was subsequently amended and approved by the Town on April 26, 2005. The District's service area is located in Weld County, Colorado.

The District was established to finance public infrastructure required by the development and to provide ongoing governmental structure for the operations and maintenance of public improvements and facilities. The District is a Service District organized in conjunction with five other related Districts –SMPG Metropolitan Districts No. 2-6. SMPG Metropolitan District No. 1 serves as the Service District which is responsible for managing the construction and operation of facilities and improvements needed for SMPG Districts Nos. 2-6 (Financing Districts) which are responsible for providing the tax base needed to support the financing of public infrastructure required by the development.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. For the most part, the effect of interfund activity has been removed from these statements. These financial statements include all of the activities of the District.

Governmental activities are normally supported by property taxes collected. Both statements distinguish between governmental activities, which normally are supported by taxes and business-type activities, which rely to a significant extent on fees and charges for support.

SMPG METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The statement of net position reports all financial and capital resources of the District. The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources of the District is being reported as net position.

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

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. Redemption of bonds is 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 District 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. The District determined that Developer advances are not considered as revenue susceptible to accrual. 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 general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities and is included with the general fund in the financial statements.

SMPG METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

Cash and Investments

The District's cash and investments include 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 funds' average equity balance in the total cash.

Property Taxes

Property taxes are levied by the District 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 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 are considered fully collectible and are recorded initially as deferred inflows of resources in the year they are levied and measurable. Property tax revenues are recorded as revenue in the year they are available or collected

SMPG METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net position by a government that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position by a government that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the statement of net position but are not recognized in the financial statement as revenues and expenses until the period(s) to which they relate. Deferred inflows of resources in the governmental fund financial statements of the District for the year ended December 31, 2019 are comprised of property taxes due from Weld County that will not be collected within 60 days of the end of the current fiscal year. Deferred inflows of resources in the government-wide financial statements represents property taxes for which an enforceable legal claim to assets exists, but for which the levy pertains to the subsequent year.

Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Long-term debt is reported gross.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Capital Assets

Capital assets, which include property, plant and equipment and infrastructure (e.g. roads, sidewalks and similar items), are reported in the applicable 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. Such assets are recorded in historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital assets, which are anticipated to be conveyed to other governmental entities, are recorded as construction in progress and are not included in the calculation of invested in capital assets, net of related debt component of the District's net position.

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

SMPG METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance – Governmental Funds

Fund Equity

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* - The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by 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* - The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the criteria described above. If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's policy to use the most restrictive classification first.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

SMPG METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 3 - CASH AND INVESTMENTS

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

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

At December 31, 2019, the District had a bank balance of \$4,207,142 which was FDIC Insured.

Investments

The District has adopted a formal investment policy on November 10, 2017 and the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, 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 three or five years or less (depending upon the type of investment) unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States, 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
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Guaranteed investment contracts
- * Local government investment pools

SMPG METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

As of December 31, 2019, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
COLOTRUST	Weighted average under 60 days	\$ 4,047,603

INVESTMENTS

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), 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 any security allowed under CRS §24-75-601. A designated custodial bank serves as custodian for the Trust’s portfolios pursuant to a custodian agreement. The custodian acts as a 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 Standard & Poor’s COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

NOTE 4 - LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term obligations for the year ended December 31, 2019:

	Balance at December 31, 2018	Additions	Decreases	Balance at December 31, 2019
Developer advances	\$ 284,598	\$ -	\$ 284,598	\$ -
Developer note payable	1,550,000	-	1,550,000	-
	<u>\$ 1,834,598</u>	<u>\$ -</u>	<u>\$ 1,834,598</u>	<u>\$ -</u>

SMPG METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

Funding and Reimbursement Agreement

The District has entered into a First Amendment to the 2018 Funding and Reimbursement Agreement (“Agreement”) with Front Range Investment Holdings, LLC (“Front Range”). The Agreement provides that Front Range has loaned to the District certain sums of money pursuant to the terms of the Prior Agreement and the original terms of the Agreement. Front Range agreed to continue to loan to the District funds in one or in a series of installment(s) to the District through December 31, 2019.

Pursuant to the Funding and Reimbursement Agreement Front Range agrees to loan to the District one or more sums of money not-to-exceed the aggregate of \$325,000, which constitutes the maximum amount which may be loaned to the District through December 31, 2019, which constitutes the funding obligation term of this Agreement. Front Range’s obligation to loan funds to the District in accordance with this Agreement terminates on December 31, 2019.

As of December 31, 2019, the District paid Front Range the full balance owed for these advances and associated accrued interest. In 2019 the District paid \$284,598 in developer advances and interest expense of \$125,265.

Improvement Reimbursement Agreement

On November 10, 2017, the District entered into an Improvement Reimbursement Agreement with Front Range Investment Holdings, LLC (“Front Range”) to set forth Front Range’s (“Improvements”) funding responsibilities for the construction of water and wastewater improvements by the Town of Berthoud for the benefit of the District and surrounding properties and the District’s reimbursement obligation to Front Range of such funding. Pursuant to the Agreement, Front Range has contributed \$1,550,000 to the Town for the construction of the Improvements.

To evidence the District’s reimbursement obligation to Front Range, the District issued a Subordinate Promissory Note to Front Range in the amount of \$1,550,000. The Subordinate Note issued bears interest at the rate of 2% plus the current Federal Reserve Bank Prime Rate or 6%, whichever is greater, with a maturity date of November 9, 2057. The District is obligated to repay the Subordinate Note contingent upon the receipt of funds from certain revenue sources, including bond proceeds, revenues from ad valorem mill levies imposed and any other legally available revenues of the District. The Subordinate Note may be prepaid in whole at any time without redemption premium or other penalty, but with interest accrued to the date of prepayments on the principal amount prepaid.

As of December 31, 2019, the Subordinate Note and associated accrued interest was paid in full by the District. In 2019 the District paid the principal balance of \$1,550,000 along with interest expense of \$178,377.

SMPG METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 5- NET POSITION

The District has net position consisting of two components - restricted and unrestricted.

Restricted net position includes net position that is restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2019 as follows:

Emergencies (see Note 8)	\$ 44,581
	<u>\$ 44,581</u>

The District's unrestricted net position as of December 31, 2019 totaled \$4,186,767.

NOTE 6 – RELATED PARTIES

The Developer of the property is Front Range Investment Holdings, LLC. The directors are not associated with Front Range except each director is under contract to purchase an interest in a small parcel of property from Front Range, located in each district to qualify the directors as eligible electors on the Board of Directors.

NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2019. The Pool is an organization created by intergovernmental agreement to provide property, liability, public official's 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 official's 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.

SMPG METROPOLITAN DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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.

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 Revenue (excluding bond proceeds). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. As of December 31, 2019, the District had \$44,581 restricted for emergencies.

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

SUPPLEMENTAL INFORMATION

**SMPG METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$ 12	\$ -	\$ (12)
Service fees	4,932,288	-	(4,932,288)
Transfer from Capital Fund	-	1,683,187	1,683,187
Total revenues	4,932,300	1,683,187	(3,249,113)
EXPENDITURES			
Capital Advance repayment			
Principal	1,550,000	1,550,000	-
Interest	170,561	178,377	(7,816)
Transfer to Capital Fund	150,000	-	-
	1,870,561	1,728,377	(7,816)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,061,739	(45,190)	(3,106,929)
NET CHANGE IN FUND BALANCE	3,061,739	(45,190)	\$ (3,106,929)
FUND BALANCE - BEGINNING OF YEAR	-	45,190	
FUND BALANCE - END OF YEAR	\$ 3,061,739	\$ -	

**SMPG METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Service Fees	\$ -	\$ 4,932,288	\$ 4,858,876	\$ (73,412)
Transfer from Debt Service Fund	150,000	-	-	-
Total revenues	<u>150,000</u>	<u>4,932,288</u>	<u>4,858,876</u>	<u>(73,412)</u>
EXPENDITURES				
Transfer to Debt Service Fund	-	1,683,202	1,683,187	15
Capital outlay	150,000	-	-	-
	<u>150,000</u>	<u>1,683,202</u>	<u>1,683,187</u>	<u>15</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>3,249,086</u>	<u>3,175,689</u>	<u>73,397</u>
NET CHANGE IN FUND BALANCE	-	3,249,086	3,175,689	<u>\$ 73,397</u>
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 3,249,086</u>	<u>\$ 3,175,689</u>	

**SMPG METROPOLITAN DISTRICT NO. 1
SUMMARY OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
December 31, 2019**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Tax Levy</u>	<u>Mills Levied</u>		<u>Total Property Taxes</u>		<u>Percent Collected to Levied</u>
		<u>Operations</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2011	\$ 570	0.000	0.000	\$ -	\$ -	0.00%
2012	\$ 680	0.000	0.000	\$ -	\$ -	0.00%
2013	\$ 140	0.000	0.000	\$ -	\$ -	0.00%
2014	\$ 170	0.000	0.000	\$ -	\$ -	0.00%
2015	\$ 9,220	0.000	0.000	\$ -	\$ -	0.00%
2016	\$ 210	0.000	0.000	\$ -	\$ -	0.00%
2017	\$ 210	0.000	0.000	\$ -	\$ -	0.00%
2018	\$ 240	15.000	50.000	\$ 16	\$ 279	100.00%
2019	\$ 240	15.000	50.000	\$ 16	\$ 17	100.00%
Estimated for the year ending December 31, 2020	\$ 200	15.000	50.000	\$ 13		