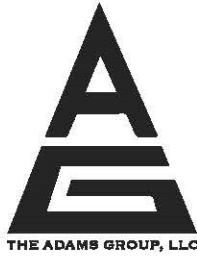


SOUTH BEEBE DRAW METROPOLITAN DISTRICT
Adams and Weld Counties Colorado

FINANCIAL STATEMENTS
December 31, 2020

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
South Beebe Draw Metropolitan District
Adams and Weld Counties, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the South Beebe Draw Metropolitan District (the District) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 the South Beebe Draw Metropolitan District, as of December 31, 2020, and the respective changes in financial position and the respective budgetary comparison schedules for the General Fund, Storm Drainage Special Revenue Fund, and Storm Drainage Easement Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 14 to the financial statements, the District restated beginning balances due to revenue recognition errors in the prior year. These changes resulted in a restatement of prior period fund balance. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted 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 on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

The Adams Group, LLC

December 22, 2021
Denver, Colorado

BASIC FINANCIAL STATEMENTS

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2020**

**Governmental
Activities**

ASSETS

| | |
|--|--------------|
| Cash and investments - unrestricted | \$ 3,213,817 |
| Cash and investments - restricted | 4,585,232 |
| Accounts receivable | 231,005 |
| Receivable from county treasurer | 21,299,070 |
| Property taxes receivable | 1,814,236 |
| Retainer deposits | 120,555 |
| Due from other governments | 213,306 |
| Due from Beebe Draw Wastewater Escrow | 499,089 |
| Capital assets not being depreciated | 6,114,519 |
| Capital assets being depreciated (net of accumulated depreciation) | 5,499,651 |
| Total assets | 43,590,480 |

LIABILITIES

| | |
|---|------------|
| Accounts payable | 120,935 |
| Unearned storm drainage maintenance fees | 294,248 |
| Due to other governments | 230,431 |
| Accrued interest on long-term obligations | 121,260 |
| Noncurrent liabilities: | |
| Due within one year | 1,502,681 |
| Due in more than one year | 8,102,071 |
| Total liabilities | 10,371,626 |

DEFERRED INFLOWS OF RESOURCES

| | |
|-------------------------------------|-----------|
| Deferred property tax revenue | 1,814,236 |
| Total deferred inflows of resources | 1,814,236 |

NET POSITION

| | |
|----------------------------------|---------------|
| Net investment in capital assets | 4,752,525 |
| Restricted | 2,411,974 |
| Unrestricted | 24,240,119 |
| Total net position | \$ 31,404,618 |

The financial statements should be read only in connection with
the accompanying notes to financial statements.

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2020**

| <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: | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 4,091,817 | \$ 810,247 | \$ 260,886 | \$ - | \$ (3,020,684) |
| Interest and expenses on long-term debt | 544,479 | 1,667,538 | - | - | 1,123,059 |
| | <u>\$ 4,636,296</u> | <u>\$ 2,477,785</u> | <u>\$ 260,886</u> | <u>\$ -</u> | <u>(1,897,625)</u> |
| General revenues: | | | | | |
| Intergovernmental revenue - sales and use taxes | | | | | 2,030,681 |
| Property taxes | | | | | 7,316,740 |
| Specific ownership taxes | | | | | 689,899 |
| Interest | | | | | 59,181 |
| Other revenues | | | | | 124,519 |
| Total general revenues | | | | | <u>10,221,020</u> |
| Change in net position | | | | | 8,323,395 |
| Net position - beginning of year (restated) | | | | | 23,081,223 |
| Net position - end of year | | | | | <u>\$ 31,404,618</u> |

The financial statements should be read only in connection with
the accompanying notes to financial statements.

SOUTH BEEBE DRAW METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2020

| | General | Storm Drainage Special Revenue | Drainage Easement Special Revenue | Debt Service - Lochbuie | Service - 2018 Revenue Note | Storm Drainage Capital Projects | Capital Projects | Total Governmental Funds |
|--|---------------------|--------------------------------------|---|-------------------------------|-----------------------------------|---------------------------------------|----------------------|--------------------------------|
| ASSETS | | | | | | | | |
| Cash and investments - unrestricted | \$ 351,977 | \$ 1,204,430 | \$ - | \$ - | \$ - | \$ 1,657,410 | \$ - | \$ 3,213,817 |
| Cash and investments - restricted | - | - | 41,986 | - | 2,040,873 | - | 2,502,373 | 4,585,232 |
| Accounts receivable | - | 115,896 | 2,860 | - | 83,808 | - | 28,441 | 231,005 |
| Property taxes receivable | 32,986 | - | - | - | - | - | 1,781,250 | 1,814,236 |
| Receivable from county treasurer | 387,368 | - | - | - | - | - | 20,911,702 | 21,299,070 |
| Retainer deposits | 120,555 | - | - | - | - | - | - | 120,555 |
| Due from other funds | 498,942 | - | - | - | - | - | - | 498,942 |
| Due from other governments | - | - | - | - | 213,306 | - | - | 213,306 |
| Due from Beebe Draw Wastewater Escrow | - | - | - | 499,089 | - | - | - | 499,089 |
| Total assets | \$ 1,391,828 | \$ 1,320,326 | \$ 44,846 | \$ 499,089 | \$ 2,337,987 | \$ 1,657,410 | \$ 25,223,766 | \$ 32,475,252 |
| LIABILITIES | | | | | | | | |
| Accounts payable | \$ 36,710 | \$ 23,064 | \$ 49,033 | \$ - | \$ - | \$ - | \$ 12,128 | \$ 120,935 |
| Unearned storm drainage maintenance fees | - | 294,248 | - | - | - | - | - | 294,248 |
| Due to other funds | - | - | - | 498,942 | - | - | - | 498,942 |
| Due to other governments | - | - | - | - | - | - | 230,431 | 230,431 |
| Total liabilities | 36,710 | 317,312 | 49,033 | 498,942 | - | - | 242,559 | 1,144,556 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | | |
| Deferred property tax revenue | 32,986 | - | - | - | - | - | 1,781,250 | 1,814,236 |
| Deferred revenue due from county treasurer | 387,368 | - | - | - | - | - | 20,911,702 | 21,299,070 |
| Deferred storm drainage maintenance fees | - | 115,896 | - | - | - | - | - | 115,896 |
| Deferred plant investment fees | - | - | - | - | - | - | - | - |
| Total deferred inflows of resources | 420,354 | 115,896 | - | - | - | - | 22,692,952 | 23,229,202 |
| FUND BALANCES | | | | | | | | |
| Nonspendable | | | | | | | | |
| Prepaid items | 120,555 | - | - | - | - | - | - | 120,555 |
| Restricted | | | | | | | | |
| Emergency reserves | 195,100 | - | - | - | - | - | - | 195,100 |
| Debt service | - | - | - | 147 | 2,337,987 | - | - | 2,338,134 |
| Capital projects | - | - | - | - | - | - | 2,288,255 | 2,288,255 |
| Committed | | | | | | | | |
| Storm drainage | - | 887,118 | - | - | - | 1,657,410 | - | 2,544,528 |
| Unassigned | | | | | | | | |
| Total fund balance | 619,109 | - | (4,187) | - | - | - | - | 614,922 |
| Total fund balance | 934,764 | 887,118 | (4,187) | 147 | 2,337,987 | 1,657,410 | 2,288,255 | 8,101,494 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 1,391,828 | 1,320,326 | \$ 44,846 | \$ 499,089 | \$ 2,337,987 | \$ 1,657,410 | \$ 25,223,766 | |

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 | 11,614,170 |
| Other long-term assets used in governmental activities are not financial resources and, therefore, are not reported in the funds | |
| Loss on bond refunding | |
| Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds | |
| Long-term obligations | (9,604,752) |
| Accrued interest on long term obligations | (121,260) |
| Revenues not collected within 60 days of the end of current fiscal period and, therefore, are not in the governmental funds but are revenue in the governmental activities | |
| Deferred revenue due from county treasurer | 21,299,070 |
| Deferred storm drainage operating fees | 115,896 |
| Net position of governmental activities | <u>\$ 31,404,618</u> |

The financial statements should be read only in connection with
the accompanying notes to financial statements.

SOUTH BEEBE DRAW METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
GOVERNMENTAL FUNDS
Year Ended December 31, 2020

| | General | Storm Drainage Special Revenue | Storm Drainage Easement Special Revenue | Debt Service - Lochbuie | Debt Service - 2018 Revenue Note | Storm Drainage Capital Projects | Capital Projects | Total Governmental Funds |
|--|-------------------|--------------------------------------|--|-------------------------------|--|--|---------------------|--------------------------------|
| REVENUES | | | | | | | | |
| Intergovernmental revenue - sales and use taxes | \$ - | \$ - | \$ - | \$ - | \$ 2,030,681 | \$ - | \$ - | \$ 2,030,681 |
| Property taxes | 12,773 | - | - | - | - | - | 696,011 | 708,784 |
| Specific ownership taxes | 8,653 | - | - | - | - | - | 467,236 | 475,889 |
| Infrastructure and system development fees | - | - | - | - | - | - | 116,297 | 116,297 |
| Plan review and support fees | - | - | - | - | - | - | 12,584 | 12,584 |
| Project cost reimbursements | - | - | - | - | - | - | - | - |
| Sewer line connection fees | - | - | - | - | 338,864 | - | - | 338,864 |
| Sewer PIF fees | - | - | - | 499,089 | - | - | - | 499,089 |
| Storm drainage fees | - | 757,943 | 65,105 | - | 1,328,674 | - | - | 2,151,722 |
| Water fees | - | - | - | - | - | - | 66,900 | 66,900 |
| Interest | 850 | 5,481 | - | - | 3,107 | 19,183 | 30,560 | 59,181 |
| Miscellaneous | 30,069 | 3,148 | - | - | - | - | 91,302 | 124,519 |
| Total revenues | 52,345 | 766,572 | 65,105 | 499,089 | 3,701,326 | 19,183 | 1,480,890 | 6,584,510 |
| EXPENDITURES | | | | | | | | |
| <u>General</u> | | | | | | | | |
| Audit | 7,200 | - | - | - | - | - | - | 7,200 |
| County treasurer fees | 192 | - | - | - | - | - | 10,454 | 10,646 |
| Directors' fees | 3,600 | - | - | - | - | - | - | 3,600 |
| District management and accounting | 174,096 | - | - | - | - | - | - | 174,096 |
| Dues and subscriptions | 6,238 | - | - | - | - | - | - | 6,238 |
| Engineering | - | 32,089 | - | - | - | - | - | 32,089 |
| IGA Expenses | - | - | - | - | 416,757 | - | - | 416,757 |
| IGA - Infrastructure water projects - PRWDA | - | - | - | - | - | - | 1,685,000 | 1,685,000 |
| IGA - Infrastructure water projects - WAWDA | - | - | - | - | - | - | 600,000 | 600,000 |
| Insurance and bonds | 20,753 | - | - | - | - | - | - | 20,753 |
| Legal | 197,501 | 2,320 | - | - | - | - | - | 199,821 |
| Miscellaneous | 409 | 9,606 | - | - | - | - | - | 10,015 |
| Permits | - | 3,590 | - | - | - | - | - | 3,590 |
| Repairs and maintenance | - | 145,419 | - | - | - | - | - | 145,419 |
| Storm drainage easement fee | - | 42,649 | 61,530 | - | - | - | - | 104,179 |
| Support services | 239,700 | 141,877 | - | - | - | - | - | 381,577 |
| Utilities | - | 20 | - | - | - | - | - | 20 |
| Well abandonment - FRICO | - | - | - | - | - | - | 61,972 | 61,972 |
| <u>Debt service</u> | | | | | | | | |
| Note principal | - | - | - | - | 1,465,672 | - | - | 1,465,672 |
| Note interest | - | - | - | - | 559,056 | - | - | 559,056 |
| Paying agent fees | - | - | - | - | 1,865 | - | 2,062 | 3,927 |
| <u>Capital outlay</u> | | | | | | | | |
| Capital projects | - | - | - | - | - | - | 99,149 | 99,149 |
| Total expenditures | 649,689 | 377,570 | 61,530 | - | 2,443,350 | - | 2,458,637 | 5,990,776 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (597,344) | 389,002 | 3,575 | 499,089 | 1,257,976 | 19,183 | (977,747) | 593,734 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Transfers to other funds | - | - | - | - | (632,248) | - | - | (632,248) |
| Transfers from other funds | 632,248 | - | - | - | - | - | - | 632,248 |
| Total other financing sources (uses) | 632,248 | - | - | - | (632,248) | - | - | - |
| NET CHANGE IN FUND BALANCE | 34,904 | 389,002 | 3,575 | 499,089 | 625,728 | 19,183 | (977,747) | 593,734 |
| FUND BALANCE (DEFICIT) - BEGINNING OF YEAR (restated) | 899,860 | 498,116 | (7,762) | (498,942) | 1,712,259 | 1,638,227 | 3,266,002 | 7,507,760 |
| FUND BALANCE - END OF YEAR | \$ 934,764 | \$ 887,118 | \$ (4,187) | \$ 147 | \$ 2,337,987 | \$ 1,657,410 | \$ 2,288,255 | \$ 8,101,494 |

The financial statements should be read only in connection with
the accompanying notes to financial statements.

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICIT) OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2020**

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

| | | |
|---|--|------------|
| Net change in fund balance - Total governmental funds | | \$ 593,734 |
|---|--|------------|

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt is as follows:

| | | |
|-------------------------|--|-----------|
| Note principal payments | | 1,465,672 |
|-------------------------|--|-----------|

Government funds report capital outlays as expenditures. However, in the Statement of Activities capital outlay is not reported as an expenditure.

| | | |
|----------------|--|--------|
| Capital outlay | | 99,149 |
|----------------|--|--------|

Some revenues reported in the governmental funds are not collected within 60 days from the end of a fiscal period and are not considered available in governmental funds:

| | | | |
|--|-----------|--|-----------|
| Change in deferred sewer PIF fees | (499,089) | | |
| Change in deferred storm drainage maintenance fees | 52,304 | | |
| Change in deferred revenue due from county treasurer | 6,821,966 | | 6,375,181 |

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

| | | | |
|---|-----------|--|-----------|
| Net change in accrued interest on long-term liabilities | 18,504 | | |
| Depreciation expense | (228,845) | | (210,341) |

| | | |
|---|--|---------------------|
| Change in net position of governmental activities | | <u>\$ 8,323,395</u> |
|---|--|---------------------|

The financial statements should be read only in connection with
the accompanying notes to financial statements.

SOUTH BEEBE DRAW METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2020

| | <u>Budget Amounts</u> <u>Original and Final</u> | <u>Actual</u> <u>Amounts</u> | <u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u> |
|---|--|---------------------------------|---|
| REVENUES | | | |
| Property taxes | \$ 145,381 | \$ 12,773 | \$ (132,608) |
| Specific ownership taxes | 8,723 | 8,653 | (70) |
| Interest | 100 | 850 | 750 |
| Miscellaneous | 2,500 | 30,069 | 27,569 |
| Total revenues | <u>156,704</u> | <u>52,345</u> | <u>(104,359)</u> |
| EXPENDITURES | | | |
| <u>General</u> | | | |
| Audit | 7,500 | 7,200 | 300 |
| County treasurer fees | 2,181 | 192 | 1,989 |
| Directors' fees | 7,500 | 3,600 | 3,900 |
| District management and accounting | 225,000 | 174,096 | 50,904 |
| Dues and subscriptions | 15,000 | 6,238 | 8,762 |
| Engineering | 15,000 | - | 15,000 |
| Fees and licenses | 10,000 | 280 | 9,720 |
| Insurance and bonds | 7,500 | 20,753 | (13,253) |
| Legal | 250,000 | 197,501 | 52,499 |
| Miscellaneous | 15,000 | 129 | 14,871 |
| Repairs and maintenance | 40,000 | - | 40,000 |
| Support services | 250,000 | 239,700 | 10,300 |
| Emergency reserve | 25,400 | - | 25,400 |
| Total expenditures | <u>870,081</u> | <u>649,689</u> | <u>220,392</u> |
| EXCESS OF EXPENDITURES OVER REVENUES | <u>(713,377)</u> | <u>(597,344)</u> | <u>116,033</u> |
| OTHER FINANCING SOURCES | | | |
| Transfers from other funds | 713,377 | 632,248 | (81,129) |
| Total other financing sources | <u>713,377</u> | <u>632,248</u> | <u>(81,129)</u> |
| NET CHANGE IN FUND BALANCE | - | 34,904 | 34,904 |
| FUND BALANCE - BEGINNING OF YEAR | <u>-</u> | <u>899,860</u> | <u>899,860</u> |
| FUND BALANCE - END OF YEAR | <u>\$ -</u> | <u>\$ 934,764</u> | <u>\$ 934,764</u> |

The financial statements should be read only in connection with
the accompanying notes to financial statements.

SOUTH BEEBE DRAW METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
STORM DRAINAGE SPECIAL REVENUE FUND
Year Ended December 31, 2020

| | <u>Budget Amounts</u> <u>Original and Final</u> | <u>Actual</u> <u>Amounts</u> | <u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u> |
|---|--|---------------------------------|---|
| REVENUES | | | |
| Storm drainage operating fees | \$ 710,000 | \$ 757,943 | \$ 47,943 |
| Interest | 5,000 | 5,481 | 481 |
| Miscellaneous | 500 | 3,148 | 2,648 |
| Total revenues | <u>715,500</u> | <u>766,572</u> | <u>51,072</u> |
| EXPENDITURES | | | |
| <u>General</u> | | | |
| Engineering | 50,000 | 32,089 | 17,911 |
| Insurance and bonds | 5,000 | - | 5,000 |
| Legal | - | 2,320 | (2,320) |
| Miscellaneous | 15,000 | 9,606 | 5,394 |
| Permits | 5,000 | 3,590 | 1,410 |
| Repairs and maintenance | 250,000 | 145,419 | 104,581 |
| Storm drainage costs | 150,000 | 42,649 | 107,351 |
| Support services | 150,000 | 141,877 | 8,123 |
| Utilities | 20,000 | 20 | 19,980 |
| Water assessments | - | - | - |
| Water wells | 10,000 | - | 10,000 |
| Total expenditures | <u>655,000</u> | <u>377,570</u> | <u>277,430</u> |
| EXCESS OF REVENUES OVER (UNDER) | | | |
| EXPENDITURES | <u>60,500</u> | <u>389,002</u> | <u>328,502</u> |
| NET CHANGE IN FUND BALANCE | 60,500 | 389,002 | 328,502 |
| FUND BALANCE - BEGINNING OF YEAR | <u>498,116</u> | <u>498,116</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 558,616</u> | <u>\$ 887,118</u> | <u>\$ 328,502</u> |

The financial statements should be read only in connection with
the accompanying notes to financial statements.

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
STORM DRAINAGE EASEMENT SPECIAL REVENUE FUND
Year Ended December 31, 2020**

| | <u>Budget Amounts</u> <u>Original and Final</u> | <u>Actual</u> <u>Amounts</u> | <u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u> |
|--|--|---------------------------------|---|
| REVENUES | | | |
| Storm drainage fees | \$ 75,000 | \$ 65,105 | \$ (9,895) |
| Total revenues | <u>75,000</u> | <u>65,105</u> | <u>(9,895)</u> |
| EXPENDITURES | | | |
| <u>General</u> | | | |
| Storm drainage easement fee | 75,000 | 61,530 | 13,470 |
| Total expenditures | <u>75,000</u> | <u>61,530</u> | <u>13,470</u> |
| NET CHANGE IN FUND BALANCE | - | 3,575 | 3,575 |
| FUND BALANCE - BEGINNING OF YEAR (restated) | <u>(7,762)</u> | <u>(7,762)</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u>\$ (7,762)</u> | <u>\$ (4,187)</u> | <u>\$ 3,575</u> |

The financial statements should be read only in connection with
the accompanying notes to financial statements.

SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 - DEFINITION OF REPORTING ENTITY

South Beebe Draw Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado was organized on April 23, 1985, and is governed pursuant to provisions of the Colorado Special District Act. The District was organized in Adams County, Colorado, and its boundaries extend into Weld County. The District is one of six contiguous districts - the District, Bromley Park Metropolitan District Nos. 2, 3, 5 and 6 and Brighton Crossing Metropolitan District No. 4 (the Districts, BPMD Nos. 2, 3, 5 or 6 and BC). As of December 31, 2020, all the Districts, with the exception of BPMD No. 2 and BC, have substantially the same membership of their respective boards of directors. The District, BPMD Nos. 2 and 3 and BC are participants in the Annexation Agreement, as amended (Annexation Agreement), between the City of Brighton (City) and the then current developer of the majority of the property within the Districts, BPK Holdings, LLC (BPK). BPMD Nos. 5 and 6 were formed in 2000, and both BPMD Nos. 5 and 6, with the exception of a few parcels, are mostly located in the City. BPMD Nos. 5 and 6 are participating in the Annexation Agreement, as amended.

Pursuant to the Intergovernmental Agreement Regarding Sales and Use Taxes (Sales and Use Tax IGA) entered into on August 4, 1995, between BPK, the District, BPMD Nos. 2 and 3 and BC, the District was designated by BPK to receive and administer all sales and use taxes remitted under the Annexation Agreement, as amended, by the City and to apply the receipts to the common benefit of BPMD No. 2 and 3 and BC, and later, under separate agreements, to the benefit of BPMD Nos. 5 and 6 and Adams East Metropolitan District (Adams East) as revenue pledged for debt service on bonds which funded improvements within those districts and benefitted all Districts.

On March 21, 2000, and amended on July 21, 2004, the District, BPMD Nos. 2 and 3 and BC entered into an Inter-district Regional Facilities Intergovernmental Agreement, which expanded the responsibilities of the District to include coordination of construction, operation and maintenance of regional facilities with ownership retained by the District. Funding for the regional facilities are from certain fees collected by BPMD Nos. 2 and 3 and BC and transferred to the District (see Note 9).

The District was established principally to provide water, sanitary sewer and storm drainage services, and to provide for the construction, installation, financing, operation and maintenance of streets, park and recreation, mosquito control, transportation and television relay systems and improvements, in addition to the water, sanitary sewer and storm drainage improvements to areas within and outside the boundaries of the District.

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

SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 - DEFINITION OF REPORTING ENTITY (CONTINUED)

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 is not financially accountable for any other District 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. These financial statements include all of the activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

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.

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

SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for property and equipment are shown as increases in assets and redemption of bonds, notes and developer advances are recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes, specific ownership taxes, sales and use taxes and storm drainage maintenance fees. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation paid. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.

The Storm Drainage Special Revenue Fund is used to account for revenues earned and expenditures incurred in connection with storm drainage operations.

The Storm Drainage Easement Special Revenue Fund, a special revenue fund, is used to account for revenues earned and expenditures incurred in connection with an easement related to storm drainage.

The Debt Service - Lochbuie Fund accounts for the resources accumulated and payments made for the outstanding obligations related to the Revenue Note, Series 2007 (which was paid off in 2017).

The Debt Service - 2018 Revenue Note Fund accounts for the resources accumulated and payments made for principal, interest and related expenses of the Refunding and Improvement Revenue Note - Series 2018.

The Storm Drainage Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of storm drainage capital equipment and facilities.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the Local Government Budget Law of Colorado, 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.

For the year ended December 31, 2020, supplementary appropriations approved by the District's board of directors modified the appropriation for the Debt Service – 2018 Revenue Note Fund from \$2,743,105 to \$3,100,000.

Pooled Cash and Investments

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

Property Taxes

Property taxes are levied by the District's board of directors. The levy is based on assessed valuations determined by the county assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the county commissioners to put the tax lien on the individual properties as of January 1 of the following year. The county treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The county treasurer remits the taxes collected monthly to the District. Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The deferred inflows of resources related to property tax revenues are recorded as revenue in the year they are available or collected.

Capital Assets

Capital assets, which include equipment and infrastructure assets (e.g. wastewater treatment plant, storm drainage, water wells and similar items) are reported as a governmental activity in the governmental-wide financial statements. Such assets are recorded at acquisition cost or estimated acquisition cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. It is the District's policy to capitalize those assets with a cost or value of \$5,000 or more.

SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Improvements that will be dedicated to other governmental entities are not depreciated. Improvements to be owned by the District are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Land, easements, and water rights are not depreciated. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

| | |
|----------------|----------|
| Storm drainage | 40 years |
| Water wells | 50 years |
| Equipment | 10 years |

Deferred Inflows of Resources

In addition to liabilities, the statement of net 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 revenue continues to be recognized when earned in the government-wide statements. The District has two items that qualify for reporting in this category. Accordingly, deferred property tax revenue and deferred storm drainage revenue are deferred and recognized as an inflow of resources in the period that the amount becomes available.

Fund Balances – Governmental Funds

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: non-spendable, restricted, committed, assigned and unassigned.

Because circumstances differ among governments not every government or every governmental fund will present all of these components.

Nonspendable fund balance – the amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact.

Restricted fund balance – the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level of action to remove or change the constraint.

SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the District board of directors or by an official or body to which the District board of directors delegates the authority.

Unassigned fund balance – amounts that are available for any purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District board of directors has provided otherwise in its commitment or assignment actions.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District can report up to 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 of resources related to those assets.

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

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

Fees

The District imposes certain system development, impact and storm drainage fees on property within the Districts. The fees are required to be paid prior to the issuance of a building permit by the City, the Town, Adams County or Weld County. The District records the revenue when the fees are paid.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2020 are classified in the accompanying financial statements as follows:

SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Statement of net position:

| | |
|-------------------------------------|--------------------|
| Cash and investments – unrestricted | \$3,213,817 |
| Cash and investments – restricted | <u>4,585,232</u> |
| Total | <u>\$7,799,049</u> |

Cash and investments as of December 31, 2020 consist of the following:

| | |
|---------------|--------------------|
| Cash deposits | \$ 244,274 |
| Investments | <u>7,554,775</u> |
| Total | <u>\$7,799,049</u> |

Cash Deposits

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

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, 2020, the District's cash deposits had a bank balance of \$256,280 and a carrying balance of \$244,274.

Investments

Credit Risk

The District has not adopted a formal investment policy, however, the District follows state statutes regarding investments.

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

- . Obligations of the United States and certain U.S. government agency securities, and the World Bank
- . Certain international agency securities
- . General obligation and revenue bonds of U.S. local government entities
- . Bankers' acceptances of certain banks
- . Commercial paper

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

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.

The local government investment pool, which includes the Colorado Local Government Liquid Asset Trust (Colotrust) is rated AAAM by S&P Global.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the board of directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

As of December 31, 2020, the District had the following investments:

| <u>Investment</u> | <u>Maturity</u> | <u>Carrying Value</u> |
|---|--------------------------------|-----------------------|
| Colorado Local Government Liquid Asset Trust | Weighted average under 60 days | <u>\$ 7,554,775</u> |

COLOTRUST

During 2020, the District invested in Colotrust, which is 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 Colotrust. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. Colotrust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for Colotrust's portfolios pursuant to a custodian agreement.

The custodian acts as safekeeping agent for Colotrust'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 Colotrust. As of December 31, 2020, the District had \$7,554,775 invested in COLOTRUST PLUS+ in the name of the District.

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Cash and investments are restricted for the following purposes:

Storm Drainage Easement Fund

Cash and investments in the amount of \$41,986 are restricted for the payment of the storm drainage easement fee related to the Amended and Restated Storm Drainage Management Agreement.

Debt Service - 2018 Revenue Note Fund

Cash and investments in the amount of \$2,040,873 are restricted as pledged revenues for payment of debt service on the District's Series 2018 Refunding and Improvement Revenue Note.

Capital Projects Fund

Cash and investments in the amount of \$2,502,373 are for the payment of project costs from funds related to the District's Series 2018 Refunding and Improvement Revenue Note.

Investment Valuation

Certain investments are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: 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 investments are not required to be categorized within the fair value hierarchy. These investments are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments. The District held investments in Colotrust at yearend for which the investment valuations were determined as follows.

Colotrust determines the NAV of the shares of each portfolio as of the close of business on each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of Colotrust, are accrued daily. The NAV is calculated at fair value using various inputs in determine value in accordance with GASB guidance. It is the goal of Colotrust to maintain a NAV of \$1.00 per share, however changes in interest rates may affect the fair value of the securities held by Colotrust and there can be no assurance that the NAV will not vary from \$1.00 per share. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2020 follows:

| Governmental Activities | Balance at December 31, 2019 | Increases | Decreases | Balance at December 31, 2020 |
|---|---|---------------------|------------------|---|
| Capital assets, not being depreciated | | | | |
| Easements | \$ 4,387,864 | \$ - | \$ - | \$ 4,387,864 |
| Water rights | 307,267 | - | - | 307,267 |
| Construction in progress | 1,320,239 | 99,149 | - | 1,419,388 |
| Total capital assets, not being depreciated | <u>6,015,370</u> | <u>99,149</u> | <u>-</u> | <u>6,114,519</u> |
| Capital assets, being depreciated | | | | |
| Storm drainage | 8,036,883 | - | - | 8,036,883 |
| Water wells | 1,230,217 | - | - | 1,230,217 |
| Equipment | 33,188 | - | - | 33,188 |
| Total capital assets, being depreciated | <u>9,300,288</u> | <u>-</u> | <u>-</u> | <u>9,300,288</u> |
| Less accumulated depreciation: | | | | |
| Storm drainage | (3,019,330) | (200,922) | - | (3,220,252) |
| Water wells | (528,952) | (24,604) | - | (553,556) |
| Equipment | (23,510) | (3,319) | - | (26,829) |
| Total accumulated depreciation | <u>(3,571,792)</u> | <u>(228,845)</u> | <u>-</u> | <u>(3,800,637)</u> |
| Total capital assets, being depreciated, net | <u>5,728,496</u> | <u>(228,845)</u> | <u>-</u> | <u>5,499,651</u> |
| Total capital assets, net | <u>\$ 11,743,866</u> | <u>\$ (129,696)</u> | <u>\$ -</u> | <u>\$ 11,614,170</u> |

Depreciation expense is charged to the General Government function in the Statement of Activities.

The District has conveyed water, sewer and street infrastructure to the City for maintenance and ownership. The District will own and maintain its water wells, as well as the regional storm drainage infrastructure.

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 5 - LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term obligations for the year ended December 31, 2020:

| | Balance at December 31, 2019 | Additions | Retirements/ Adjustments | Balance at December 31, 2020 | Due Within One Year |
|---------------------------|---|------------------|-------------------------------------|---|--------------------------------|
| Direct Borrowing: | | | | | |
| Refunding and Improvement | | | | | |
| Revenue Note, Series 2018 | \$ 11,070,424 | \$ - | \$ (1,465,672) | \$ 9,604,752 | \$ 1,502,681 |
| | <u>\$ 11,070,424</u> | <u>\$ -</u> | <u>\$ (1,465,672)</u> | <u>\$ 9,604,752</u> | <u>\$ 1,502,681</u> |

The details of the District's long-term obligations are as follows:

Refunding and Improvement Revenue Note, Series 2018

On October 1, 2018, the District authorized the issuance of its Refunding and Improvement Revenue Note, Series 2018 (Series 2018 Note) in the amount of \$12,500,000. The Series 2018 Note was issued for the purpose of (i) payment of the 2004 Series Bonds, Series 2010 Note, Certificates and advance and reimbursement obligations, (ii) financing the costs of design, construction and funding of certain public improvements within and without the boundaries of the District and (iii) payment of costs in connection with the issuance of the Series 2018 Note.

The Series 2018 Note is secured by and payable solely from pledged revenues, which include sales and use taxes received pursuant to the Annexation Agreement, storm drainage facility fees (net of amounts due under the obligation to Weld County Drainage, LLC as discussed in Note 9) and sewer line connections fees, all net of amounts needed for operation and maintenance expenses. Additional revenues may be designated by the District to be pledged revenues if needed to maintain a coverage ratio of at least 1.25 to 1.0 at the end of each fiscal year.

The Series 2018 Note bears interest, payable semi-annually on April 1 and October 1, of 5.05%. Principal payments on the Series 2018 Note are due annually on October 1 and the Series 2018 Note matures on October 1, 2026.

Significant events of default under the Series 2018 Note include (i) failure to pay principal and interest when due, (ii) failure to apply required pledged revenues, (iii) failure to meet financial or custodial agreement covenants, (iv) legal proceedings including bankruptcy, insolvency, reorganization, etc. as described in the Series 2018 Note agreement, (v) qualified audit opinion with respect to the District's status as an on-going concern and (vi) judgements against the District or proceedings to dissolve the District or consolidate the District where the District would cease to exist.

Immediately upon the occurrence of an event of default or the failure of the lender to receive any payment of principal or interest on the due date thereof, the Series 2018 Note balance shall bear interest at the default rate of the sum of the fixed rate plus 4.0%.

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

The following table sets forth the estimated debt service payment schedule for the principal and interest on the Series 2018 Note:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------|---------------------|---------------------|---------------------|
| 2021 | \$ 1,502,681 | \$ 485,040 | \$ 1,987,721 |
| 2022 | 1,540,623 | 409,155 | 1,949,778 |
| 2023 | 1,579,524 | 331,353 | 1,910,877 |
| 2024 | 1,619,407 | 251,587 | 1,870,994 |
| 2025 | 1,660,297 | 169,807 | 1,830,104 |
| 2026 | 1,702,220 | 85,962 | 1,788,182 |
| | <u>\$ 9,604,752</u> | <u>\$ 1,732,904</u> | <u>\$11,337,656</u> |

Advance and Reimbursement Agreements

Developer Advances – The Theodore R. Shipman Living Trust and RAL Holdings, LLC)

The District entered into an advance and reimbursement agreement with The Bromley Companies, LLC, on August 25, 1994. The agreement stipulated that the District shall reimburse The Bromley Companies, LLC, for any advances made to the District for construction, maintenance and operating costs. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements and debt service costs and expenses of the District. This agreement was amended and restated on June 1, 2016 pursuant to the Amended and Restated Agreement by and between the District and The Bromley Companies, LLC, which (1) restated the terms of the original agreement concerning advances to the District and reimbursement of those advances and (2) provided that the interest rate applied to all outstanding advances, current and future is 7% per annum. The Amended and Restated Agreement was assigned by The Bromley Companies, LLC to The Theodore R. Shipman Living Trust (50%) and RAL Holdings, LLC (50%) pursuant to the Assignment Re Advance and Reimbursement entered into on June 8, 2016. There were no advances under this agreement or amounts owed as of and during the year ended December 31, 2020.

Developer Advances – RAL Holdings, LLC

The District entered into an advance and reimbursement agreement with Equity Exchange, LLC, on September 26, 2006. The agreement stipulated that the District shall reimburse Equity Exchange, LLC, for any advances made to the District for construction, maintenance and operating costs, together with interest at the rate of 7% per annum. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements, and debt service costs and expenses of the District. The agreement was assigned by Equity Exchange, LLC to RAL Holdings, LLC pursuant to the Assignment Re Advance and Reimbursement Agreement entered into on June 8, 2016. There were no advances under this agreement or amounts owed as of and during the year ended December 31, 2020.

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

On November 4, 2014 (which included re-authorization of certain amounts authorized November 6, 2012 plus additional authorizations), a majority of the eligible electors of the District authorized the issuance of indebtedness in an amount not to exceed \$750,000,000, at an interest rate not to exceed 18% per annum. At December 31, 2020, the District had authorized and unissued indebtedness from these elections in the following amounts allocated for the following purposes:

| | Total Authorized | Remaining at December 31, 2020 |
|---------------------------------|-----------------------------|---|
| Streets | \$ 25,000,000 | \$ 25,000,000 |
| Water supply improvements | 150,000,000 | 147,344,438 |
| Sewer and drainage | 20,000,000 | 20,000,000 |
| Safety protection | 5,000,000 | 5,000,000 |
| Intergovernmental agreement | 100,000,000 | 100,000,000 |
| Transportation | 50,000,000 | 50,000,000 |
| Operations and maintenance | 25,000,000 | 25,000,000 |
| Refunding financial obligations | 375,000,000 | 365,155,562 |
| | \$ 750,000,000 | \$ 737,500,000 |

NOTE 6 – FUND EQUITY

At December 31, 2020, the District reported the following classifications of fund equity.

Restricted Fund Balances

The restricted fund balance in the General Fund in the amount of \$195,100 is comprised of the emergency reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado.

The restricted fund balance in the Debt Service – 2018 Revenue Note Fund in the amount of \$2,337,987 is to be used exclusively for debt service requirements.

The restricted fund balance in the Capital Projects Fund in the amount of \$2,288,255 is to be used exclusively for acquisition and construction of infrastructure and public improvements.

Committed Fund Balance

The committed fund balance in the Storm Drainage Special Revenue Fund in the amount of \$887,118 is comprised of amounts committed by the board of directors by a resolution for storm

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 6 – FUND EQUITY (CONTINUED)

drainage operations. The committed fund balance in the Storm Drainage Capital Projects Fund in the amount of \$1,657,410 is comprised of amounts committed by the board of directors by a resolution for storm drainage improvements.

NOTE 7 - NET POSITION

The District’s net position consists of three components – net investment in capital assets, restricted and unrestricted.

The net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets.

As of December 31, 2020, the District had net investment in capital assets in the amount of \$4,752,525 calculated as follows:

| | Governmental Activities |
|-----------------------------------|------------------------------------|
| Net investment in capital assets: | |
| Capital assets, net | \$ 11,614,170 |
| Capital related debt | (6,861,645) |
| Net investment in capital assets | \$ 4,752,525 |

Restricted net position includes amounts that are restricted for use either externally by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position at December 31, 2020 of \$2,411,974 consisting of pledged revenues of \$2,216,874 associated with the Series 2018 Note and emergency reserves of \$195,100.

As of December 31, 2020, the District had an unrestricted net position of \$24,240,119.

NOTE 8 - RELATED PARTIES

The members of the board of directors of the District, BPMD Nos. 3, 5 and 6 and Adams East are employees of, owners of, or associated with BPK and/or the Bromley Companies, L.L.C., and/or Bromley Park Industrial Land Company, LLC, and/or Equity Exchange, LLC, and/or RAL Holdings, and /or WCD Corporation, and/or The Theodore R. Shipman Living Trust (referred to herein as the Affiliates) and may have conflicts of interest in dealing with the District. RAL Holdings is the current holder of a 50% interest in the 2016 Amended and Restated Advance and Reimbursement Agreement and the current holder of the 2006 Advance and Reimbursement Agreement (see Note 5). The Theodore R. Shipman Living Trust is the current holder of a 50%

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 8 - RELATED PARTIES (CONTINUED)

interest in the 2016 Amended and Restated Advance and Reimbursement Agreement (see Note 5). Specific details of transactions with the Affiliates regarding organization, advances and debt are described elsewhere in these footnotes.

NOTE 9 - INTERGOVERNMENTAL AGREEMENTS

The agreements summarized below relate to one or more of the Districts and are not all-inclusive.

City of Brighton

Pursuant to (1) the Annexation Agreement, as amended by the first, second, third and fourth amendments, among BPK, the City, the District, BPMD Nos. 2 and 3 and BC, (2) Agreement 2 among BPK, the City, Adams County, the District and BC, and (3) the Interdistrict IGA, as amended, among the District, BPMD Nos. 2 and 3 and BC (see Note 1), the parties have the following mutual responsibilities:

In general, the Districts and BPK or assignees are to install improvements and transfer the installed facilities, except for certain specified improvements, to the City for ownership, maintenance and operation.

Streets - Bromley Lane was improved by funding from the City, BPK, and the Districts. The City is to reimburse BPK for certain sections over a five-year period or require landowners to pay their pro rata share plus interest to the Districts when annexed to the City. The Districts are to pay for their certain sections when development dictates. In 2001, BC transferred the responsibility to plant and maintain the medians to BPMD No. 5.

Streets are to be developed and installed, but if completed by BPK or the Districts, the City will reimburse the Districts for a portion of the costs incurred. The Districts agree to perform street reconstruction and asphalt overlays on all streets as requested from the City as long as the sales and use taxes are remitted by the City. Other streets are to be constructed by the Districts and transferred to the City for perpetual maintenance.

Water - On May 28, 1996, a third amendment to the Annexation Agreement was completed which stipulated that the City would provide water service to the Bromley Park Property to full development as determined under the Phase Master Plans under certain conditions. Of the City's water plant investment fee, \$300 is paid to or retained by the District. In consideration of the developer designing all irrigation systems after December 8, 1998, so that they are capable of being converted to a non-potable water system, the City will provide water taps for certain public areas at no charge.

Sewer - The City is to provide sewage collection and treatment capacity to the full development of the Bromley Park Property. Pursuant to the fourth amendment to the Annexation Agreement, dated October 24, 1997, the City has fulfilled its obligation to provide wastewater treatment

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 9 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

facilities for the property draining into the Beebe Draw Basin by execution of the Beebe Draw Wastewater Service Agreement with the Town. The City remains obligated to provide transmission and treatment service to the property draining in the South Platte Basin. The District or BPK is obligated to install, at its expense, all sanitary sewer collection and transmission lines and facilities as stipulated in the Sanitary Sewer Master Plan.

Storm Drainage – Pursuant to the Annexation Agreement, as amended, the City agrees to provide all offsite storm drainage improvements for the Bromley Park Property. The third amendment to the Annexation Agreement provides that the District may undertake to provide storm drainage to property within the District, District Nos. 2 and 3 and BC, as well as adjoining properties. In such event, the District would pay for offsite improvements and the City shall forego collecting drainage fees and reimbursement. The Districts and/or BPK are to construct all onsite storm drainage improvements.

Sales and Use Tax - Until the earlier of December 16, 2026, or the repayment of the Districts' outstanding debt related to the funding of facilities and services within the Districts' service area, the City agrees to remit annually one third (1/3) of the sales and use taxes (excluding the .75% recreation sales and use tax) generated and collected within the Bromley Park Property (as defined in the second amendment to Annexation Agreement) to the District. The Sales and Use Tax IGA and the Inter-district IGA, as amended, allow for the sharing of this revenue among the

District, BPMD Nos. 2 and 3 and BC. Pursuant to the Sales and Use Tax IGA, the use of funds is determined by the board of directors of the District (see Note 1).

Beebe Draw Wastewater Service Agreement

On November 4, 1997, the District, BPMD Nos. 2 and 3 and BC entered into the Beebe Draw Wastewater Services Agreement with the City and the Town to provide a comprehensive program to finance, design, construct, acquire, operate, maintain, and use wastewater treatment and discharge facilities serving properties within the Beebe Draw drainage basin. This agreement was amended on August 14, 2009 by the First Amended and Restated Beebe Draw Wastewater Service Agreement (2009 WSA) between the City, the Town and the District. The terms of the 2009 WSA amended and restated the 1997 agreement in its entirety, redefined the Beebe Draw Service Area, addressed future annexations east of Interstate 76, redirected certain services to the City, outlined conditions for expansion of the treatment plant, provided general rules for wastewater treatment service, established provisions for capital funding using Plant Investment Fees (PIFs) and operation and maintenance funding, provided for the Lochbuie Sewer Board, outlined specific terms for the construction of additional infrastructure within the Town or City by the District (which is not anticipated), and provided for rates and charges to be imposed and collected. The District is responsible for constructing and financing certain sewer lines and receives fees from all areas served by the lines, including property within the District. PIFs are due for connections to the sewer system for treatment facilities within the corporate limits of the Town to be paid

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 9 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

directly by builders to the Town. Future expansion of the facilities will be coordinated under the terms of this agreement.

Further, under the agreement, the City and Town are to collect and remit to the District certain fees equal to the greater of \$1,302 or 40% of the applicable PIF imposed by the Town for a sewer tap connection. The District's sewer line connection fee at December 31, 2020 was \$1,302.

Amended and Restated Storm Drainage Management Agreement

On March 19, 1997, the District, the Beebe Draw Drainage Company, LLC (later converted to the Beebe Draw Drainage Partnership) and the Farmers Reservoir and Irrigation Company (FRICO) entered into the Storm Drainage Management Agreement, as amended on March 7, 2000, wherein the District acquired the right to discharge storm water from defined property within the District, BPMD Nos. 2 and 3, BC and the Beebe Draw Drainage area into the storm drainage and maintenance facilities owned and operated by Beebe Draw Drainage Company, LLC. The District agreed to collect and pay certain fees to FRICO to defray the cost of drainage improvements required to serve the Property, as described in the Storm Drainage Management Agreement.

On April 13, 2004, the District entered into a Global Settlement Agreement whereby the Storm Drainage Management Agreement of March 19, 1997, was replaced and superseded by an Amended and Restated Storm Drainage Management Agreement (Amended and Restated Agreement) entered into by Weld County Drainage, LLC, FRICO and the District. Under this Amended and Restated Agreement, 80% of the District's storm drainage development fee is pledged to the payment of debt related to the Series 2004 Bonds. The Series 2004 Bonds were refunded in 2018 through the issuance of new debt (see Note 5). Therefore, 80% of the storm drainage development fee continues to be allocable to the portion of new debt related to the payment of the Series 2004 bonds. During 2020, the amount of the storm drainage development fee pledged towards the payment of debt was \$554 per lot and \$10,787 per acre. The storm drainage development fee is adjusted annually for increases in the Consumer Price Index.

The remaining 20% of the storm drainage development fee includes \$139 per lot and \$2,697 per acre which is payable to Weld County Drainage, LLC for the payment of a storm drainage easement fee. In addition, the District purchased from the Beebe Draw Drainage Company for \$4,000,000, the rights to a perpetual, nonexclusive easement to discharge storm water into the Beebe Seep Canal as contemplated by the Master Drainage Plan.

Infrastructure and System Development Fees

The District can impose certain infrastructure and system development fees on property within the District. Pursuant to a Development Agreement between the District, BPMD No. 2 and the City dated April 17, 1998, and a Joint Resolution of the District, BPMD Nos. 2 and 3 and BC dated March 7, 2000, the City agreed to collect an infrastructure fee of not less than \$1,000 and a system development fee of not less than \$1,250 upon issuance of a building permit for each single-family home. The Districts agree to use the system development fees for public improvements such as the

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 9 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

construction of parks, street crossings and traffic improvements. At December 31, 2020, the infrastructure fee was \$2,015 per unit for single family attached, single family detached, and low density multi-family units, and the system development fee was \$2,314 per single family attached, single family detached, low density multi-family and high density multi-family units.

Northeast Regional Infrastructure Project Agreement

In 2002 the State of Colorado approved the Northeast Regional Infrastructure Plan-Beebe Draw to be included in the Adams County Enterprise Zone Development Plan, of which certain projects of the District are included. Pursuant to the Northeast Regional Infrastructure Project Agreement between the District and Adams County Economic Development, Inc. (ACED), the District may receive contributions from developers in lieu of developer fees. The contributions may be claimed as tax credits by the contributing developers.

Cost Sharing Intergovernmental Agreement

Effective January 1, 2020, the District and BPMD No. 5 entered into a Cost Sharing Intergovernmental Agreement (CSIA) to designate funds and allocate responsibilities for the financing and construction of public improvements for certain projects to provide efficiencies of scale and cost by collaborating and sharing costs for those certain projects which benefits both districts.

Under the CSIA, the District and BPMD No. 5 will append a project statement of work as an exhibit to the CSIA. The exhibit shall be mutually agreed-upon by both districts and duly approved and executed as of the date of such agreement.

The CSIA terminates on December 31, 2020 but will automatically renew for an additional one-year term unless notice of intent to terminate the CSIA is provided by either district no later than October 1 of a succeeding year.

During the year ended December 31, 2019, the District and BPMD No. 5 entered into one such project for approximately \$1.8 million for a mixed use (commercial and residential) development with approximately 14% of the costs of the project allocated to the District, approximately 84% of the costs of the project allocated to BPMD No. 5 and approximately 2% allocated to WCD Corporation. During 2020 the District's share of the project costs was \$99,148.

Agreement Regarding Funding of Regional Storm Drainage Infrastructure

Effective December 24, 2019, the District and BPMD No. 6 entered into an Intergovernmental Agreement Regarding Funding of Regional Storm Drainage Infrastructure Agreement (Storm Drainage IGA) to set forth the terms upon which BPMD No. 6 will remit funds to the District for the purpose of helping the District recover the costs of completed and future regional storm drainage infrastructure and facilities that benefits BPMD No. 6.

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 9 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

Under the Storm Drainage IGA, BPMD No. 6 agreed to remit to the District, on an annual basis, 30% of its net revenue defined as BPMD No. 6 monies available after payment of: (a) all bonds and debt obligations now in existence or hereafter created; (b) all contractual obligations that are not Infrastructure Reimbursement Agreements entered into by BPMD No. 6 pursuant to an advance and reimbursement agreement entered into in 2017 with certain developers/owners; (c) all operations and maintenance costs of BPMD No. 6 and (d) all monies not appropriated or pledged for other purposes by BPMD No. 6. The Storm Drainage IGA shall remain in effect until terminated by mutual agreement of the District and BPMD No. 6. During 2020 BPMD No. 6 remitted \$0 to the District pursuant to this agreement.

Platte River Water Development Authority

On April 22, 2010, Sand Hills Metropolitan District (Sand Hills) and United Water & Sanitation District (United) entered into a contract to form the Platte River Water Development Authority (PRWDA), a water resource authority, for the purpose of establishing a process for the financing, design, construction, acquisition, operation, maintenance and use of water facilities and services. On April 27, 2011, the members approved an amended contract for the purpose of adding the District as a party to the amended contract. Under the terms of the amended contract, Sand Hills, United and the District shall each appoint one director and such appointee may be a director of each district or may be an engineer, water attorney, manager, accountant or other consultant of each district.

The two remaining directors are appointed by joint resolution of the three districts. Each director appointed by joint resolution may be a director of any of the districts or may be an engineer, water attorney, manager, accountant or other consultant of any of the three districts.

Contributions to PRWDA by Sand Hills, United and the District will be agreed upon from time to time by all parties based on funding needs. During the year ended December 31, 2020, the District paid \$1,685,000 to PRWDA.

Weld Adams Water Development Authority

On September 6, 2017, the District and United entered into a contract to form the Weld Adams Water Development Authority (WAWDA), a water resource authority, for the purpose of establishing a process for the financing, design, construction, acquisition, operation, maintenance and use of water facilities and services.

Under the terms of the contract, United shall appoint one director and the United appointee shall appoint one additional director. Such appointee and director may be directors of United or may be an engineer, water attorney, manager, accountant or other consultant of United. The District shall also appoint one director and such District appointee shall appoint one additional director. Such appointee and director may be directors of the District or may be an engineer, water attorney, manager, accountant or other consultant of the District. One additional director shall be appointed by a majority of the directors in attendance at the meeting where the appointment is made.

SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 9 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

Such director may be a director of United or the District, or may be engineer, water attorney, manager, accountant or other consultant of United or the District.

Under the establishing contract for WAWDA, the District and United agreed to transfer certain assets to WAWDA in acknowledgement for certain assets, contracts and budgeted projects assigned to WAWDA from PRWDA. Future contributions to WAWDA by the District and United will be agreed upon from time to time by all parties based on funding needs.

Funding and Construction Agreement

On July 28, 2015, the District entered into a Funding and Construction Agreement with the water activity enterprises of Sand Hills and United, and with PRWDA for a reservoir located in Weld County (70 Ranch Reservoir). Under the terms of the Funding and Construction Agreement, PRWDA was the owner of the 70 Ranch Reservoir and was responsible for the design, bid, construction and installation of the 70 Ranch Reservoir. 70 Ranch, LLC, owns the real property on which the 70 Ranch Reservoir is being built and had provided a perpetual easement to PRWDA for the 70 Ranch Reservoir. PRWDA had the responsibility to allocate the capacity of the 70 Ranch Reservoir (estimated to be 5,500 acre-feet of storage) between all of the customers and service users.

Funding for the project is to be provided by the District, Sand Hills and United. The maximum construction contribution amount to be provided by the District and Sand Hills from tax revenues received is \$16.5 million. United is obligated to advance funds for construction in excess of District and Sand Hills contributions in an amount sufficient to fully fund the construction costs. Under the agreement, PRWDA could require other users of the 70 Ranch Reservoir to contribute to the construction costs and was to reimburse each district according to their pro rata contributions to the construction costs.

On September 26, 2017, PRWDA assigned, transferred and delegated to WAWDA all of PRWDA's rights, duties and obligations arising out of the terms and conditions of the Funding and Construction Agreement.

During the year ended December 31, 2020, the District paid \$600,000 to WAWDA for construction funding and intergovernmental expenditures.

NOTE 10 - INTERFUND TRANSFERS

During the year ended December 31, 2020, the Debt Service – 2018 Revenue Note Fund made transfers to the General Fund in the amount of \$632,248 to cover operations and maintenance costs as provided for in the Series 2018 Refunding and Improvement Revenue Note agreement.

SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 11 - RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors or omissions, injuries to employees or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials' liability, and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula. Settled claims have not exceeded this coverage in any of the past three fiscal years.

NOTE 12 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments, except Enterprises. On August 21, 2007, the board of directors of the District established the South Beebe Draw Water Activity Enterprise. The Enterprise shall consist of the business represented by all of the District's water facilities and properties for the Project, now owned or hereafter acquired. The Enterprise is not authorized and shall not receive 10% or more of its annual revenue in grants from all Colorado state and local governments combined. The Enterprise shall have no taxing power or authority of any kind. The Enterprise will execute such documents, incur such obligations, give such notices and make such certifications and filings as may be necessary to maintain its status as a water activity enterprise within the meaning of Section 37.45.1-102, C.R.S.

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 District's eligible electors 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.

SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 12 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

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.

In November 1994, a majority of the District's electors authorized the District to collect and spend or retain in reserve taxes of \$500,000 annually up to 40 mills and other revenue up to \$14,725,000 annually without regard to any limitations imposed by TABOR.

In November 2014, the District's eligible electors authorized the District to increase taxes \$25,000,000 annually or by a lesser annual amount as necessary to pay the District's operations, maintenance and other expenses, without limitation of mill levy and without regard to any spending, revenue-raising or other limitation contained within Article X, Section 20 of the Colorado Constitution, or Section 29-1-301, C.R.S. The eligible electors also authorized the District to collect, retain and spend any revenue from sources other than ad valorem taxes annually without regard to any limitations imposed by TABOR.

NOTE 13 - LITIGATION

Bill Barrett/Bonanza - On April 5, 2017, Bill Barrett Corporation (n/k/a Highpoint Resources Corporation) and Bonanza Creek Energy, Inc. (Plaintiffs), commenced an action against the District by filing a Complaint and Jury Demand, as well as their Forthwith *Ex Parte* Motion for Temporary Restraining Order and Preliminary Injunction. The Complaint sought injunctive relief against the District based on the alleged improper assessment of taxes, failure to conform with service plans and failure to otherwise comply with the Special District Act. The Weld County district court entered a temporary restraining order on April 6, 2017, enjoining the District from certifying or attempting to collect taxes on the Plaintiffs' minerals, equipment and other property holdings in the area of Weld County known as 70 Ranch, requiring the District to preserve funds in the total amount of \$7,975,903.31, and enjoining the District from spending, transferring, committing or otherwise taking any action with respect to the Plaintiffs' tax revenues paid to the District other than preserving them.

The District successfully pursued a motion to dismiss for lack of jurisdiction in the Weld County district court and moved the proceedings to Adams County district court. On August 25, 2017, the Adams County district court denied the motion for preliminary injunction, and vacated the Temporary Restraining Order, on the basis that the Plaintiffs had not shown a reasonable likelihood of success on the merits of any of their claims, and granted the District's motion for forthwith disbursement of funds on deposit with the Weld County treasurer.

Plaintiffs thereafter requested that the proceedings in Adams County be stayed while an appeal to the Court of Appeals proceeded on certain claims. The stay was denied by the District Court on April 27, 2018. However, the Plaintiffs then moved for a stay in the Court of Appeals, which was granted and remains in effect, enjoining Weld County from disbursing the Plaintiffs' April 30, 2018 tax revenues to the District, and ordering the District to retain and segregate any tax revenues that it does receive from the Plaintiffs.

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 13 – LITIGATION (CONTINUED)

On September 6, 2018, the Court of Appeals issued its opinion holding that the District's power to tax was not limited by an overlap in services with another district, but that the District failed to obtain approval for a material modification of its service plan because the finding of no material modification was made by County staff and not through a resolution of the Board of County Commissioners. The Court of Appeals further held that the Plaintiffs' mineral interests were lawfully included within the District's boundaries by Colorado statute.

On November 22, 2018, Plaintiffs filed a Petition for Writ of Certiorari to the Colorado Supreme Court, which was granted. The Supreme Court is considering whether the Court of Appeals erred in its interpretation of the inclusion section of the Special District Act, which may affect the District's claim to the tax revenues currently being held, as well as efforts to collect such ad valorem taxes in the future.

Briefs were submitted by all parties and by several amici curiae on both sides. Oral arguments were held on May 6, 2020. On September 14, 2020, the Supreme Court issued its Opinion affirming the decision of the Court of Appeals that the Plaintiffs mineral interests were properly included in, and taxed by, the District. Plaintiffs' filed a Petition for Rehearing, which the Court denied. The District filed a Motion with the Court of Appeals to dissolve the stay enjoining Weld County from disbursing and releasing the Plaintiffs' tax revenues to the District; however, the Court of Appeals denied the Motion.

The case was remanded back to the Adams County District Court for a determination of the remaining issue of whether the District improperly modified its service plan in 2013. In light of the Supreme Court's opinion, the District has sought dismissal of that and any other remaining issues on the basis that the Plaintiffs lack standing to assert such claims. The District has also sought summary judgment on the basis that Plaintiffs' remaining claim is untimely, because Plaintiffs did not seek to enjoin the activities of the District within 45 days as required by C.R.S. 32-1-207(3).

Finally, the District sought summary judgment on the basis that Plaintiffs are estopped from litigating their claim, because Adams County would itself be estopped from litigating such claim against the District. Plaintiffs filed their own request for summary judgment, asserting that certain Court of Appeals' findings in its Opinion are binding on the Adams County District Court, and that the Court of Appeals found the District materially modified its 2013 Service Pan without requisite approval. The District's Motion to Dismiss and Motion for Summary Judgment, as well as the Plaintiffs' Motion for Summary Judgment, are fully briefed, and the parties are awaiting rulings from the Adams County District Court.

SOUTH BEEBE DRAW METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 14 – RESTATEMENT

During the Year Ended December 31, 2020 it was determined that revenues of \$7,762 and \$69,663 were inaccurately reported in the prior year in the Storm Drainage Easement Special Revenue Fund and the Debt Service – 2018 Revenue Note Fund, respectively. As a result, the prior year fund balances have been adjusted accordingly.

SUPPLEMENTAL INFORMATION

SOUTH BEEBE DRAW METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE (DEFICIT)
BUDGET AND ACTUAL
DEBT SERVICE - LOCHBUIE FUND
Year Ended December 31, 2020

| | <u>Budget Amounts</u> <u>Original and Final</u> | <u>Actual</u> <u>Amounts</u> | <u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u> |
|---|--|---------------------------------|---|
| REVENUES | | | |
| Sewer plant investment fees | \$ 498,942 | \$ 499,089 | \$ 147 |
| Total revenues | <u>498,942</u> | <u>499,089</u> | <u>147</u> |
| NET CHANGE IN FUND BALANCE | 498,942 | 499,089 | 147 |
| FUND BALANCE (DEFICIT) - BEGINNING OF YEAR | <u>(498,942)</u> | <u>(498,942)</u> | <u>-</u> |
| FUND BALANCE (DEFICIT) - END OF YEAR | <u>\$ -</u> | <u>\$ 147</u> | <u>\$ 147</u> |

The financial statements should be read only in connection with
the accompanying notes to financial statements.

SOUTH BEEBE DRAW METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE - 2018 REVENUE NOTE FUND
Year Ended December 31, 2020

| | <u>Budget Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-----------------------|---------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Storm drainage fees | \$ 1,000,000 | \$ 1,000,000 | \$ 1,328,674 | \$ 328,674 |
| Sewer line connection fee | 300,000 | 300,000 | 338,864 | 38,864 |
| Intergovernmental revenue - sales and use taxes | 1,500,000 | 1,500,000 | 2,030,681 | 530,681 |
| Interest | 10,000 | 10,000 | 3,107 | (6,893) |
| Total revenues | <u>2,810,000</u> | <u>2,810,000</u> | <u>3,701,326</u> | <u>891,326</u> |
| EXPENDITURES | | | | |
| <u>General</u> | | | | |
| Refund of overpayment of sales tax | - | - | 416,757 | (416,757) |
| <u>Debt service</u> | | | | |
| Principal - 2018 note | 1,465,672 | 1,465,672 | 1,465,672 | - |
| Interest - 2018 note | 559,056 | 559,056 | 559,056 | - |
| Paying agent fees | 5,000 | 5,000 | 1,865 | 3,135 |
| Total expenditures | <u>2,029,728</u> | <u>2,029,728</u> | <u>2,443,350</u> | <u>(413,622)</u> |
| EXCESS OF REVENUES OVER (UNDER) | | | | |
| EXPENDITURES | <u>780,272</u> | <u>780,272</u> | <u>1,257,976</u> | <u>477,704</u> |
| OTHER FINANCING USES | | | | |
| Transfer to other funds | <u>(713,377)</u> | <u>(1,070,272)</u> | <u>(632,248)</u> | <u>438,024</u> |
| Total other financing uses | <u>(713,377)</u> | <u>(1,070,272)</u> | <u>(632,248)</u> | <u>438,024</u> |
| NET CHANGE IN FUND BALANCE | 66,895 | (290,000) | 625,728 | 915,728 |
| FUND BALANCE - BEGINNING OF YEAR (restated) | <u>1,712,259</u> | <u>1,712,259</u> | <u>1,712,259</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 1,779,154</u> | <u>\$ 1,422,259</u> | <u>\$ 2,337,987</u> | <u>\$ 915,728</u> |

The financial statements should be read only in connection with
the accompanying notes to financial statements.

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
STORM DRAINAGE CAPITAL PROJECTS FUND
Year Ended December 31, 2020**

| | <u>Budget Amounts</u> <u>Original and Final</u> | <u>Actual</u> <u>Amounts</u> | <u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u> |
|---|--|---------------------------------|---|
| REVENUES | | | |
| Interest | \$ 25,000 | \$ 19,183 | \$ (5,817) |
| Miscellaneous | 5,000 | - | (5,000) |
| Total revenues | <u>30,000</u> | <u>19,183</u> | <u>(10,817)</u> |
| EXPENDITURES | | | |
| <u>Capital outlay</u> | | | |
| Capital projects | 550,000 | - | 550,000 |
| Total expenditures | <u>550,000</u> | <u>-</u> | <u>550,000</u> |
| EXCESS OF EXPENDITURES OVER REVENUES | <u>(520,000)</u> | <u>19,183</u> | <u>539,183</u> |
| NET CHANGE IN FUND BALANCE | (520,000) | 19,183 | 539,183 |
| FUND BALANCE - BEGINNING OF YEAR | <u>1,638,227</u> | <u>1,638,227</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 1,118,227</u> | <u>\$ 1,657,410</u> | <u>\$ 539,183</u> |

The financial statements should be read only in connection with
the accompanying notes to financial statements.

SOUTH BEEBE DRAW METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
Year Ended December 31, 2020

| | <u>Budget Amounts</u> <u>Original and Final</u> | <u>Actual</u> <u>Amounts</u> | <u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u> |
|---|--|---------------------------------|---|
| REVENUES | | | |
| Property taxes | \$ 7,850,610 | \$ 696,011 | (7,154,599) |
| Specific ownership taxes | 471,037 | 467,236 | (3,801) |
| Infrastructure and system development fees | 10,000 | 116,297 | 106,297 |
| Plan review and administrative fees | 10,000 | 12,584 | 2,584 |
| Water fees | 50,000 | 66,900 | 16,900 |
| Miscellaneous | - | 91,302 | 91,302 |
| Interest | 5,000 | 30,560 | 25,560 |
| Total revenues | <u>8,396,647</u> | <u>1,480,890</u> | <u>(6,915,757)</u> |
| EXPENDITURES | | | |
| <u>General</u> | | | |
| County treasurer fees | 117,759 | 10,454 | 107,305 |
| Miscellaneous | 2,500 | - | 2,500 |
| IGA - Water infrastructure projects - PRWDA | 1,250,000 | 1,685,000 | (435,000) |
| IGA - Water infrastructure projects - WAWDA | 7,000,000 | 600,000 | 6,400,000 |
| Well abandonment - FRICO | 60,000 | 61,972 | (1,972) |
| Paying agent fees | - | 2,062 | (2,062) |
| <u>Capital outlay</u> | | | |
| Capital projects | 1,500,000 | 99,149 | 1,400,851 |
| Total expenditures | <u>9,930,259</u> | <u>2,458,637</u> | <u>7,471,622</u> |
| EXCESS OF EXPENDITURES OVER REVENUES | <u>(1,533,612)</u> | <u>(977,747)</u> | <u>555,865</u> |
| NET CHANGE IN FUND BALANCE | (1,533,612) | (977,747) | 555,865 |
| FUND BALANCE - BEGINNING OF YEAR | <u>3,266,002</u> | <u>3,266,002</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 1,732,390</u> | <u>\$ 2,288,255</u> | <u>\$ 555,865</u> |

The financial statements should be read only in connection with
the accompanying notes to financial statements.

OTHER INFORMATION

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2020**

\$12,500,000

Refunding and Improvement

Revenue Note, Series 2018

Dated October 1, 2018

Interest Rate of 5.05%

Payable on April 1 and October 1

Principal due October 1

| | Principal | Interest | Total Notes |
|------|------------------|-----------------|--------------------|
| 2021 | \$ 1,502,681 | \$ 485,040 | \$ 1,987,721 |
| 2022 | 1,540,623 | 409,155 | 1,949,778 |
| 2023 | 1,579,524 | 331,353 | 1,910,877 |
| 2024 | 1,619,407 | 251,587 | 1,870,994 |
| 2025 | 1,660,297 | 169,807 | 1,830,104 |
| 2026 | 1,702,220 | 85,962 | 1,788,182 |
| | \$ 9,604,752 | \$ 1,732,904 | \$ 11,337,656 |

**SOUTH BEEBE DRAW METROPOLITAN DISTRICT
SCHEDULE OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
December 31, 2020**

| <u>Year Ended December 31,</u> | <u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u> | <u>Mills Levied</u> | <u>Total Property Taxes</u> | | <u>Percentage Collected to Levied</u> |
|---|---|---------------------|-----------------------------|------------------|---|
| | | | <u>Levied</u> | <u>Collected</u> | |
| 2016 | \$ 173,241,010 | 55.000 | \$ 9,528,255 | \$ 9,528,259 | 100.00% |
| 2017 | \$ 143,993,000 | 55.000 | \$ 7,919,614 | \$ 7,919,617 | 100.00% |
| 2018 | \$ 141,741,120 | 55.000 | \$ 7,795,761 | \$ 148,752 * | 1.91% |
| 2019 | \$ 128,937,240 | 55.000 | \$ 7,091,571 | \$ 424,776 * | 5.99% |
| 2020 | \$ 145,381,300 | 55.000 | \$ 7,995,971 | \$ 708,784 * | 8.86% |
| Estimated for the year ending December 31, 2021 | \$ 32,986,120 | 55.000 | \$ 1,814,236 | | |

NOTE:

Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the county treasurer does not permit identification of specific year of assessment.

* Weld County withheld taxes in connection with the pending litigation (see Note 13).