

**ARABIAN ACRES METROPOLITAN DISTRICT**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2019 AND 2018**



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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors  
**Arabian Acres Metropolitan District**  
Florissant, Colorado

We have audited the accompanying financial statements of Arabian Acres Metropolitan District ("District") as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Arabian Acres Metropolitan District as of December 31, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*BiggsKofford, P.C.*

Colorado Springs, Colorado

July 31, 2020

**ARABIAN ACRES METROPOLITAN DISTRICT**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2019 AND 2018**

<b><u>ASSETS</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Current assets:		
Cash and investments	\$ 277,598	\$ 350,257
Cash and investments - restricted	110,500	117,000
Accounts receivable - County Treasurer	1,961	1,010
Accounts receivable, less allowance for doubtful accounts	11,198	25,839
Prepaid expense	-	6,409
Property taxes receivable	121,647	92,587
Total current assets	<u>522,904</u>	<u>593,102</u>
Non-current assets:		
Capital assets, net	1,764,656	1,165,270
Total non-current assets	<u>1,764,656</u>	<u>1,165,270</u>
Total assets	<u>\$ 2,287,560</u>	<u>\$ 1,758,372</u>
<b><u>LIABILITIES</u></b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 29,027	\$ 13,647
Accrued interest payable	6,300	4,767
Current maturities of bonds and notes payable	74,511	74,403
Total current liabilities	<u>109,838</u>	<u>92,817</u>
Non-current liabilities:		
Bonds and notes payable, net of current portion	1,268,865	1,161,919
Total liabilities	<u>1,378,703</u>	<u>1,254,736</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Deferred property taxes	121,647	92,587
Total deferred inflows of resources	<u>121,647</u>	<u>92,587</u>
<b><u>NET POSITION</u></b>		
Invested in capital assets, net	659,656	(4,730)
Restricted for:		
Emergency reserves	10,800	8,100
Debt service	110,500	117,000
Unrestricted	6,254	290,679
Total net position	<u>787,210</u>	<u>411,049</u>
Total liabilities and net position	<u>\$ 2,287,560</u>	<u>\$ 1,758,372</u>

The accompanying notes and independent auditor's report  
should be read with these financial statements.

**ARABIAN ACRES METROPOLITAN DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES**  
**IN NET POSITION**  
**YEARS ENDED DECEMBER 31, 2019 and 2018**

<b><u>OPERATING REVENUES</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Water sales	\$ 285,687	\$ 337,046
Miscellaneous income	4,640	740
<u>Total operating revenues</u>	<u>290,327</u>	<u>337,786</u>
<b><u>OPERATING EXPENSES</u></b>		
Depreciation and amortization	31,648	31,648
District management	54,632	65,270
Fees, dues and subscriptions	13,782	12,821
Insurance	6,409	6,236
ORC fees	38,834	36,734
Other expenses	71,315	11,771
Professional fees	22,366	19,138
Purchased services	24,817	6,434
Repairs and maintenance	23,391	7,378
Utilities	10,571	8,177
<u>Total operating expenses</u>	<u>297,765</u>	<u>205,607</u>
<u>Operating income (loss)</u>	<u>(7,438)</u>	<u>132,179</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>		
Property taxes	88,093	103,365
Specific ownership taxes	13,068	11,901
Grant income	333,889	-
Interest income	9,286	9,321
Interest expense	(60,737)	(61,649)
<u>Net non-operating revenues</u>	<u>383,599</u>	<u>62,938</u>
<u>Change in net position</u>	<u>376,161</u>	<u>195,117</u>
<u>Total net position, beginning of year</u>	<u>411,049</u>	<u>215,932</u>
<u>Total net position, end of year</u>	<u>\$ 787,210</u>	<u>\$ 411,049</u>

The accompanying notes and independent auditor's report  
should be read with these financial statements.

**ARABIAN ACRES METROPOLITAN DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Cash received from user fees and surcharges	\$ 304,968	\$ 331,926
Cash paid for goods and services	(243,746)	(171,320)
Net cash provided by operating activities	61,222	160,606
<b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u></b>		
Cash received from general and specific tax revenues	101,161	115,266
Grant proceeds	333,889	-
Net cash provided by non-capital financing activities	435,050	115,266
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>		
Acquisitions and construction of capital assets	(631,034)	(68,300)
Proceeds from issuance of debt	182,239	-
Payments on bonds and notes payable	(75,185)	(80,981)
Interest expense	(60,737)	(61,649)
Net cash used in capital and related financing activities	(584,717)	(210,930)
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Interest income	9,286	9,321
Net cash provided by investing activities	9,286	9,321
Net increase in cash and investments	(79,159)	74,263
Cash and investments, beginning of year	467,257	392,994
Cash and investments, end of year	<u>\$ 388,098</u>	<u>\$ 467,257</u>

The accompanying notes and independent auditor's report  
should be read with these financial statements.



**ARABIAN ACRES METROPOLITAN DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (7,438)	\$ 132,179
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	31,648	31,648
Decrease in operating assets:		
Accounts receivable - County Treasurer	(951)	(1,010)
Accounts receivable	14,641	(5,859)
Prepaid expense	6,409	751
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	15,380	3,109
Accrued interest payable	1,533	(212)
Net cash provided by operating activities	<u>\$ 61,222</u>	<u>\$ 160,606</u>

The accompanying notes and independent auditor's report should be read with these financial statements.

**ARABIAN ACRES METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 and 2018**

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**1. DEFINITION OF REPORTING ENTITY**

Arabian Acres Metropolitan District ("District"), a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Teller County, Colorado. The District was formed primarily for the purpose of acquiring the water system for the use and benefit of the District's residents, taxpayers and property owners, and for providing for the design, purchase, operation, maintenance and extension of the water system. The District may provide additional services or facilities that may be provided by a metropolitan district, within and outside the District's boundaries, in accordance with its service plan.

The District follows 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 organization, nor is the District a component unit of any other primary governmental entity.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the District conform to accounting principles generally accepted in the United States of America ("US GAAP") as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

Basis of accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets.

See independent auditor's report.

**ARABIAN ACRES METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 and 2018**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of accounting (continued)

The District distinguishes between operating revenues and expenses and non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing water and sanitation services to its customers. Operating revenues consist of charges to customers for services provided. Operating expenses include the cost of service, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

Use of estimates

The preparation of financial statements in accordance with US GAAP requires the District to use estimates and assumptions. Those estimates and assumptions affect the reported balances of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from the estimates.

Budgets and budgetary accounting

In accordance with state budget law, the District's board of directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The 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 appropriation is at the total fund expenditures level and lapses at year end.

The District incurred expenditures in excess of appropriations for the years ended December 31, 2019, which may be in violation of the local government budget law.

Cash and equivalents

For purposes of the statements of cash flows, the District considers cash and all highly liquid debt instruments with initial maturities of three months or less to be cash equivalents.

See independent auditor's report.

**ARABIAN ACRES METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 and 2018**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Accounts receivable

Accounts receivable of the District consist of water sales receivable. Accounts receivable are unsecured and are stated at the amount the District expects to collect. The District maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Management considers the following factors when determining the collectability of specific customer accounts: customer creditworthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. If the financial condition of the District's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. As of December 31, 2019 and 2018, management considers accounts receivable to be fully collectible and no allowance for doubtful accounts has been recorded.

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

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred property taxes in the year they are levied and measurable. The deferred property taxes are recorded as revenues in the year they are available or collected. All property tax revenues are pledged for bond repayment.

Capital assets

Assets with useful lives exceeding one year and cost or fair value at contribution of \$1,000 or greater are capitalized. Purchased capital assets are recorded at historical cost. Contributed capital assets are recorded at their fair value on the date received. Additions, improvements, and other capital outlays that significantly extend the life of an asset are capitalized. Depreciation is computed using the straight-line method over estimated useful lives as follows:

Water distribution system and equipment	40 years
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See independent auditor's report.

**ARABIAN ACRES METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 and 2018**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital assets (continued)

Maintenance and repairs are charged to expense as incurred. At the time of retirement or disposition of depreciable property, the related cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected as non-operating revenue or expense.

Water rights

The cost of water rights includes acquisition cost, legal and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed.

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 and so will not be recognized as an inflow of resources (revenue) until that time. The District reports unavailable revenues from one source, property taxes. This amount is deferred and recognized as an inflow of resources in the year the property taxes are levied and budgeted for.

Revenues and expenses

Operating revenues consist of charges for services and are recognized as earned. Operating expenses include the cost of service, administrative expenses, and depreciation of assets and are recorded as incurred.

Net position

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

Reclassifications

Certain prior period balances and amounts have been reclassified to conform with the current period financial statement presentation. These reclassifications have no effect on previously reported change in net position.

See independent auditor's report.

**ARABIAN ACRES METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 and 2018**

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**3. CASH AND INVESTMENTS**

Cash and equivalents and investments are reflected for the December 31, 2019 and 2018 statements of net position and statements of cash flows as follows:

	<b>2019</b>	<b>2018</b>
Cash and investments	\$ 277,598	\$ 350,257
Cash and investments - restricted	110,500	117,000
	<b>\$ 388,098</b>	<b>\$ 467,257</b>

The carrying amounts of cash and investments for the District, which equals fair value, as of December 31, 2018 and 2017 are as follows:

	<b>2019</b>	<b>2018</b>
Deposits with financial institutions	\$ 99,438	\$ 46,850
Investments	288,660	420,407
	<b>\$ 388,098</b>	<b>\$ 467,257</b>

Deposits with financial institutions

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

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

At December 31, 2019, the District had cash deposits with a bank balance of \$148,187 and a carrying balance of \$99,438. At December 31, 2018, the District had cash deposits with a bank balance of \$47,070 and a carrying balance of \$46,850.

See independent auditor's report.

**ARABIAN ACRES METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 and 2018**

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**3. CASH AND INVESTMENTS (CONTINUED)**

Investments

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

The District generally limits its concentration of investments to those with an asterisk below which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

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

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

- Obligations of the US and certain US government agency securities
- Certain international agency securities
- General obligation and revenue bonds of US local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certificates of deposit in Colorado PDPA approved banks or savings banks
- Certain money market funds
- Guaranteed investment contracts
- \* Local government investment pools

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

<u>Investments</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 288,660</u>

As of December 31, 2018, the District had the following investments:

<u>Investments</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 420,407</u>

See independent auditor's report.

**ARABIAN ACRES METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 and 2018**

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**3. CASH AND INVESTMENTS (CONTINUED)**

Investments (continued)

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust ("COLOTRUST" or "Trust"), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in US Treasury securities and repurchase agreements collateralized by US Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investments in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

See independent auditor's report.



**ARABIAN ACRES METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 and 2018**

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**4. CAPITAL ASSETS**

District capital asset activity for the year ended December 31, 2019 is as follows:

	Balance 01/01/19	Additions	Dispositions	Balance 12/31/19
Capital assets, not being depreciated:				
Land	\$ 101,000	\$ -	\$ -	\$ 101,000
Water rights	172,588	-	-	172,588
Construction in progress	68,299	631,034	-	699,333
Total not being depreciated	<u>341,887</u>	<u>631,034</u>	<u>-</u>	<u>972,921</u>
Capital assets, being depreciated:				
Water distribution system and equipment	1,265,931	-	-	1,265,931
Total capital assets, being depreciated	<u>1,265,931</u>	<u>-</u>	<u>-</u>	<u>1,265,931</u>
Less accumulated depreciation:				
Water distribution system and equipment	(442,548)	(31,648)	-	(474,196)
Total accumulated depreciation	<u>(442,548)</u>	<u>(31,648)</u>	<u>-</u>	<u>(474,196)</u>
Capital assets, net	<u>\$1,165,270</u>	<u>\$ 599,386</u>	<u>\$ -</u>	<u>\$ 1,764,656</u>

See independent auditor's report.

**ARABIAN ACRES METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 and 2018**

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**4. CAPITAL ASSETS (CONTINUED)**

District capital asset activity for the year ended December 31, 2018 is as follows:

	<u>Balance 01/01/18</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance 12/31/18</u>
Capital assets, not being depreciated:				
Land	\$ 101,000	\$ -	\$ -	\$ 101,000
Water rights	172,588	-	-	172,588
Construction in process	<u>-</u>	<u>68,299</u>	<u>-</u>	<u>68,299</u>
Total not being depreciated	<u>273,588</u>	<u>68,299</u>	<u>-</u>	<u>341,887</u>
Capital assets, being depreciated:				
Water distribution system and equipment	<u>1,265,931</u>	<u>-</u>	<u>-</u>	<u>1,265,931</u>
Total being depreciated	<u>1,265,931</u>	<u>-</u>	<u>-</u>	<u>1,265,931</u>
Less accumulated depreciation:				
Water distribution system and equipment	<u>(410,900)</u>	<u>(31,648)</u>	<u>-</u>	<u>(442,548)</u>
Total accumulated depreciation	<u>(410,900)</u>	<u>(31,648)</u>	<u>-</u>	<u>(442,548)</u>
Capital assets, net	<u><u>\$1,128,619</u></u>	<u><u>\$ (31,648)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,165,270</u></u>

Depreciation expense for the years ended December 31, 2019 and 2018 totaled \$31,648 each year.

See independent auditor's report.

**ARABIAN ACRES METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 and 2018**

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**5. LONG-TERM OBLIGATIONS**

The following is a summary of changes in long-term obligations of the District during the year ended December 31, 2019:

	<u>Balance 01/01/19</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance 12/31/19</u>	<u>Due within one year</u>
2007 Series Bonds	\$ 1,170,000	\$ -	\$ 65,000	\$ 1,105,000	\$ 65,000
NRWA Note Payable	66,149	-	10,012	56,137	9,511
CWCB Note Payable	-	182,239	-	182,239	-
Judgments payable	<u>173</u>	<u>-</u>	<u>173</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,236,322</u>	<u>\$ 182,239</u>	<u>\$ 75,185</u>	<u>\$ 1,343,376</u>	<u>\$ 74,511</u>

The following is a summary of changes in long-term obligations of the District during the year ended December 31, 2018:

	<u>Balance 01/01/18</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance 12/31/18</u>	<u>Due within one year</u>
2007 Series Bonds	\$ 1,230,000	\$ -	\$ 60,000	\$ 1,170,000	\$ 65,000
Note payable	75,130	-	8,981	66,149	9,230
Judgments payable	<u>12,173</u>	<u>-</u>	<u>12,000</u>	<u>173</u>	<u>173</u>
	<u>\$ 1,317,303</u>	<u>\$ -</u>	<u>\$ 80,981</u>	<u>\$ 1,236,322</u>	<u>\$ 74,403</u>

See independent auditor's report.

**ARABIAN ACRES METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 and 2018**

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**5. LONG-TERM OBLIGATIONS (CONTINUED)**

2007 Series Bonds

On April 4, 2007, the District issued \$1,425,000 of water revenue refunding bonds, series 2007 secured by water revenues and property tax revenues; \$455,000 were issued as serial bonds and \$970,000 were issued as term bonds. The serial bonds carry interest rates of 4.05% to 4.40% per annum and mature between December 1, 2014 and December 1, 2021. The term bonds carry interest rate of 5.00% per annum and mature on December 1, 2030. The term bonds are subject to mandatory sinking fund redemption in prescribed amounts before the maturity dates.

The District is required to maintain a debt service reserve account to be used for the payment of principal and interest of its series 2007 revenue bonds in the event that the District has not provided the Trustee with sufficient funds to make the required payment. The District lacks the required reserve account balance at December 31, 2019.

Following is a summary of the District's future debt service requirements of the series 2007 revenue bonds:

<u>Year ending December 31,</u>	<u>Bond Principal</u>	<u>Bond Interest</u>	<u>Total</u>
2020	\$ 65,000	\$ 54,408	\$ 119,408
2021	70,000	51,580	121,580
2022	75,000	48,500	123,500
2023	80,000	44,750	124,750
2024	85,000	40,750	125,750
2025-2030	<u>730,000</u>	<u>150,250</u>	<u>880,250</u>
	<u>\$1,105,000</u>	<u>\$ 390,238</u>	<u>\$ 1,495,238</u>

NRWA note payable

On August 1, 2015, the District entered into a loan in the amount of \$94,701 in order to ensure an adequate water supply. The note payable to National Rural Water Association Revolving Loan Fund ("NRWA RLF") is due in monthly installments of \$924 with a stated interest rate of 3.00% per annum, maturing on July 1, 2025. The note is secured with an interest in the assets of the District in the amount of the principle balance.

See independent auditor's report.

**ARABIAN ACRES METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 and 2018**

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**5. LONG-TERM OBLIGATIONS (CONTINUED)**

NRWA note payable (continued)

Following is a summary of the District's future debt service requirements of the note payable to NRWA RLF:

<u>Year ending December 31,</u>	<u>Note Principal</u>	<u>Note Interest</u>	<u>Total</u>
2020	\$ 9,511	\$ 1,578	\$ 11,089
2021	9,800	1,289	11,089
2022	10,098	991	11,089
2023	10,406	684	11,090
2024	10,722	367	11,089
2025	5,600	64	5,664
	<u>\$ 56,137</u>	<u>\$ 4,973</u>	<u>\$ 61,110</u>

CWCB note payable

On July 9, 2019, the District entered into a loan in the amount of \$182,239 in order to improve the water supply. The note payable to Colorado Water Conservation Board is due in full on or before the maturity date May 1, 2030 with a stated interest rate of 1.85% per annum. The note proceeds are secured with an interest in the revenues of the District in the amount of the principle balance. This note is received as expenses are incurred so no current portion is calculated and no schedule of payments is available.

Judgement payable

On August 20, 2014, the District entered into a joint settlement agreement that was accepted and approved by the District Court on September 12, 2014, with two vendors related to nonpayment of outstanding invoices in the amount of \$113,542. The liability, which accrues interest at 8.00% per annum, was repaid using a special assessment on the property holders of the District. The judgement was paid in full during 2019.

**6. NET POSITION**

The District has net position consisting of three components - invested in capital assets, net of related debt; restricted; and unrestricted.

See independent auditor's report.

**ARABIAN ACRES METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 and 2018**

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**6. NET POSITION (CONTINUED)**

Invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, plus unspent debt proceeds, and reduced by outstanding balances of bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2019 and 2018, the District had an investment in capital assets, net of related debt calculated as follows:

	<b>2019</b>	<b>2018</b>
Capital assets, net of accumulated depreciation	\$ 1,764,656	\$ 1,165,270
Revenue bonds payable	(1,105,000)	(1,170,000)
	\$ 659,656	\$ (4,730)

Restricted assets include net assets 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 restricted net assets as of December 31, 2019 as follows:

	<b>2019</b>	<b>2018</b>
Restricted for emergency reserves (Note 8)	\$ 10,800	\$ 8,100

Unrestricted net assets consist of net assets that do not meet the definition of invested in capital, net of related debt or restricted net assets.

**7. RISK MANAGEMENT**

Except as provided in the Colorado Governmental Immunity Act, as amended, the District may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to volunteers or contractors; and natural disasters. The District carries commercial insurance for some of these risks of loss. The remaining risks of loss are retained by the District. There were no significant changes in coverage during the years ended December 31, 2019 or 2018.

**8. TAX, SPENDING AND DEBT LIMITATIONS**

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

See independent auditor's report.

**ARABIAN ACRES METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 and 2018**

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**8. TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)**

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

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

Management believes the District 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 likely require judicial interpretation.

**9. SUBSEQUENT EVENT**

On June 15, 2020, the District entered into a 30-year, \$1,500,000 loan with CWCB at 0.5% per annum to rehabilitate the existing distribution system, construct a new storage tank, improve the existing storage facility and upgrade treatment. The loan includes \$400,000 up-front principal forgiveness.

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## **SUPPLEMENTARY INFORMATION**

**ARABIAN ACRES METROPOLITAN DISTRICT**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET COMPARED TO ACTUAL - MODIFIED CASH BASIS**  
**YEAR ENDED DECEMBER 31, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
<b><u>OPERATING REVENUES</u></b>				
Water sales	\$ 322,632	\$ 305,448	305,154	\$ (294)
Miscellaneous income	-	-	4,640	4,640
<b>Total revenues</b>	<b>322,632</b>	<b>305,448</b>	<b>309,794</b>	<b>4,346</b>
<b><u>OPERATING EXPENDITURES</u></b>				
Contingency	10,000	10,000	-	10,000
District management	60,000	48,352	54,632	(6,280)
Fees, dues and subscriptions	12,250	14,320	13,782	538
Insurance	7,000	-	6,409	(6,409)
ORC fees	44,000	38,834	38,834	-
Other expenses	17,215	74,075	71,318	2,757
Professional fees	32,500	22,366	22,366	-
Purchased services	5,000	24,817	24,817	-
Repairs and maintenance	507,000	523,571	654,424	(130,853)
Utilities	6,000	10,571	10,571	-
<b>Total operating expenditures</b>	<b>700,965</b>	<b>766,906</b>	<b>897,153</b>	<b>(130,247)</b>
<b><u>NON-OPERATING REVENUES AND EXPENDITURES</u></b>				
Grant income	610,000	610,000	333,889	276,111
Interest expense	(62,114)	(59,061)	(60,737)	1,676
Interest income	3,000	8,832	9,286	(454)
Principle payments	(88,161)	(74,230)	(75,185)	955
Property taxes	92,587	87,962	87,142	820
Specific ownership taxes	9,000	12,200	13,068	(868)
<b>Total non-operating revenues and expenditures</b>	<b>564,312</b>	<b>585,703</b>	<b>307,463</b>	<b>278,240</b>
<b>Excess (deficit) of revenue over expenditures - budgetary basis</b>	<b>\$ 185,979</b>	<b>\$ 124,245</b>	<b>\$(279,896)</b>	<b>\$ (404,141)</b>

See independent auditor's report.

**ARABIAN ACRES METROPOLITAN DISTRICT**  
**ECONCILIATION OF AMOUNTS FROM US GAAP BASIS TO MODIFIED CASH BASIS**  
**YEAR ENDED DECEMBER 31, 2019**

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The accompanying supplementary Schedule of Revenues and Expenditures - Budget Compared to Actual on page 23 presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of differences in revenues and expenditures for the year ended December 31, 2019 is presented below.

Total revenue per financial statements (operating and non-operating revenue)	\$ 734,663
<hr/>	
Add	
Revenue accruals and non-cash adjustments at December 31, 2018	38,084
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Less:	
Revenue accruals and non-cash adjustments at December 31, 2019	(13,159)
Change in prepaid expenses	(6,409)
<hr/>	
Total actual revenue and receipts per the budget	<u>\$ 753,179</u>
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Total expenses and capital expenditures per financial statements	\$ 358,502
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Add:	
Capital outlay	631,036
Principal payments on long-term debt	75,185
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Depreciation expense	(31,648)
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Total actual expenses and capital expenditures per the budget	<u>\$ 1,033,075</u>

See independent auditor's report.