

**MORNINGVIEW METROPOLITAN DISTRICT  
El Paso County, Colorado**

**FINANCIAL STATEMENTS  
December 31, 2017**

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Office of the State Auditor

October 1, 2018

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## **Independent Auditor's Report**

Board of Directors  
**Morningview Metropolitan District**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Morningview Metropolitan District as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Morningview Metropolitan District as of December 31, 2017, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

Management has omitted the management's discussion and analysis that accounting principles 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 opinions on the basic financial statements are not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*L. Paul Goedecke P.C.*

L. Paul Goedecke, P.C.  
September 26, 2018

## **BASIC FINANCIAL STATEMENTS**

**MORNINGVIEW METROPOLITAN DISTRICT**  
**STATEMENT OF NET POSITION**  
**December 31, 2017**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and investments	\$ 6,690
Cash and investments - Restricted	1,976
Receivable from County Treasurer	651
Property taxes receivable	81,510
Capital assets, net	287,083
Total assets	<u>377,910</u>
<b>LIABILITIES</b>	
Accounts payable	10,804
Accrued interest payable	5,243
Noncurrent liabilities	
Due in more than one year	1,376,360
Total liabilities	<u>1,392,407</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax revenue	81,510
Total deferred inflows of resources	<u>81,510</u>
<b>NET POSITION</b>	
Net investment in capital assets	73,304
Restricted for:	
TABOR	600
Debt service	799
Unrestricted	<u>(1,170,710)</u>
Total net position	<u><u>\$ (1,096,007)</u></u>

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

**MORNINGVIEW METROPOLITAN DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2017**

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Government activities:					
General government	\$ 66,844	\$ -	\$ -	\$ -	\$ (66,844)
Interest and related costs on long-term debt	152,026	-	-	-	(152,026)
Conveyance of capital assets to City	930,808	-	-	-	(930,808)
	<u>\$ 1,149,678</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,149,678)</u>
General revenues:					
Property taxes					62,128
Specific ownership taxes					8,417
Total general revenues					<u>70,545</u>
Change in net position					(1,079,133)
Net position - Beginning					(16,874)
Net position - Ending					<u>\$ (1,096,007)</u>

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

**MORNINGVIEW METROPOLITAN DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2017**

	<b>General</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and investments	\$ 6,690	\$ -	\$ -	\$ 6,690
Cash and investments - Restricted	600	799	577	1,976
Receivable County Treasurer	163	-	488	651
Property tax receivable	20,378	61,132	-	81,510
<b>TOTAL ASSETS</b>	<b>\$ 27,831</b>	<b>\$ 61,931</b>	<b>\$ 1,065</b>	<b>90,827</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	4,945	-	5,859	10,804
Total liabilities	4,945	-	5,859	10,804
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred property tax revenue	20,378	61,132	-	81,510
Total deferred inflows or resources	20,378	61,132	-	81,510
<b>FUND BALANCES</b>				
Restricted for:				
Emergency reserves	600	-	-	600
Debt service	-	799	-	799
Unassigned	1,908	-	(4,794)	(2,886)
Total fund balances	2,508	799	(4,794)	(1,487)
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 27,831</b>	<b>\$ 61,931</b>	<b>\$ 1,065</b>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets, being depreciated 287,083

Long-term liabilities, are not due and payable in the current period and, therefore are not recorded as liabilities in the funds.

Bonds payable (1,187,000)

Accrued interest bonds payable (5,243)

Developer advance payable (54,382)

Interest payable - Developer advance (134,978)

Net position of governmental activities **\$ (1,096,007)**

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

**MORNINGVIEW METROPOLITAN DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2017**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property taxes	\$ 15,532	\$ -	\$ 46,596	\$ 62,128
Specific ownership taxes	2,104	-	6,313	8,417
Total revenues	<u>17,636</u>	<u>-</u>	<u>52,909</u>	<u>70,545</u>
<b>EXPENDITURES</b>				
Current				
Accounting	6,535	-	-	6,535
Audit	3,718	-	-	3,718
County Treasurer's fees	233	-	699	932
District management	25	-	-	25
Dues and subscriptions	323	-	-	323
Electric	19	-	-	19
Insurance	2,739	-	-	2,739
Landscape maintenance	8,590	-	-	8,590
Landscape water	14,474	-	-	14,474
Legal	12,000	-	-	12,000
Debt service				
Bond principal	-	80,000	-	80,000
Bond issue costs	-	-	26,347	26,347
Interest expense - Bonds	-	2,783	-	2,783
Total expenditures	<u>48,656</u>	<u>82,783</u>	<u>27,046</u>	<u>158,485</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(31,020)</u>	<u>(82,783)</u>	<u>25,863</u>	<u>(87,940)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond issuance	-	-	1,267,000	1,267,000
Repayment Developer advances	-	-	(1,236,079)	(1,236,079)
Transfers (out)	-	-	(116,282)	(116,282)
Transfers in	32,700	83,582	-	116,282
Total other financing sources (uses)	<u>32,700</u>	<u>83,582</u>	<u>(85,361)</u>	<u>30,921</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,680	799	(59,498)	(57,019)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	828	-	54,704	55,532
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 2,508</u>	<u>\$ 799</u>	<u>\$ (4,794)</u>	<u>\$ (1,487)</u>

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

**MORNINGVIEW METROPOLITAN DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2017**

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

Net change in fund balances - Total governmental funds	\$ (57,019)
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Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.

Depreciation	(18,188)
Conveyance of capital assets to City	(930,808)

Long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Bond issuance	(1,267,000)
Bond principal payment	80,000
Developer advances repayment	1,236,079

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

Accrued interest on Developer advances - Change in liability	(116,954)
Accrued interest on bonds - Change in liability	(5,243)
Changes in net position of governmental activities	\$ (1,079,133)

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

**MORNINGVIEW METROPOLITAN DISTRICT  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended December 31, 2017**

	<u>Budgets</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 15,532	\$ 15,532	\$ 15,532	\$ -
Specific ownership taxes	1,553	2,104	2,104	-
Total revenues	<u>17,085</u>	<u>17,636</u>	<u>17,636</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current				
Accounting	2,500	6,535	6,535	-
Audit	3,000	3,718	3,718	-
County Treasurer's fees	233	233	233	-
District management	513	513	25	488
Dues and subscriptions	500	500	323	177
Electric	-	-	19	(19)
Insurance	2,500	2,739	2,739	-
Landscape maintenance	5,500	8,590	8,590	-
Landscape water	10,000	14,474	14,474	-
Legal	10,000	12,000	12,000	-
Total expenditures	<u>34,746</u>	<u>49,302</u>	<u>48,656</u>	<u>646</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(17,661)</u>	<u>(31,666)</u>	<u>(31,020)</u>	<u>646</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	17,661	32,700	32,700	-
Total other financing sources (uses)	<u>17,661</u>	<u>32,700</u>	<u>32,700</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	1,034	1,680	646
<b>FUND BALANCES - BEGINNING OF YEAR</b>	1,248	828	828	-
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 1,248</u>	<u>\$ 1,862</u>	<u>\$ 2,508</u>	<u>\$ 646</u>

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

**MORNINGVIEW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

Morningview Metropolitan District (District) is a quasi-municipal corporation and political subdivision of the State of Colorado, which was organized by order and decree of the District Court for El Paso County on November 14, 2013, and is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District undertakes its functions pursuant to the Service Plan dated July 11, 2013. The service area of the District is located entirely within the City of Colorado Springs, El Paso County, Colorado.

The District was established to provide financing for the construction, installation, and operation of public improvements, including water, sanitation, streets, safety protection, storm drainage, transportation, mosquito control, fire protection, TV relay and transmission, security, covenant enforcement and design review services, and parks and recreation facilities.

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

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

**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. The effect of interfund 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 sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as net position.

**MORNINGVIEW METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

**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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major source of revenue susceptible to accrual are property taxes and specific ownership tax. All other revenue items are considered to be measurable and available only when cash is received by the District. The District has determined that Developer advances are not considered revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

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 another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

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

**MORNINGVIEW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets**

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall of 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.

The District has amended its annual budget for year ended December 31, 2017.

**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 bank or investment 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.

**Capital Assets**

Capital assets, which include infrastructure assets, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of net investment in capital assets.

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 are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Storm drainage	20 years
Park landscape	15 years

**MORNINGVIEW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 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 inflow of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

**Deferred Inflow of Resources**

In addition to liabilities, the statement of net position reports 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 has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**Equity**

**Net Position**

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the government's practice to use restricted resources first, then unrestricted resources as they are needed.

**Fund Balance**

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

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

**MORNINGVIEW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District’s practice to use the most restrictive classification first.

**Deficits**

The Capital Projects Fund reported a deficit in the fund financial statements as of December 31, 2017. The deficit will be eliminated with the receipt of funds advanced by the Developer in 2018.

**NOTE 3 - CASH AND INVESTMENTS**

Cash and investments as of December 31, 2017, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 6,690
Cash and investments - Restricted	<u>1,976</u>
Total cash	<u><u>\$ 8,666</u></u>

Cash and investments as of December 31, 2017, consists of the following:

Deposits with financial institutions	<u><u>\$ 8,666</u></u>
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**MORNINGVIEW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

**Deposits with Financial Institutions**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 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, 2017, the District's cash deposits had a bank balance of \$11,022 and a carrying balance of \$8,666.

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

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.

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

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

As of December 31, 2017, the District had no investments.

**MORNINGVIEW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 4 - CAPITAL ASSETS**

An analysis of the changes in property for the period ended December 31, 2017, follows:

	<u>Balance at December 31, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2017</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 1,236,079	\$ -	\$1,236,079	\$ -
Total capital assets, not being depreciated	<u>1,236,079</u>	<u>-</u>	<u>1,236,079</u>	<u>-</u>
Capital assets, being depreciated:				
Storm drainage	-	129,817	-	129,817
Park landscape	-	175,454	-	175,454
Total capital assets, being depreciated	<u>-</u>	<u>305,271</u>	<u>-</u>	<u>305,271</u>
Less accumulated depreciation for:				
Storm drainage	-	(6,491)	-	(6,491)
Park landscape	-	(11,697)	-	(11,697)
Total accumulated depreciation	<u>-</u>	<u>(18,188)</u>	<u>-</u>	<u>(18,188)</u>
Total capital assets, being depreciated, net	<u>-</u>	<u>287,083</u>	<u>-</u>	<u>287,083</u>
Governmental activities - Capital assets, net	<u>\$ 1,236,079</u>	<u>\$ 287,083</u>	<u>\$1,236,079</u>	<u>\$ 287,083</u>

During 2017, a significant portion of the capital assets acquired by the District were conveyed to other government entities. The cost of all capital assets transferred to other governmental entities were removed from the District's financial records. There is a two year warranty period on the capital assets conveyed to the City. The District anticipates that the costs, if any, associated with the warranty will be insignificant.

**MORNINGVIEW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 5 - LONG-TERM OBLIGATIONS**

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2017:

	<u>Balance at December 31, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2017</u>	<u>Due Within One Year</u>
Series 2017 - Limited Tax General					
Obligation Bonds	\$ -	\$ 1,267,000	\$ 80,000	\$1,187,000	\$ -
Developer advance - Capital	1,236,079	-	1,236,079	-	-
Accrued interest on Developer					
advance - Capital	7,789	110,492	-	118,281	-
Developer advance - Operating	54,382	-	-	54,382	-
Accrued interest on Developer					
advance - Operating	10,235	6,462	-	16,697	-
	<u>\$1,308,485</u>	<u>\$ 1,383,954</u>	<u>\$ 1,316,079</u>	<u>\$1,376,360</u>	<u>\$ -</u>

**Series 2017 Limited Tax General Obligations Bonds**

On November 16, 2017, the District authorized the issuance of Limited Tax General Obligation Bonds, Series 2017 (the Bonds) in the aggregate principal amount of \$1,267,000 with an interest rate of 5.30% calculated on the basis of a 360-day year of twelve 30-day months. The bonds are payable on June 1 and December 1, commencing on December 1, 2017. The principal and interest on the bonds are payable solely from and the extent of Pledged Revenues, which may or may not be sufficient to pay the principal and interest on the bonds. The bonds are subject to redemption prior to maturity without premium.

The Bonds are secured by and payable from the Pledged Revenue consisting of monies derived by the District from the following sources, net of any collection costs: (1) the Required Mill Levy, and (2) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Mill Levy. The Bonds are also secured by amounts held by the Trustee in the Reserve Fund(s). Required Mill Levy means an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal, premium if any, and interest on the Bonds as the same become due and payable including any accrued interest and unpaid amounts and interest due as a result of compounding, if any. The maximum Required Mill Levy is 30.000 mills adjusted for changes in the ratio of actual value to assessed value of property within the District. As of December 31, 2017, the adjusted maximum mill levy is 30.000 mills. For collection year 2017, the District levied 33.164 mills.

The District issued \$1,267,000 in Limited tax General Obligation Bonds dated November 16, 2017 for streets and safety, water system, sanitary sewer, storm drainage and parks and recreation improvements as well as bond issue costs.

**MORNINGVIEW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

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

The District's long-term debt obligations will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 62,911	\$ 62,911
2019	-	62,911	62,911
2020	-	62,911	62,911
2021	-	62,911	62,911
2022	-	62,911	62,911
2023-2027	20,000	313,124	333,124
2028-2032	54,000	304,432	358,432
2033-2037	104,000	285,087	389,087
2038-2042	167,000	251,273	418,273
2043-2047	257,000	197,955	454,955
2048-2052	371,000	118,561	489,561
2053-2055	214,000	19,133	233,133
	<u>\$1,187,000</u>	<u>\$1,804,120</u>	<u>\$2,991,120</u>

**Developer Advances**

The District has entered into Funding and Reimbursement Agreements with the Developer as follows:

**Funding and Reimbursement Agreement - Capital and O&M**

On February 13, 2014, the District entered into an agreement with Lorson South Land Corp (Developer). The Developer has agreed to advance up to \$10,000,000 through December 31, 2018 to fund cost of operations, maintenance, and capital projects. The District shall from time to time determine the amount of revenue required to fund budgeted expenditures by the District and request from the Developer an advance. Such advances include an interest rate of 10.0% and are to be reimbursed by the District with the proceeds of any future bond issues or any other available revenues by the District. As of December 31, 2017, outstanding principal and interest for Operating totaled \$54,382 and accrued interest due totaled \$16,697. After repayment of the Capital principal balance total outstanding interest due is \$118,281.

Any mill levy certified by the District for the purpose of repaying these advances shall not exceed 50.000 mills and is subject to any further restrictions provided in the District's Service Plan which limits the mill levy to 30.000 for such purposes.

**MORNINGVIEW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

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

**Authorized Debt**

On November 5, 2013, the District's voters authorized total indebtedness of \$22,000,000 for construction of public improvements and operating and maintenance expenditures and debt refunding. At December 31, 2017, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	<b>Amount Authorized November 5, 2013</b>	<b>Authorization Used</b>	<b>Authorized But Unused</b>
In-District Special Assessment Debt	\$ 2,000,000	\$ -	\$ 2,000,000
Street Improvements	2,000,000	576,245	1,423,755
Parks & Recreation	2,000,000	179,843	1,820,157
Water	2,000,000	210,352	1,789,648
Sanitation/Storm sewer	2,000,000	300,560	1,699,440
Transportation	2,000,000	-	2,000,000
Mosquito Control	2,000,000	-	2,000,000
Safety Protection	2,000,000	-	2,000,000
Fire Protection	2,000,000	-	2,000,000
Television Relay & transmission	2,000,000	-	2,000,000
Security	2,000,000	-	2,000,000
	<u>\$ 22,000,000</u>	<u>\$ 1,267,000</u>	<u>\$ 20,733,000</u>

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$2,000,000.

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area and subject to further approval by the City.

**MORNINGVIEW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 6 - NET POSITION**

The District has net position consisting of three components – net investment in capital assets, restricted and unrestricted.

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 improvement of those assets. As of December 31, 2017, the District had net investment in capital assets calculated as follows:

	<b>Governmental Activites</b>
Net investment in capital assets:	
Capital assets, net	\$ 287,083
Noncurrent portion of outstanding long-term obligations	(213,779)
	\$ 73,304

The restricted component of net position includes 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 a restricted net position at December 31, 2017, as follows:

	<b>Governmental Activites</b>
Restricted net position:	
Emergency reserves	\$ 600
Debt service	799
	\$ 1,399

The District has a deficit in unrestricted net position. The deficit was a result of the District being responsible for the repayment of bonds issued for public improvements which were conveyed to other governmental entities and which costs were removed from the District's financial records.

**NOTE 7 - RELATED PARTY**

The members of the Board of Directors of the District are employees, owners of, or otherwise associated with, Lorson South Land Corp, the Landhuis Company, Saint Aubyn Homes, LLC, holders of the District's outstanding bonds, and may have conflicts of interest in dealing with the District. See Note 5 concerning advances made by the Developer. Any potential conflicts have been filed in accordance with Colorado Law.

**MORNINGVIEW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 8 - RISK MANAGEMENT**

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). 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 and public officials' liability 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.

**NOTE 9 - INTERFUND TRANSFERS**

The transfer of funds from the Capital Fund to the Debt Service Fund and General Fund was related to the bond issuance.

**NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS**

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

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year 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.

On November 5, 2013, the District's voters approved for an annual increase in taxes of \$2,000,000 for general operations and maintenance. The District's service plan limits the total debt issuance to \$2,000,000. The voters also authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitation under TABOR.

**MORNINGVIEW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 10 - 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.

This information is an integral part of the accompanying financial statements.

**SUPPLEMENTARY INFORMATION**

**MORNINGVIEW METROPOLITAN DISTRICT  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended December 31, 2017**

	Budgets		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Total revenues	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>				
Debt service				
Bond principal	-	80,000	80,000	-
Interest expense - Bonds	50,557	2,783	2,783	-
Total expenditures	50,557	82,783	82,783	-
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(50,557)	(82,783)	(82,783)	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	50,557	83,582	83,582	-
Total other financing sources (uses)	50,557	83,582	83,582	-
<b>NET CHANGE IN FUND BALANCES</b>	-	799	799	-
<b>FUND BALANCES - BEGINNING OF YEAR</b>	-	-	-	-
<b>FUND BALANCES - END OF YEAR</b>	\$ -	\$ 799	\$ 799	\$ -

**MORNINGVIEW METROPOLITAN DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended December 31, 2017**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Property taxes	\$ 46,596	\$ 46,596	\$ -
Specific ownership taxes	4,660	6,313	1,653
Total revenues	<u>51,256</u>	<u>52,909</u>	<u>1,653</u>
<b>EXPENDITURES</b>			
County Treasurer's Fees	699	699	-
Bond issue costs	25,000	26,347	(1,347)
Capital outlay			
Drainage - Storm Water	129,817	-	129,817
Parks and Recreation	175,454	-	175,454
Sanitary Sewer	163,408	-	163,408
Streets, curbs, gutters, sidewalks	562,182	-	562,182
Water System	205,218	-	205,218
Total expenditures	<u>1,261,778</u>	<u>27,046</u>	<u>1,234,732</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,210,522)</u>	<u>25,863</u>	<u>1,236,385</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond issuance	1,262,000	1,267,000	5,000
Developer advances	1,237,000	-	(1,237,000)
Repayment Developer advances	(1,237,000)	(1,236,079)	921
Transfers (out)	(68,218)	(116,282)	(48,064)
Total other financing sources (uses)	<u>1,193,782</u>	<u>(85,361)</u>	<u>(1,279,143)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(16,740)	(59,498)	(42,758)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>54,706</u>	<u>54,704</u>	<u>(2)</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 37,966</u>	<u>\$ (4,794)</u>	<u>\$ (42,760)</u>

**MORNINGVIEW METROPOLITAN DISTRICT  
SCHEDULE OF DEBT SERVICE  
REQUIREMENTS TO MATURITY  
LONG TERM DEBT  
December 31, 2017**

<b>Bonds and Interest Maturing in the Year Ending December 31,</b>	<b>\$1,267,000 Limited Tax General Obligation Bonds Series 2017 Interest 5.30% Dated November 16, 2017 Interest Payable June 1 and December 1 Principal Payable December 1</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ -	\$ 62,911	\$ 62,911
2019	-	62,911	62,911
2020	-	62,911	62,911
2021	-	62,911	62,911
2022	-	62,911	62,911
2023	2,000	62,911	64,911
2024	2,000	62,805	64,805
2025	4,000	62,699	66,699
2026	5,000	62,487	67,487
2027	7,000	62,222	69,222
2028	7,000	61,851	68,851
2029	10,000	61,480	71,480
2030	10,000	60,950	70,950
2031	13,000	60,420	73,420
2032	14,000	59,731	73,731
2033	17,000	58,989	75,989
2034	18,000	58,088	76,088
2035	21,000	57,134	78,134
2036	22,000	56,021	78,021
2037	26,000	54,855	80,855
2038	27,000	53,477	80,477
2039	31,000	52,046	83,046
2040	33,000	50,403	83,403
2041	37,000	48,654	85,654
2042	39,000	46,693	85,693
2043	44,000	44,626	88,626
2044	47,000	42,294	89,294
2045	52,000	39,803	91,803
2046	54,000	37,047	91,047
2047	60,000	34,185	94,185
2048	63,000	31,005	94,005
2049	70,000	27,666	97,666
2050	73,000	23,956	96,956
2051	80,000	20,087	100,087
2052	85,000	15,847	100,847
2053	92,000	11,342	103,342
2054	97,000	6,466	103,466
2055	25,000	1,325	26,325
	<u>\$ 1,187,000</u>	<u>\$ 1,804,120</u>	<u>\$ 2,991,120</u>

**MORNINGVIEW METROPOLITAN DISTRICT  
SUMMARY OF ASSESSED VALUATION, MILL LEVY AND  
PROPERTY TAXES COLLECTED  
December 31, 2017**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>	<u>Property Taxes</u>		<u>Percent Collected to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
2015	\$ 560,680	40.000	\$ 22,427	\$ 22,427	100.00%
2016	\$ 1,007,280	40.000	\$ 40,291	\$ 40,291	100.00%
2017	\$ 1,553,210	40.000	\$ 62,128	\$ 62,128	100.00%
Estimated for year ending December 31, 2018	\$ 1,843,330	44.219	\$ 81,510		

**NOTE:**

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.