

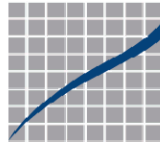
WATERVIEW 1 METROPOLITAN DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2018

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
<hr/>	
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements:	
Statement of net position	5
Statement of activities	6
<hr/>	
Fund financial statements:	
Balance sheets - governmental funds	7
Statements of revenues, expenditures and changes in fund balances - governmental funds	8
Reconciliation of the statements of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	10
General fund - statement of revenues, expenditures and changes in fund balance - budget and actual	12
<hr/>	
Notes to financial statements	13
<hr/>	
SUPPLEMENTARY INFORMATION	
Debt service fund - schedule of revenues, expenditures and changes in fund balance - budget and actual	26
<hr/>	



BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors

Waterview Metropolitan District

Colorado Springs, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Waterview Metropolitan District ("District") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2018, the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted 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 opinions on the basic financial statements are 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 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.

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 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BiggsKofford, P.C.

Colorado Springs, Colorado
July 19, 2019

THIS PAGE INTENTIONALLY BLANK

BASIC FINANCIAL STATEMENTS

WATERVIEW 1 METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and investments	\$ 24,494
Cash and investments - restricted	439,881
Accounts receivable - County Treasurer	6,231
Accounts receivable	174,415
Property taxes receivable	512,361
Prepaid expenses	4,609
Total assets	<u>1,161,991</u>
<u>LIABILITIES</u>	
Accounts payable	11,091
Accrued interest payable	1,502,310
Developer advances	10,000
Noncurrent liabilities:	
Due within one year	125,000
Due in more than one year	18,174,055
Total liabilities	<u>19,822,456</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred accounts receivable	174,415
Deferred property tax revenues	512,361
Total deferred inflows of resources	<u>686,776</u>
<u>NET POSITION</u>	
Restricted for:	
Debt service	448,804
Emergency reserve	8,068
Unrestricted	<u>(19,804,113)</u>
Total net position	<u>\$ (19,347,241)</u>

The accompanying notes and independent auditor's report
should be read with this financial statement.

WATERVIEW 1 METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) 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>	
FUNCTIONS/PROGRAMS					
PRIMARY GOVERNMENT:					
General government	\$ 280,520	\$ -	\$ -	\$ -	\$ (280,520)
Fees - trash service	-	93,226	-	-	93,226
Fees - operating and maintenance	-	106,800	-	-	106,800
Interest and related costs on long-term debt	983,113	-	-	-	(983,113)
Dedication of capital assets to other government entities	15,189,292	-	-	-	(15,189,292)
Total primary government	\$ 16,452,925	\$ 200,026	\$ -	\$ -	(16,252,899)
GENERAL REVENUES:					
Property taxes					561,751
Specific ownership taxes					70,979
Investment earnings					10,406
Total general revenues					643,136
Changes in net position					(15,609,763)
Net position, beginning of year					(3,737,478)
Net position, end of year					\$ (19,347,241)

The accompanying notes and independent auditor's report
should be read with this financial statement.

WATERVIEW 1 METROPOLITAN DISTRICT
BALANCE SHEETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and investments	\$ 24,494	\$ -	\$ 24,494
Cash and investments - restricted	-	439,881	439,881
Accounts receivables - County Treasurer	-	6,231	6,231
Accounts receivable	174,415	-	174,415
Property taxes receivable	-	512,361	512,361
Prepaid expenses	4,609	-	4,609
Due from Debt Service Fund	-	2,692	2,692
Total assets	\$ 203,518	\$ 961,165	1,164,683
<u>LIABILITIES</u>			
Accounts payable	\$ 11,091	\$ -	\$ 11,091
Due to General Fund	2,692	-	2,692
Total liabilities	13,783	-	13,783
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred accounts receivable	\$ 174,415	\$ -	\$ 174,415
Deferred property tax revenues	-	512,361	512,361
Total deferred inflows of resources	174,415	512,361	686,776
<u>FUND BALANCE</u>			
Nonspendable:			
Prepaid expenditures	4,609	-	4,609
Restricted for:			
Debt service	-	448,804	448,804
Emergency reserve	8,068	-	8,068
Unassigned:			
General government	2,643	-	2,643
Total fund balances	15,320	448,804	464,124
Total liabilities and fund balances	\$ 203,518	\$ 961,165	
Amounts reported in governmental activities in the statement of net position are different because:			
Long-term liabilities, including bonds payable and developer advances, are not due and payable in the current period and, therefore, are not reported in the funds:			
Bonds payable			(18,299,055)
Developer advances			(10,000)
Accrued interest payable			(1,502,310)
Net position of governmental activities			\$ (19,347,241)

The accompanying notes and independent auditor's report
should be read with this financial statement.

WATERVIEW 1 METROPOLITAN DISTRICT
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES			
Property taxes	\$ -	\$ 561,751	\$ 561,751
Specific ownership taxes	-	70,979	70,979
Fees - trash service	93,226	-	93,226
Fees - operating and maintenance	106,800	-	106,800
Net investment income	-	10,406	10,406
Total revenues	200,026	643,136	843,162
EXPENDITURES			
Current:			
Audit	7,500	-	7,500
Bank charges	2,480	770	3,250
Dues and subscriptions	516	-	516
Elections	24,996	-	24,996
Electricity	6,025	-	6,025
Insurance	4,864	-	4,864
Landscape maintenance/repairs	17,722	-	17,722
Legal	15,831	-	15,831
Management fees	74,627	-	74,627
Meeting	691	-	691
Miscellaneous	653	-	653
Paying agent fees	-	2,400	2,400
Postage and mail	1,226	-	1,226
Property taxes	430	-	430
Storm water	15,360	-	15,360
Trash service	95,991	-	95,991
Treasurer's fees	-	8,438	8,438
Debt service:			
Bond principal	-	125,000	125,000
Interest expense	-	387,800	387,800
Total expenditures	268,912	524,408	793,320
Net change in fund balances	(68,886)	118,728	49,842
Fund balances, beginning of year	84,206	330,076	414,282
Fund balances, end of year	\$ 15,320	\$ 448,804	\$ 464,124

The accompanying notes and independent auditor's report
should be read with this financial statement.

THIS PAGE INTENTIONALLY BLANK

WATERVIEW 1 METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

Net change in fund balances - total governmental funds	\$	49,842
---	----	--------

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

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 capital outlay expense:

<u>Dedication of capital assets to other government entities</u>		(15,189,292)
--	--	--------------

The issuance of 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. Neither transaction, however, has any effect on net position. 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. The net effect of these differences is the treatment of long-term debt and related items as follows:

<u>Principal payments on bonds payable</u>		125,000
--	--	---------

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:

<u>Accretion and interest expense - bond premiums and advance refunding</u>		58,820
<u>Change in accrued interest</u>		(654,133)

Changes in net position of governmental activities	\$	<u>(15,609,763)</u>
---	----	----------------------------

The accompanying notes and independent auditor's report should be read with this financial statement.

THIS PAGE INTENTIONALLY BLANK

WATERVIEW 1 METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018

	Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>REVENUES</u>			
Fees - operating and maintenance	\$ 107,250	\$ 106,800	\$ (450)
Reimbursed expenses	108,000	-	(108,000)
Fees - trash service	100,000	93,226	(6,774)
Storm sewer	15,700	-	(15,700)
Net investment income	500	-	(500)
Miscellaneous income	12,000	-	(12,000)
Total revenues	343,450	200,026	(143,424)
<u>EXPENDITURES</u>			
Audit	7,000	7,500	(500)
Bad debt	5,000	-	5,000
Bank charges	200	2,480	(2,280)
Community events	2,500	-	2,500
Contingency	20,000	-	20,000
Dues and subscriptions	600	516	84
Elections	15,000	24,996	(9,996)
Electricity	9,000	6,025	2,975
Insurance	4,500	4,864	(364)
Landscape maintenance/repairs	12,000	17,722	(5,722)
Legal	25,000	15,831	9,169
Mailbox maintenance and snow removal	2,500	-	2,500
Management fees	55,000	74,627	(19,627)
Meeting	750	691	59
Miscellaneous	1,380	653	727
Postage and mail	3,000	1,226	1,774
Property taxes	-	430	(430)
Repairs and maintenance	1,000	-	1,000
Storm water	15,700	15,360	340
Trash service	100,000	95,991	4,009
Total expenditures	280,130	268,912	11,218
Excess of revenues over (under) expenditures	63,320	(68,886)	(154,642)
Net change in fund balance	\$ 63,320	(68,886)	\$ (154,642)
Fund balance, beginning of year		84,206	
Fund balance, end of year		\$ 15,320	

The accompanying notes and independent auditor's report
should be read with this financial statement.

WATERVIEW 1 METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. DEFINITION OF REPORTING ENTITY

Waterview 1 Metropolitan District ("District"), a quasi-municipal corporation and political subdivision of the State of Colorado, was formed on November 8, 2001, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in El Paso County, Colorado ("County"). The District was organized for the purpose of providing for the acquisition, construction, installation, operation and maintenance of certain public improvements for the benefit of the property owners and inhabitants of the District. The improvements in the District's service plan include street improvements, including draining and landscaping, and safety protection (traffic control devices).

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 and 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 operational and administrative functions are contracted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes and ownership taxes.

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

See independent auditor's report

WATERVIEW 1 METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and fund financial statements (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 the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting and financial statement position

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 collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. 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:

General fund - The general fund is used to account for all financial resources of the District except those required to be accounted for in another fund.

Debt service fund - The debt service fund accounts for the servicing of general long-term debt and revenues generated and received by the District that are required to be used in payment of long-term debt.

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.

See independent auditor's report

WATERVIEW 1 METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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 appropriation is at the total fund expenditures, fund balance remaining and other financing uses 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 incurred expenditures in excess of appropriations for the year ended December 31, 2018 in the debt service fund, which may be a violation of the local government budget law.

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 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 and investments.

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 and attaches as an enforceable lien 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, at the taxpayer's election, in February and June in equal installments. Delinquent taxpayers are notified in August and sales of the tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected to the District monthly.

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

See independent auditor's report

WATERVIEW 1 METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred inflows 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. Accordingly, property tax revenue and certain accounts receivable are deferred and recognized as inflows of resources in the period that the amounts become available.

Equity

Net position

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

Fund balances

Fund balance for governmental funds are 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 is legally or contractually required to be maintained intact.

Restricted fund balance - The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

Committed fund balance - The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the board of directors. The constraint may be removed or changed only through formal action of the board of directors.

See independent auditor's report

WATERVIEW 1 METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (continued)

Fund balances (continued)

Assigned fund balance - The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the board of directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned fund balance - The residual portion of fund balance that does not meet any of the criteria described above.

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

3. CASH AND INVESTMENTS

Cash and investments as of December 31, 2018 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 24,494
Cash and investments - restricted	439,881
	439,881
 Total cash and investments	 \$ 464,375

Cash and investments as of December 31, 2018 consist of the following:

Deposits with financial institutions	\$ 24,494
Investments	439,881
	439,881
 Total cash and investments	 \$ 464,375

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 102% of the aggregate uninsured deposits.

See independent auditor's report

WATERVIEW 1 METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

3. CASH AND INVESTMENTS (CONTINUED)

Deposits with financial institutions (continued)

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.

As of December 31, 2018, the District's cash deposits had a bank balance of \$24,989 and a book balance of \$24,494.

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

See independent auditor's report

WATERVIEW 1 METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

3. CASH AND INVESTMENTS (CONTINUED)

Investments (continued)

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

<u>Investments</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 439,881</u>

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 US 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 investment in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

4. INFRASTRUCTURE ASSETS

The following is a summary schedule of infrastructure asset activity recorded by the District during the year ended December 31, 2018:

	<u>Balance</u> <u>01/01/18</u>	<u>Additions/</u> <u>Reclass-</u> <u>ifications</u>	<u>Dispositions/</u> <u>Reclass-</u> <u>ifications</u>	<u>Balance</u> <u>12/31/17</u>
Infrastructure assets	<u>\$ 15,189,292</u>	<u>\$ -</u>	<u>\$ (15,189,292)</u>	<u>\$ -</u>

During 2018, the infrastructure constructed or acquired by the District, was conveyed to other governmental entities. The costs of the construction of infrastructure transferred to other governmental entities were removed from the District's financial records.

See independent auditor's report

WATERVIEW 1 METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

5. LONG-TERM OBLIGATIONS

Developer advances

On August 29, 2007, the District entered into an agreement with the initial developer. The developer agreed to advance funds to the District for operations, maintenance expenses and capital costs pursuant to the terms of the agreement. The agreement is subject to renewal on an annual basis as deemed appropriate by the developer. Such advances plus interest at a rate of 8.00% per annum are to be reimbursed by the District with the proceeds of any future available revenues, including but not limited to the proceeds of bonds, fees and taxes or the issuance of water and wastewater taps of the District. Any reimbursement is subject to annual appropriation by the District and is contingent upon the District's ability to generate sufficient revenues, after payment of annual operating expenditures and debt service requirements. This agreement was terminated effective February 9, 2012.

Series 2016A General Obligation Taxable Subordinate Promissory Note

On October 14, 2016, the District entered into a promissory note agreement with the developer for \$8,726,666, bearing interest at 8.00% per annum and maturing on December 31, 2051. If, on the maturity date, any principal or interest on the note remains outstanding, the note will be cancelled and no further amounts will be due or payable. This promissory note agreement replaces the principal balance and accrued interest of a previous 2012A note payable agreement. The principal balance on this promissory note is \$8,176,667 and accrued interest is \$1,469,993 as of December 31, 2018.

Payments on this promissory note payable are subordinate to those for the Series 2016 bonds below and are subject to available cash flows. Accordingly, no maturity schedule has been included.

Series 2016 General Obligation Limited Tax Refunding Bonds

On October 13, 2016, the District issued Series 2016 Limited Tax General Obligation Bonds in the amount of \$9,540,000. The bond proceeds were used to repay the 2013 General Obligation Limited Tax Refunding Bonds in their entirety and to repay \$7,640,000 of the Series 2012A General Obligation Taxable Subordinate Promissory Note and accumulated interest. The bonds bear a variable interest rate ranging from 3.00% to 5.00% percent per annum. The interest payments are due to bondholders semi-annually on June 1 and December 1, beginning December 1, 2016. Principal payments are due each December 1, beginning December 1, 2017. The bonds mature December 1, 2046.

A Reserve Fund is required to be maintained at all times in the amount of the Required Reserve which will be an amount equal to 50% of the maximum annual debt service requirements of the Series 2016 Limited Tax General Obligation Bonds and such Reserve Fund was fully funded in such amount upon issuance of such Bonds.

See independent auditor's report

WATERVIEW 1 METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

5. LONG-TERM OBLIGATIONS (CONTINUED)

Series 2016 General Obligation Limited Tax Refunding Bonds (continued)

The following is a summary of changes in bonds payable during the year ended December 31, 2018:

	Balance 01/01/18	Additions	Repayments/ Accretion	Balance 12/31/18	Due Within One Year
Developer advances	\$ 10,000	\$ -	\$ -	\$ 10,000	\$ -
2016A Note	8,176,667	-	-	8,176,667	-
2016 Bonds	9,490,000	-	(125,000)	9,365,000	125,000
Bond issuance premium	816,208	-	(58,820)	757,388	-
	<u>\$ 18,492,875</u>	<u>\$ -</u>	<u>\$ (183,820)</u>	<u>\$ 18,309,055</u>	<u>\$ 125,000</u>

Annual requirements to amortize 2016 Bonds are as follows:

Year Ending December 31,	Principal	Interest	Total
2019	\$ 125,000	\$ 384,050	\$ 509,050
2020	150,000	380,300	530,300
2021	150,000	375,800	525,800
2022	150,000	371,300	521,300
2023	175,000	365,300	540,300
2024-2028	1,090,000	1,708,300	2,798,300
2029-2033	1,340,000	1,468,100	2,808,100
2034-2038	1,750,000	1,111,250	2,861,250
2039-2043	2,405,000	622,263	3,027,263
2044-2046	2,030,000	142,026	2,172,026
Total	<u>\$ 9,365,000</u>	<u>\$ 6,928,689</u>	<u>\$ 16,293,689</u>

See independent auditor's report

WATERVIEW 1 METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

6. NET POSITION

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

Restricted position include net positions that are subject to restriction for use either by external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net positions of as of December 31, 2018 as follows:

	Government Activities
Restricted net position:	
Debt service (see Note 5)	\$ 8,068
Emergencies (see Note 11)	448,804
	\$ 456,872

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the restricted component of net position.

The District's unrestricted net position as of December 31, 2018 totaled the deficit of \$19,804,113. This deficit amount was a result of the District being responsible for the repayment of general obligation bonds which funded infrastructure assets dedicated to other governmental entities.

7. INCLUSION AGREEMENT

The owner of the real property located within the District's boundaries entered into an inclusion agreement with the local water and sanitation districts under which the property is included within the local districts' service boundaries. Upon the establishment of Waterview I Metropolitan District, the rights and obligations of the inclusion agreement were assigned to the District.

Under the terms of the agreement, the District is responsible for the construction of, and payment for 1) the water delivery and distribution system as necessary to properly supply and distribute water from the local water districts' facilities to the property and 2) the wastewater collection lines and system as necessary to properly collect the wastewater from the property and connect to the sanitation districts' wastewater collection system. The District will pay water and wastewater tap fees, and water development fees for water services to the property when the water and wastewater services are requested to be made available to the individual lots within the property. The local districts will then provide water and sanitation services to the property.

See independent auditor's report

WATERVIEW 1 METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

8. RELATED PARTIES

Certain members of the board of directors of the District are employees, owners of or otherwise associated with the developer and may have conflicts of interest in dealing with the District.

9. ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay operational and capital expenditures and meet debt service requirements. Until an independent revenue base is established, continuation of operations in the District and construction of public improvements will be dependent upon funding by contributions or the issuance of debt.

10. 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 contractors; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool ("Pool") as of December 31, 2018. 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.

11. 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.

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. Revenues in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenues. The District's voters approved a ballot issue allowing the District to retain all revenues.

See independent auditor's report

WATERVIEW 1 METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

11. TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

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. 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 likely require judicial interpretation.

* * * * *

See independent auditor's report

SUPPLEMENTARY INFORMATION

WATERVIEW 1 METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018

	Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>REVENUES</u>			
Property taxes	\$ 561,751	\$ 561,751	\$ -
Specific ownership taxes	40,000	70,979	30,979
Net investment income	2,500	10,406	7,906
Total revenues	604,251	643,136	38,885
<u>EXPENDITURES</u>			
Bank charges	-	770	(770)
Treasurer's fees	7,660	8,438	(778)
Bond principal	125,000	125,000	-
Interest expense	387,800	387,800	-
Paying agent fees	3,000	2,400	600
Total expenditures	523,460	524,408	(948)
Excess of revenues over (under) expenditures	80,791	118,728	39,833
Net change in fund balance	\$ 80,791	118,728	\$ 39,833
Fund balance, beginning of year		330,076	
Fund balance, end of year		\$ 448,804	

See independent auditor's report