

OVERLOOK METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2018

with

Independent Auditor's Report

## C O N T E N T S

	<u>Page</u>
<u>Independent Auditor's Report</u>	I
<u>Basic Financial Statements</u>	
Balance Sheet/Statement of Net Position - Governmental Funds	1
Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities - Governmental Funds	2
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	3
Notes to Financial Statements	4
<u>Supplemental Information</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Debt Service Fund	20
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Capital Projects Fund	21
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	22



# HIRATSUKA & ASSOCIATES, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Overlook Metropolitan District  
Douglas County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Overlook Metropolitan District (the District), Douglas County, Colorado, as of and for the year ended December 31, 2018, 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 (U.S. GAAP); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Overlook Metropolitan District, Douglas County, Colorado, as of December 31, 2018, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with U.S. GAAP.

### **Other Matters**

#### *Required Supplementary Information*

Management has not presented Management's Discussion and Analysis. Such missing information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service Fund, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Projects Fund, and Summary of Assessed Valuation, Mill Levy and Property Taxes Collected were presented for the purpose of additional analysis and was not a required part of the financial statements.

The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service Fund, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Projects Fund, and Summary of Assessed Valuation, Mill Levy and Property Taxes Collected are the responsibility of management and were derived from and relate 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 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.

*Hiratsuka & Associates, LLP*

September 30, 2019  
Wheat Ridge, Colorado

**OVERLOOK METROPOLITAN DISTRICT**

BALANCE SHEET/STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
December 31, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>						
Cash and investments	\$ 10,073	\$ -	\$ -	\$ 10,073	\$ -	\$ 10,073
Cash and investments - restricted	871	608,280	1,438	610,589	-	610,589
Receivable - County Treasurer	337	1,384	-	1,721	-	1,721
Property taxes receivable	36,131	148,349	-	184,480	-	184,480
Prepaid expenses	2,508	-	-	2,508	-	2,508
Capital assets not being depreciated	-	-	-	-	7,323,297	7,323,297
<b>Total Assets</b>	<b><u>\$ 49,920</u></b>	<b><u>\$ 758,013</u></b>	<b><u>\$ 1,438</u></b>	<b><u>\$ 809,371</u></b>	<b><u>7,323,297</u></b>	<b><u>8,132,668</u></b>
<b>LIABILITIES</b>						
Accounts payable	\$ 4,001	\$ -	\$ -	\$ 4,001	-	4,001
Accrued interest on bonds	-	-	-	-	384,835	384,835
Long-term liabilities:						
Due in more than one year	-	-	-	-	9,269,847	9,269,847
<b>Total Liabilities</b>	<b><u>4,001</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>4,001</u></b>	<b><u>9,654,682</u></b>	<b><u>9,658,683</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred property taxes	<u>36,131</u>	<u>148,349</u>	<u>-</u>	<u>184,480</u>	<u>-</u>	<u>184,480</u>
<b>Total Deferred Inflows of Resources</b>	<b><u>36,131</u></b>	<b><u>148,349</u></b>	<b><u>-</u></b>	<b><u>184,480</u></b>	<b><u>-</u></b>	<b><u>184,480</u></b>
<b>FUND BALANCES/NET POSITION</b>						
Fund Balances:						
Nonspendable:						
Prepays	2,508	-	-	2,508	(2,508)	-
Restricted:						
Emergencies	871	-	-	871	(871)	-
Debt service	-	609,664	-	609,664	(609,664)	-
Capital projects	-	-	1,438	1,438	(1,438)	-
Unassigned	<u>6,409</u>	<u>-</u>	<u>-</u>	<u>6,409</u>	<u>(6,409)</u>	<u>-</u>
<b>Total Fund Balances</b>	<b><u>9,788</u></b>	<b><u>609,664</u></b>	<b><u>1,438</u></b>	<b><u>620,890</u></b>	<b><u>(620,890)</u></b>	<b><u>-</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 49,920</u></b>	<b><u>\$ 758,013</u></b>	<b><u>\$ 1,438</u></b>	<b><u>\$ 809,371</u></b>		
Net Position:						
Restricted for:						
Emergencies					871	871
Debt service					224,829	224,829
Capital projects					1,438	1,438
Unrestricted					<u>(1,937,633)</u>	<u>(1,937,633)</u>
<b>Total Net Position</b>					<b><u>\$(1,710,495)</u></b>	<b><u>\$(1,710,495)</u></b>

The notes to the financial statements are an integral part of these statements.

## OVERLOOK METROPOLITAN DISTRICT

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES GOVERNMENTAL FUNDS

For the Year Ended December 31, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>EXPENDITURES</b>						
Accounting	\$ 6,263	\$ -	\$ -	\$ 6,263	\$ -	\$ 6,263
Audit	4,000	-	-	4,000	-	4,000
Insurance	3,198	-	-	3,198	-	3,198
Legal	4,561	-	-	4,561	-	4,561
Miscellaneous expenses	2,424	-	-	2,424	-	2,424
Treasurer's fees	500	2,053	-	2,553	-	2,553
Bond interest expense	-	232,650	-	232,650	231,197	463,847
Trustee fees	-	5,500	-	5,500	-	5,500
Developer Interest - capital	-	-	-	-	153,422	153,422
Developer Interest - operations	-	-	-	-	4,880	4,880
Repay developer advances - interest	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>(30,000)</u>	<u>-</u>
Total Expenditures	<u>50,946</u>	<u>240,203</u>	<u>-</u>	<u>291,149</u>	<u>359,499</u>	<u>650,648</u>
<b>GENERAL REVENUES</b>						
Property taxes	33,330	136,852	-	170,182	-	170,182
Specific ownership taxes	3,525	14,472	-	17,997	-	17,997
Interest income	<u>5</u>	<u>12,546</u>	<u>-</u>	<u>12,551</u>	<u>-</u>	<u>12,551</u>
Total General Revenues	<u>36,860</u>	<u>163,870</u>	<u>-</u>	<u>200,730</u>	<u>-</u>	<u>200,730</u>
<b>NET CHANGES IN FUND BALANCES</b>	(14,086)	(76,333)	-	(90,419)	90,419	
<b>CHANGE IN NET POSITION</b>					(449,918)	(449,918)
<b>FUND BALANCES/NET POSITION:</b>						
BEGINNING OF YEAR	<u>23,874</u>	<u>685,997</u>	<u>1,438</u>	<u>711,309</u>	<u>(1,971,886)</u>	<u>(1,260,577)</u>
END OF YEAR	<u>\$ 9,788</u>	<u>\$ 609,664</u>	<u>\$ 1,438</u>	<u>\$ 620,890</u>	<u>\$ (2,331,385)</u>	<u>\$ (1,710,495)</u>

The notes to the financial statements are an integral part of these statements.

## OVERLOOK METROPOLITAN DISTRICT

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2018

	Original & Final		Variance
	Budget	Actual	Favorable (Unfavorable)
<b>REVENUES</b>			
Property taxes	\$ 33,331	\$ 33,330	\$ (1)
Specific ownership taxes	2,373	3,525	1,152
Interest income	-	5	5
Total Revenues	35,704	36,860	1,156
<b>EXPENDITURES</b>			
Accounting	5,000	6,263	(1,263)
Audit	-	4,000	(4,000)
Election expense	1,000	-	1,000
Insurance	3,000	3,198	(198)
Legal	14,000	4,561	9,439
Miscellaneous expenses	5,000	2,424	2,576
Office supplies	1,000	-	1,000
Treasurer's fees	500	500	-
Repay developer advances - interest	45,367	30,000	15,367
Contingency	10,000	-	10,000
Emergency reserve	885	-	885
Total Expenditures	85,752	50,946	34,806
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(50,048)	(14,086)	35,962
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in/(out)	(30,000)	-	30,000
Total Other Financing Sources (Uses)	(30,000)	-	30,000
NET CHANGE IN FUND BALANCE	(80,048)	(14,086)	65,962
<b>FUND BALANCE:</b>			
BEGINNING OF YEAR	80,048	23,874	(56,174)
END OF YEAR	\$ -	\$ 9,788	\$ 9,788

The notes to the financial statements are an integral part of these statements.

# OVERLOOK METROPOLITAN DISTRICT

## Notes to Financial Statements December 31, 2018

### Note 1: Summary of Significant Accounting Policies

The accounting policies of the Overlook Metropolitan District, (the “District”), located in Douglas County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

#### Definition of Reporting Entity

The District was organized on May 26, 2015, as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to provide for the planning, design, acquisition, construction, installation, relocation, redevelopment and financing of certain public improvements from the proceeds of Debt to be issued by the District. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

# OVERLOOK METROPOLITAN DISTRICT

## Notes to Financial Statements December 31, 2018

### Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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*.

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 the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

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 material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

# OVERLOOK METROPOLITAN DISTRICT

## Notes to Financial Statements December 31, 2018

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

### Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, 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 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 appropriation is at the total fund expenditures level and lapses at year end.

### Assets, Liabilities, Deferred Inflows/Inflows of Resources and Net Position

#### Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2018, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

#### Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

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

# OVERLOOK METROPOLITAN DISTRICT

## Notes to Financial Statements December 31, 2018

### Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

### Capital Assets

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

All improvements by the District will be conveyed to other governmental entities, classified as construction in progress, and not depreciated.

### Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

# OVERLOOK METROPOLITAN DISTRICT

## Notes to Financial Statements December 31, 2018

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

### Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

### Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

### Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

The nonspendable fund balance in the General Fund in the amount of \$2,508 represents prepaid expenditures.

### Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$871 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$609,664 is restricted for the payment of the debt service costs associated with the General Obligation Bonds Series 2016A (see Note 4).

The restricted fund balance in the Capital Projects Fund in the amount of \$1,438 is restricted for the payment of the costs for capital improvements within the District.

# OVERLOOK METROPOLITAN DISTRICT

## Notes to Financial Statements December 31, 2018

### Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a 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

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

The assigned fund balance in the General Fund represents the amount appropriated for use in the budget for the year ending December 31, 2018.

### Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all other funds can report negative amounts.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

### Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District can report three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets. At December 31, 2018, the District did not have any amounts to report in this category.

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

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

OVERLOOK METROPOLITAN DISTRICT

Notes to Financial Statements  
December 31, 2018

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Note 2: Cash and Investments

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

Statement of Net Position:	
Cash and investments	\$ 10,073
Cash and investments - Restricted	<u>610,589</u>
Total	\$ <u>620,662</u>

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

Deposits with financial institutions	\$ 45
Investments – COLOTRUST	96
Investments - CSAFE	<u>620,521</u>
	\$ <u>620,662</u>

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. 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.

The District follows state statutes for deposits. None of the District’s deposits were exposed to custodial credit risk.

Investments

Custodial and Concentration of Credit Risk

None of the District’s investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

# OVERLOOK METROPOLITAN DISTRICT

## Notes to Financial Statements December 31, 2018

### Credit Risk

The District has not adopted a formal investment policy; however the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

### Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investment is not required to be categorized within the fair value hierarchy. This investment's value is calculated using the amortized cost method.

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

### COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST") is rated AAAM by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint ventures established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. The trusts operate similarly to a money market fund with each share maintaining a value of \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. At December 31, 2018, the District had \$96 invested in COLOTRUST.

### CSAFE

The local government investment pool Colorado Surplus Asset Fund Trust ("CSAFE"), is rated AAAM by Standard and Poor's with a weighted average maturity of under 60 days. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. CSAFE is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00.

OVERLOOK METROPOLITAN DISTRICT

Notes to Financial Statements  
December 31, 2018

CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds, and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE’s portfolio pursuant to custodian agreements. The custodian acts as safekeeping agent for CSAFE’s investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodians’ internal records identify the investments owned by CSAFE. At December 31, 2018, the District had \$620,521 invested in CSAFE.

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2018, follows:

<u>Governmental Type Activities:</u>	<u>Balance 1/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2018</u>
<u>Capital assets not being depreciated:</u>				
Construction in process	\$7,323,297	\$ -	\$ -	\$ 7,323,297
Total capital assets not being depreciated	<u>7,323,297</u>	<u>-</u>	<u>-</u>	<u>7,323,297</u>
Government type assets, net	<u>\$7,323,297</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,323,297</u>

Upon completion and acceptance, all of the fixed assets will be conveyed by the District to other local governments and the District will not be responsible for maintenance on these fixed assets

Note 4: Long Term Debt

A description of the long-term obligations as of December 31, 2018, is as follows:

\$4,230,000 General Obligation Limited Tax (Convertible to Unlimited Tax) Bonds, Series 2016A and \$940,000 Subordinate General Obligation Limited Tax Bonds, Series 2016B

On June 14, 2016, the District issued its \$4,230,000 General Obligation Limited Tax (Convertible to Unlimited Tax) Bonds, Series 2016A (“Series 2016A Bonds”), and its \$940,000 Subordinate General Obligation Limited Tax Bonds, Series 2016B (“Series 2016B Bonds”), for the purpose of funding and reimbursing a portion of the costs of acquiring, constructing, and installing certain public improvements, and paying the cost of issuance of the Bonds, and, with respect to the Series 2016A Bonds only, depositing certain amounts to the Surplus Fund and funding a portion of interest to accrue on the Series 2016A Senior Bonds. The Series 2016A Bonds bear interest at the rate of 5.5%, payable semiannually on each June 1 and December 1, commencing on December 1, 2016 and mature on December 1, 2046.

## OVERLOOK METROPOLITAN DISTRICT

### Notes to Financial Statements December 31, 2018

The Series 2016B Bonds bear interest at the rate of 7.75%, payable annually on December 15, commencing on December 15, 2016, to the extent that Pledged Revenue is available and mature on December 15, 2046. The Series 2016A Bonds are subject to a mandatory sinking fund redemption commencing on December 1, 2021 and are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, commencing on December 1, 2021, upon payment of par, accrued interest, and a redemption premium that ranges between 0% and 3%. The Series 2016B Bonds are subject to a mandatory sinking fund redemption from Subordinate Pledged Revenue, if any, on deposit in the Subordinate Bond Fund and are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, commencing on December 15, 2021, upon payment of par, accrued interest, and a redemption premium that ranges between 0% and 3%.

The Series 2016A Bonds are secured by the Senior Required Mill Levy, the Capital Fees, if any, the portion of the Specific Ownership Tax which is collected as a result of the Senior Required Mill Levy, and any other legally available moneys as determined by the District. The Series 2016A Bonds are also secured by a Senior Surplus Fund of up to \$846,000. The surplus fund can be released when the ratio of all the outstanding Series 2016A Bonds to assessed valuation is 50% or less. The Series 2016B Bonds are secured by the Subordinate Required Mill Levy, the Subordinate Capital Fee Revenue, if any, the portion of the Specific Ownership Tax which is collected as a result of the Subordinate Required Mill Levy, any amount remaining in the Senior Surplus Fund after termination of the fund and any other legally available moneys as determined by the District.

The District is permitted to allocate a portion of the Senior Required Mill Levy to fund operating expenses up to \$35,000 in 2016 and \$35,350 in 2017. The maximum amount of \$35,000 in 2016 inflates at 1% per year thereafter.

At December 31, 2018 the outstanding accrued interest on the 2016B Bonds was \$197,532.

\$1,960,000 Taxable Second Subordinate General Obligation Limited Tax Bonds, Series 2017C  
On November 1, 2017, the District issued its \$1,960,000 Taxable Second Subordinate General Obligation Limited Tax Bonds, Series 2017C (“Series 2017C Bonds”), for the purpose of reimbursing OCC Holdings for amounts due under the Acquisition Agreement dated June 16, 2015, as amended. The Series 2017C Bonds bear interest at the rate of 7.55%, payable annually on each December 15, commencing on December 15, 2017 to the extent that Second Subordinate Pledged Revenue is available and mature on December 15, 2056. The Series 2017C Bonds are secured by the Second Subordinate Required Mill Levy, the Second Subordinate Capital Fee Revenue, if any, the portion of the Specific Ownership Tax which is collected as a result of the Second Subordinate Required Mill Levy and any other legally available moneys as determined by the District. At December 31, 2018 the outstanding accrued interest on the 2016C Bonds was \$167,916.

## OVERLOOK METROPOLITAN DISTRICT

### Notes to Financial Statements December 31, 2018

#### Town IGA

The District and the Town of Parker (the “Town”) have entered into an Intergovernmental Agreement dated June 16, 2015 (the “Town IGA”), which provides contractual enforcement rights to the Town with respect to certain restrictions set forth in the Service Plan regarding the construction, ownership operations and maintenance of improvements needed for the Development. The Town IGA required the payment of \$1,062,925 for a portion of the costs of certain regional improvements, all of which has been paid. The Town IGA was amended on April 17, 2017 to increase the District’s total Debt Issuance Limitation to \$7,130,000.

#### Operation Funding Agreements

The District and OCC Holdings, LLC (the “Developer”) have entered into two funding agreements for the purpose of funding operating costs of the District as follows: a) a 2015 Operation Funding Agreement with an effective date of May 26, 2015, (the “2015 OFA”), and b) a 2016 Operation Funding Agreement, with an effective date of January 1, 2016 (the “2016 OFA”). Pursuant to the 2015 OFA and the 2016 OFA, the Developer agreed to advance funds necessary to fund, or directly pay, the District’s operations and maintenance expenses for fiscal year 2015 or fiscal year 2016 (as applicable) on a periodic basis as needed for the applicable fiscal year, up to a stated shortfall amount (\$50,000 for 2015 and \$21,000 for 2016). If the District requires additional funds to meet its operation and maintenance expenses, requests can be made of the Developer to fund such additional shortfalls. Interest is to accrue at 8.0% per annum and is payable to the Developer on December 2 of each year. The obligation of the Developer to advance amounts under the 2015 OFA expired March 31, 2016.

The District agrees to repay the amounts advanced, to the extent it has funds available from the imposition of its taxes, fees, rates, tolls, penalties and charges, and from any other revenue legally available, after the payment of its annual debt service obligations and annual operations and maintenance expenses, which repayment is subject to annual budget and appropriation. Any obligation of the District to reimburse the Developer for amounts advanced under the 2015 OFA expires on December 31, 2055, and under the 2016 OFA the reimbursement obligation expires on December 31, 2057.

#### First Amendment to 2016 Operation Funding Agreement

On June 1, 2016, the District and the Developer entered into a First Amendment to the 2016 Operation Fund Agreement which changed the name of the agreement to the “2016-2018 Operation Funding Agreement” and acknowledged that the anticipated shortfalls for the fiscal years 2016 through 2018 are anticipated to be \$50,536. The Developer agreed to advance this shortfall amount on or before the date that the District issued its 2016A and 2016B Bonds, and the obligation of the Developer to advance funds expired upon the deposit of such amount.

OVERLOOK METROPOLITAN DISTRICT

Notes to Financial Statements  
December 31, 2018

Facilities Funding and Acquisition Agreement

On June 16, 2015, the District and the Developer entered into a Facilities Funding and Acquisition Agreement with an effective date of May 26, 2015, which set forth the rights, obligations and procedures for the funding and acquisition of the certain public improvements and for the District to reimburse the Developer for such costs. In this Agreement the District acknowledges that the Developer has expended funds for the District's organizational expenses which the District agrees to reimburse, as well as amounts advanced to the District by the Developer to pay for the costs associated with verifying such organization expenses. Amounts verified and advances are to accrue interest at 8% from the Organization Date of May 26, 2015. Pursuant to this Agreement, the Developer agrees to advance funds necessary to construct or acquire improvements incurred by the District for fiscal years 2015 through 2055 up to the estimated shortfall amount of \$8,260,558.

On June 1, 2016, the Board of the District accepted \$7,323,297 in costs certified by the District's engineer under this agreement. Proceeds from the issuance of the 2016 Bonds in the amount of \$3,852,141 were used to repay the Developer under this agreement. Proceeds from the issuance of the Series 2017C Bonds in the amount of \$1,960,000 were used to repay the Developer under this agreement.

The following is a summary of the annual long-term debt principal and interest requirements of the Series 2016A General Obligation Limited Tax (Convertible to Unlimited Tax) Bonds.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 232,650	\$ 232,650
2020	-	232,650	232,650
2021	35,000	232,650	267,650
2022	55,000	230,725	285,725
2023	60,000	227,700	287,700
2024-2028	395,000	1,082,675	1,477,675
2029-2033	605,000	952,050	1,557,050
2034-2038	880,000	757,075	1,637,075
2039-2043	1,235,000	478,225	1,713,225
2044-2046	965,000	108,625	1,073,625
	<u>\$ 4,230,000</u>	<u>\$ 4,535,025</u>	<u>\$ 8,765,025</u>

Because of the uncertainty of the timing of payments for the 2016B Subordinate General Obligation Limited Tax Bonds, a summary of the long-term debt principal and interest requirements is not presented.

OVERLOOK METROPOLITAN DISTRICT

Notes to Financial Statements  
December 31, 2018

Because of the uncertainty of the timing of payments for the 2017C Taxable Second Subordinate General Obligation Limited Tax Bonds, a summary of the long-term debt principal and interest requirements is not presented.

The following is an analysis of changes in long-term debt for the period ending December 31, 2018:

	Balance 1/1/2018	Additions	Deletions	Balance 12/31/2018	Current Portion
Developer Advances - Capital	\$ 1,917,771	\$ -	\$ -	\$ 1,917,771	\$ -
Developer Advances - Capital - Accrued Interest	25,220	153,422	30,000	148,642	-
Developer Advance - Operating	61,000	-	-	61,000	-
Developer Advance - Operating Accrued Interest	7,554	4,880	-	12,434	-
GO Bonds - 2016A	4,230,000	-	-	4,230,000	-
GO Bonds - 2016B	940,000	-	-	940,000	-
GO Bonds - 2017C	1,960,000	-	-	1,960,000	-
Total	<u>\$ 9,141,545</u>	<u>\$ 158,302</u>	<u>\$ 30,000</u>	<u>\$ 9,269,847</u>	<u>\$ -</u>

Debt Authorization

As of December 31, 2018, the District had remaining voted debt authorization of approximately \$60,219,750. The District budgeted to issue \$2,000,000 in new debt during 2018, however, the bonds were issued in 2017. Per the District's Service Plan, the District was not able to issue debt in excess of \$5,180,750. On April 3, 2017, the District's Service Plan was amended to increase the total debt issuance limitation to \$7,130,000.

Note 5: Related Party

A majority of the Board of Directors are employees, owners or are otherwise associated with the Developer and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board.

Note 6: Tax, Spending and Debt Limitations

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

# OVERLOOK METROPOLITAN DISTRICT

## Notes to Financial Statements December 31, 2018

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.

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.

On November 4, 2014, a majority of the District's electors 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 limitations under Article X, Section 20 of the Colorado Constitution.

### Note 7: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("Pool") which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other 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.

OVERLOOK METROPOLITAN DISTRICT

Notes to Financial Statements  
December 31, 2018

Note 8: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments have the following elements:

- 1) capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and
- 2) long-term liabilities such as bonds payable and accrued bond interest payable are not due and payable in the current period and, therefore, are not in the funds.

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

- 1) governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities or depreciated over their useful lives;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities;
- 3) governmental funds report developer advances and/or bond proceeds as revenue; and,
- 4) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

# OVERLOOK METROPOLITAN DISTRICT

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND

For the Year Ended December 31, 2018

	Original & Final		Variance
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 136,852	\$ 136,852	\$ -
Specific ownership taxes	13,844	14,472	628
Interest income	-	12,546	12,546
Total Revenues	<u>150,696</u>	<u>163,870</u>	<u>13,174</u>
EXPENDITURES			
Bond interest expense	232,650	232,650	-
Trustee fees	10,000	5,500	4,500
Treasurer's fees	2,055	2,053	2
Total Expenditures	<u>244,705</u>	<u>240,203</u>	<u>4,502</u>
NET CHANGE IN FUND BALANCE	(94,009)	(76,333)	17,676
FUND BALANCE:			
BEGINNING OF YEAR	<u>684,492</u>	<u>685,997</u>	<u>1,505</u>
END OF YEAR	<u>\$ 590,483</u>	<u>\$ 609,664</u>	<u>\$ 19,181</u>

The notes to the financial statements are an integral part of these statements.

**OVERLOOK METROPOLITAN DISTRICT**

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -  
CAPITAL PROJECTS FUND

For the Year Ended December 31, 2018

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Interest income	\$ -	-	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Bond issuance costs	30,000	-	30,000
Capital improvements	4,000,000	-	4,000,000
Repay developer advances - principal	2,000,000	-	2,000,000
Repay developer advances - interest	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>6,030,000</u>	<u>-</u>	<u>6,030,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(6,030,000)	-	6,030,000
OTHER FINANCING SOURCES (USES)			
Bond proceeds	2,000,000	-	(2,000,000)
Developer advances	4,000,000	-	(4,000,000)
Transfers in/(out)	<u>30,000</u>	<u>-</u>	<u>(30,000)</u>
Total Other Financing Sources (Uses)	<u>6,030,000</u>	<u>-</u>	<u>(6,030,000)</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE:			
BEGINNING OF YEAR	<u>1,438</u>	<u>1,438</u>	<u>-</u>
END OF YEAR	<u>\$ 1,438</u>	<u>1,438</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of these statements.

**OVERLOOK METROPOLITAN DISTRICT**

SUMMARY OF ASSESSED VALUATION, MILL LEVY  
AND PROPERTY TAXES COLLECTED

December 31, 2018

<u>Year Ended</u> <u>December 31,</u>	<b>Prior</b> <b>Year Assessed</b> <b>Valuation</b> <b>for Current</b> <b>Year Property</b> <u>Tax Levy</u>	<u>Mills Levied</u>		<u>Total Property Tax</u>		<b>Percent</b> <b>Collected</b> <b>to Levied</b>
		<u>General Fund</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2016	\$ 221,350	42.827	0.000	\$ 9,480	\$ 9,480	100.00%
2017	\$ 1,259,940	42.827	0.000	\$ 53,959	\$ 53,960	100.00%
2018	\$ 3,594,380	9.273	38.074	\$ 170,183	\$ 170,182	100.00%
Estimated for year ending December 31, 2019	\$ 3,896,330	9.273	38.074	\$ 184,480		

**NOTE**

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.