

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2019

**MORNINGVIEW METROPOLITAN DISTRICT
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2019**

| | |
|---|-----------|
| INDEPENDENT AUDITOR’S REPORT | 1 |
| BASIC FINANCIAL STATEMENTS | |
| GOVERNMENT-WIDE FINANCIAL STATEMENTS | |
| STATEMENT OF NET POSITION | 1 |
| STATEMENT OF ACTIVITIES | 2 |
| FUND FINANCIAL STATEMENTS | |
| BALANCE SHEET – GOVERNMENTAL FUNDS | 3 |
| STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS | 4 |
| RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES | 5 |
| GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL | 6 |
| NOTES TO BASIC FINANCIAL STATEMENTS | 7 |
| SUPPLEMENTARY INFORMATION | |
| DEBT SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL | 20 |
| OTHER INFORMATION | |
| SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY | 22 |
| SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED | 23 |

Independent Auditor's Report

Board of Directors
Morningview Metropolitan District
El Paso County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Morningview Metropolitan District (the "District") as of and for the year ended December 31, 2019, 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; 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Morningview Metropolitan District as of December 31, 2019, and 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.

Other Matters

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

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

Wipfli LLP
Lakewood, Colorado

September 29, 2020

BASIC FINANCIAL STATEMENTS

**MORNINGVIEW METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

| | <u>Governmental Activities</u> |
|--------------------------------------|------------------------------------|
| ASSETS | |
| Cash and Investments | \$ 1,298 |
| Cash and Investments - Restricted | 13,738 |
| Receivable from County Treasurer | 908 |
| Accounts Receivable | 100 |
| Property Taxes Receivable | 87,385 |
| Prepaid Insurance | 2,760 |
| Capital Assets, Net | <u>250,707</u> |
| Total Assets | <u>356,896</u> |
| LIABILITIES | |
| Accounts Payable | 4,589 |
| Prepaid dues | 5,400 |
| Accrued Interest Payable | 5,243 |
| Noncurrent Liabilities | |
| Due in More Than One Year | <u>1,416,126</u> |
| Total Liabilities | <u>1,431,358</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred Property Tax Revenue | <u>87,385</u> |
| Total Deferred Inflows of Resources | <u>87,385</u> |
| NET POSITION | |
| Net Investment in Capital Assets | 36,928 |
| Restricted For: | |
| TABOR | 1,500 |
| Debt Service | 7,676 |
| Unrestricted | <u>(1,207,951)</u> |
| Total Net Position | <u><u>\$ (1,161,847)</u></u> |

See accompanying Notes to Basic Financial Statements.

**MORNINGVIEW METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

| FUNCTIONS/PROGRAMS | Expenses | Program Revenues | | Capital Grants and Contributions | Net Revenues (Expenses) and Change in Net Position |
|---|------------|----------------------------|--|--|---|
| | | Charges for Services | Operating Grants and Contributions | | Governmental Activities |
| Primary Government: | | | | | |
| Governmental Activities: | | | | | |
| General Government | \$ 61,015 | \$ 25,400 | \$ - | \$ - | \$ (35,615) |
| Interest and Related Costs on Long-Term Debt | 84,677 | - | - | - | (84,677) |
| Total Governmental Activities | \$ 145,692 | \$ 25,400 | \$ - | \$ - | (120,292) |
| GENERAL REVENUES | | | | | |
| Property Taxes | | | | | 83,231 |
| Specific Ownership Taxes | | | | | 10,077 |
| Net Investment Income | | | | | 49 |
| Total General Revenues | | | | | 93,357 |
| CHANGE IN NET POSITION | | | | | |
| | | | | | (26,935) |
| Net Position - Beginning of Year | | | | | (1,134,912) |
| NET POSITION - END OF YEAR | | | | | \$ (1,161,847) |

See accompanying Notes to Basic Financial Statements.

**MORNINGVIEW METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

| | General | Debt Service | Total Governmental Funds |
|--|------------------|------------------|--------------------------------|
| ASSETS | | | |
| Cash and Investments | \$ 1,298 | \$ - | \$ 1,298 |
| Cash and Investments - Restricted | 1,500 | 12,238 | 13,738 |
| Receivable County Treasurer | 227 | 681 | 908 |
| Accounts Receivable | 100 | - | 100 |
| Property Taxes Receivable | 21,847 | 65,538 | 87,385 |
| Prepaid Insurance | 2,760 | - | 2,760 |
| | <u>\$ 27,732</u> | <u>\$ 78,457</u> | <u>\$ 106,189</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts Payable | \$ 4,589 | \$ - | \$ 4,589 |
| Prepaid Dues | 5,400 | - | 5,400 |
| Total Liabilities | <u>9,989</u> | <u>-</u> | <u>9,989</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred Property Tax Revenue | 21,847 | 65,538 | 87,385 |
| Total Deferred Inflows or Resources | <u>21,847</u> | <u>65,538</u> | <u>87,385</u> |
| FUND BALANCES | | | |
| Nonspendable For: | | | |
| Prepaid Expenses | 2,760 | - | 2,760 |
| Restricted For: | | | |
| Emergency Reserves | 1,500 | - | 1,500 |
| Debt Service | - | 12,919 | 12,919 |
| Unassigned | (8,364) | - | (8,364) |
| Total Fund Balances | <u>(4,104)</u> | <u>12,919</u> | <u>8,815</u> |
| Total Liabilities, Deferred Inflows, of Resources, and Fund Balances | <u>\$ 27,732</u> | <u>\$ 78,457</u> | |
| Amounts reported for governmental activities in the statement of of net position are different because: | | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | | |
| Capital Assets, Being Depreciated | | | 250,707 |
| Long-term liabilities, are not due and payable in the current period and, therefore are not recorded as liabilities in the funds. | | | |
| Bonds Payable | | | (1,187,000) |
| Accrued Interest Bonds Payable | | | (5,243) |
| Developer Advance Payable | | | (54,382) |
| Interest Payable - Developer Advance | | | <u>(174,744)</u> |
| Net Position of Governmental Activities | | | <u>\$ (1,161,847)</u> |

See accompanying Notes to Basic Financial Statements.

**MORNINGVIEW METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019**

| | General | Debt Service | Total Governmental Funds |
|--|-------------------|------------------|--------------------------------|
| REVENUES | | | |
| Property Taxes | \$ 20,808 | \$ 62,423 | \$ 83,231 |
| Specific Ownership Taxes | 2,519 | 7,558 | 10,077 |
| Net Investment Income | 12 | 37 | 49 |
| Homeowner Fees for Operations | 24,800 | - | 24,800 |
| Setup Fee | 450 | - | 450 |
| Status Letter Fee | 150 | - | 150 |
| Total Revenues | <u>48,739</u> | <u>70,018</u> | <u>118,757</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Accounting | 8,517 | - | 8,517 |
| Audit | 3,500 | - | 3,500 |
| County Treasurer's Fees | 312 | 936 | 1,248 |
| District Management | 4,632 | - | 4,632 |
| Dues and Subscriptions | 291 | - | 291 |
| Setup Fee | 450 | - | 450 |
| Status Letter Fee | 150 | - | 150 |
| Electric | 87 | - | 87 |
| Insurance | 2,508 | - | 2,508 |
| Landscape Maintenance | 7,090 | - | 7,090 |
| Landscape Maintenance - Other | 579 | - | 579 |
| Landscape Water | 7,460 | - | 7,460 |
| Legal | 7,251 | - | 7,251 |
| Debt Service: | | | |
| Interest Expense - Bonds | - | 62,911 | 62,911 |
| Total Expenditures | <u>42,827</u> | <u>63,847</u> | <u>106,674</u> |
| NET CHANGE IN FUND BALANCES | 5,912 | 6,171 | 12,083 |
| Fund Balances (Deficit) - Beginning of Year | <u>(10,016)</u> | <u>6,748</u> | <u>(3,268)</u> |
| FUND BALANCES (DEFICIT) - END OF YEAR | <u>\$ (4,104)</u> | <u>\$ 12,919</u> | <u>\$ 8,815</u> |

See accompanying Notes to Basic Financial Statements.

**MORNINGVIEW METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

| | | |
|--|----|--------|
| Net Change in Fund Balances - Governmental Funds | \$ | 12,083 |
|--|----|--------|

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 depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.

| | | |
|--------------|--|----------|
| Depreciation | | (18,188) |
|--------------|--|----------|

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

| | | |
|--|--|-----------------|
| Accrued Interest on Developer Advances - Change in Liability | | <u>(20,830)</u> |
|--|--|-----------------|

| | | |
|--|----|------------------------|
| Changes in Net Position of Governmental Activities | \$ | <u><u>(26,935)</u></u> |
|--|----|------------------------|

**MORNINGVIEW METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

| | Original and Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-----------------------------------|---------------------------------|-------------------|---|
| REVENUES | | | |
| Property Taxes | \$ 20,808 | \$ 20,808 | \$ - |
| Specific Ownership Taxes | 2,497 | 2,519 | 22 |
| Net Investment Income | - | 12 | 12 |
| Homeowner Fees for Operations | 24,500 | 24,800 | 300 |
| Setup Fee | - | 450 | 450 |
| Status Letter Fee | - | 150 | 150 |
| Total Revenues | <u>47,805</u> | <u>48,739</u> | <u>934</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Accounting | 4,400 | 8,517 | (4,117) |
| Audit | 3,500 | 3,500 | - |
| County Treasurer's Fees | 312 | 312 | - |
| District Management | 4,800 | 4,632 | 168 |
| Dues and Subscriptions | 300 | 291 | 9 |
| Setup Fee | - | 450 | (450) |
| Status Letter Fee | - | 150 | (150) |
| Insurance | 2,500 | 2,508 | (8) |
| Electric for Irrigation System | 230 | 87 | 143 |
| Landscape Maintenance | 6,800 | 7,090 | (290) |
| Landscape Repairs | 1,180 | 579 | 601 |
| Landscape Water | 14,500 | 7,460 | 7,040 |
| Legal | 5,500 | 7,251 | (1,751) |
| Total Expenditures | <u>44,022</u> | <u>42,827</u> | <u>1,195</u> |
| NET CHANGE IN FUND BALANCE | 3,783 | 5,912 | 2,129 |
| Fund Balance - Beginning of Year | <u>(2,340)</u> | <u>(10,016)</u> | <u>(7,676)</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 1,443</u> | <u>\$ (4,104)</u> | <u>\$ (5,547)</u> |

See accompanying Notes to Basic Financial Statements.

**MORNINGVIEW METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 DEFINITION OF REPORTING ENTITY

Morningview Metropolitan District (the District) is a quasi-municipal corporation and political subdivision of the state of Colorado, which was organized by order and decree of El Paso County District Court on December 27, 2013, and is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District undertakes its functions pursuant to the Service Plan that was approved by the City of Colorado Springs, Colorado on July 23, 2013. The service area of the District is located entirely within the City of Colorado Springs, El Paso County, Colorado.

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

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

**MORNINGVIEW METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 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 governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

The District reports the following major governmental funds:

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

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

**MORNINGVIEW METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

Pooled Cash and Investments

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

Capital Assets

Capital assets, which include infrastructure assets, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

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

| | |
|----------------|----------|
| Storm Drainage | 20 Years |
| Park Landscape | 15 Years |

**MORNINGVIEW METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

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

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

Deferred Inflow of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Equity

Net Position

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

Fund Balance

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

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

**MORNINGVIEW METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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

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

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

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

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

Deficits

The General Fund reported a deficit in the fund financial statements as of December 31, 2019. The deficit will be eliminated with the receipt of property tax revenue in 2020.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2019, are classified in the accompanying financial statements as follows:

Statement of Net Position:

| | |
|-----------------------------------|-----------|
| Cash and Investments | \$ 1,298 |
| Cash and Investments - Restricted | 13,738 |
| Total Cash | \$ 15,036 |

Cash and investments as of December 31, 2019 consist of the following:

| | |
|--------------------------------------|-----------|
| Deposits with Financial Institutions | \$ 15,036 |
|--------------------------------------|-----------|

**MORNINGVIEW METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions

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

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

At December 31, 2019, the District's cash deposits had a bank balance of \$19,046 and a carrying balance of \$15,036.

Investments

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

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

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

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

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

As of December 31, 2019, the District had no investments.

**MORNINGVIEW METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 CAPITAL ASSETS

An analysis of the changes in property for the period ended December 31, 2019, follows:

| | Balance - December 31, 2018 | Increases | Decreases | Balance - December 31, 2019 |
|--|-----------------------------------|--------------------|-------------|-----------------------------------|
| Capital Assets, Being Depreciated: | | | | |
| Storm Drainage | \$ 129,817 | \$ - | \$ - | \$ 129,817 |
| Park Landscape | 175,454 | - | - | 175,454 |
| Total Capital Assets, Being Depreciated | 305,271 | - | - | 305,271 |
| Less Accumulated Depreciation For: | | | | |
| Storm Drainage | (12,982) | (6,491) | - | (19,473) |
| Park Landscape | (23,394) | (11,697) | - | (35,091) |
| Total Accumulated Depreciation | (36,376) | (18,188) | - | (54,564) |
| Total Capital Assets, Being Depreciated, Net | 268,895 | (18,188) | - | 250,707 |
| Capital Assets, Net | <u>\$ 268,895</u> | <u>\$ (18,188)</u> | <u>\$ -</u> | <u>\$ 250,707</u> |

Depreciation expense in the amount of \$18,188 was charged to the general government function.

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2019:

| | Balance - December 31, 2018 | Additions | Reductions | Balance - December 31, 2019 | Due Within One Year |
|---|-----------------------------------|------------------|-------------|-----------------------------------|---------------------------|
| Bonds: | | | | | |
| Series 2017 - Limited Tax General Obligation Bonds | \$ 1,187,000 | \$ - | \$ - | 1,187,000 | \$ - |
| Bonds Subtotal | 1,187,000 | - | - | 1,187,000 | - |
| Developer Advances: | | | | | |
| Accrued Interest on Developer Advance - Capital | 130,109 | 13,011 | - | 143,120 | - |
| Developer Advance - Operating Accrued Interest on Developer Advance - Operating | 54,382 | - | - | 54,382 | - |
| Developer Advances Subtotal | 23,805 | 7,819 | - | 31,624 | - |
| Total | <u>\$ 1,395,296</u> | <u>\$ 20,830</u> | <u>\$ -</u> | <u>\$ 1,416,126</u> | <u>\$ -</u> |

**MORNINGVIEW METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Series 2017 Limited Tax General Obligations Bonds

On November 16, 2017, the District authorized the issuance of Limited Tax General Obligation Bonds, Series 2017 (the Bonds) in the aggregate principal amount of \$1,267,000 with an interest rate of 5.30% calculated on the basis of a 360-day year of 12 30-day months. The bonds are payable on June 1 and December 1, commencing on December 1, 2017. The principal and interest on the bonds are payable solely from and the extent of Pledged Revenues, which may or may not be sufficient to pay the principal and interest on the Bonds. The Bonds are subject to redemption prior to maturity without premium.

The Bonds are secured by and payable from the Pledged Revenue consisting of monies derived by the District from the following sources, net of any collection costs: (1) the Required Mill Levy, and (2) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Mill Levy. The Bonds are also secured by amounts held by the Trustee in the Reserve Fund(s). Required Mill Levy means an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal, premium if any, and interest on the Bonds as the same become due and payable including any accrued interest and unpaid amounts and interest due as a result of compounding, if any. The maximum Required Mill Levy is 30.000 mills adjusted for changes in the ratio of actual value to assessed value of property within the District. As of December 31, 2019, the adjusted maximum mill levy is 33.167 mills. For collection year 2019, the District levied 33.167 mills.

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

| <u>Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|---------------------|---------------------|---------------------|
| 2020 | \$ - | \$ 62,911 | \$ 62,911 |
| 2021 | - | 62,911 | 62,911 |
| 2022 | - | 62,911 | 62,911 |
| 2023 | 2,000 | 62,911 | 64,911 |
| 2024 | 2,000 | 62,805 | 64,805 |
| 2025-2029 | 33,000 | 310,739 | 343,739 |
| 2030-2034 | 72,000 | 298,178 | 370,178 |
| 2035-2039 | 127,000 | 273,533 | 400,533 |
| 2040-2044 | 200,000 | 232,670 | 432,670 |
| 2045-2049 | 299,000 | 169,706 | 468,706 |
| 2050-2054 | 427,000 | 77,698 | 504,698 |
| 2055 | 25,000 | 1,325 | 26,325 |
| Total | <u>\$ 1,187,000</u> | <u>\$ 1,678,298</u> | <u>\$ 2,865,298</u> |

**MORNINGVIEW METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Developer Advances

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

Funding and Reimbursement Agreement - Capital and O&M

On February 13, 2014, the District entered into an agreement with Lorson South Land Corp (Developer). The Developer has agreed to advance up to \$10,000,000 through December 31, 2018 to fund cost of operations, maintenance, and capital projects. The District shall from time to time determine the amount of revenue required to fund budgeted expenditures by the District and request from the Developer an advance. Such advances include an interest rate of 10.0% and are to be reimbursed by the District with the proceeds of any future bond issues or any other available revenues by the District. As of December 31, 2019, outstanding principal for Operating advances totaled \$54,382 and accrued interest due totaled \$31,624. After repayment of the Capital advances principal balance the total outstanding interest due is \$143,120.

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

Authorized Debt

On November 5, 2013, the District's voters authorized total indebtedness of \$22,000,000 for construction of public improvements and operating and maintenance expenditures and debt refunding. At December 31, 2019, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

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

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

**MORNINGVIEW METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt (Continued)

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

NOTE 6 NET POSITION

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2019, the District had net investment in capital assets calculated as follows:

| | |
|--|------------------|
| Net Investment in Capital Assets: | |
| Capital Assets, Net | \$ 250,707 |
| Noncurrent Portion of Outstanding Long-Term Obligations | (213,779) |
| Net Investment in Capital Assets | <u>\$ 36,928</u> |

The restricted component of net position includes assets that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position at December 31, 2019, as follows:

| | |
|-------------------------------|-----------------|
| Restricted Net Position: | |
| Emergency Reserves | \$ 1,500 |
| Debt Service | 7,676 |
| Total Restricted Net Position | <u>\$ 9,176</u> |

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

NOTE 7 RELATED PARTY

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

**MORNINGVIEW METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 7 RELATED PARTY (CONTINUED)

The District has an agreement with Landhuis Brokerage & Management Company (Company) to provide management services. During 2019, the District paid the Company \$5,232 for management services.

NOTE 8 RISK MANAGEMENT

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

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

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

NOTE 9 TAX, SPENDING AND DEBT LIMITATIONS

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

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. As of December 31, 2019, the District had provided but did not fund an Emergency Reserve, which may be a violation of the Constitutional Amendment.

**MORNINGVIEW METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 9 TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

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

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.

SUPPLEMENTARY INFORMATION

**MORNINGVIEW METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

| | Original and Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-----------------------------------|---------------------------------|-------------------------|---|
| REVENUES | | | |
| Property Taxes | \$ 62,423 | \$ 62,423 | \$ - |
| Specific Ownership Taxes | 7,491 | 7,558 | 67 |
| Net Investment Income | - | 37 | 37 |
| Total Revenues | <u>69,914</u> | <u>70,018</u> | <u>104</u> |
| EXPENDITURES | | | |
| Current: | | | |
| County Treasurer's Fees | 936 | 936 | - |
| Interest Expense - Bonds | 62,911 | 62,911 | - |
| Total Expenditures | <u>63,847</u> | <u>63,847</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | 6,067 | 6,171 | 104 |
| Fund Balance - Beginning of Year | <u>3,153</u> | <u>6,748</u> | <u>3,595</u> |
| FUND BALANCE - END OF YEAR | <u><u>\$ 9,220</u></u> | <u><u>\$ 12,919</u></u> | <u><u>\$ 3,699</u></u> |

OTHER INFORMATION

**MORNINGVIEW METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2019**

\$1,267,000 Limited Tax General Obligation Bonds
Series 2017
Interest 5.30%
Dated November 16, 2017
Interest Payable June 1 and December 1
Principal Payable December 1

| <u>Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|---------------------|---------------------|---------------------|
| 2020 | \$ - | \$ 62,911 | \$ 62,911 |
| 2021 | - | 62,911 | 62,911 |
| 2022 | - | 62,911 | 62,911 |
| 2023 | 2,000 | 62,911 | 64,911 |
| 2024 | 2,000 | 62,805 | 64,805 |
| 2025 | 4,000 | 62,699 | 66,699 |
| 2026 | 5,000 | 62,487 | 67,487 |
| 2027 | 7,000 | 62,222 | 69,222 |
| 2028 | 7,000 | 61,851 | 68,851 |
| 2029 | 10,000 | 61,480 | 71,480 |
| 2030 | 10,000 | 60,950 | 70,950 |
| 2031 | 13,000 | 60,420 | 73,420 |
| 2032 | 14,000 | 59,731 | 73,731 |
| 2033 | 17,000 | 58,989 | 75,989 |
| 2034 | 18,000 | 58,088 | 76,088 |
| 2035 | 21,000 | 57,134 | 78,134 |
| 2036 | 22,000 | 56,021 | 78,021 |
| 2037 | 26,000 | 54,855 | 80,855 |
| 2038 | 27,000 | 53,477 | 80,477 |
| 2039 | 31,000 | 52,046 | 83,046 |
| 2040 | 33,000 | 50,403 | 83,403 |
| 2041 | 37,000 | 48,654 | 85,654 |
| 2042 | 39,000 | 46,693 | 85,693 |
| 2043 | 44,000 | 44,626 | 88,626 |
| 2044 | 47,000 | 42,294 | 89,294 |
| 2045 | 52,000 | 39,803 | 91,803 |
| 2046 | 54,000 | 37,047 | 91,047 |
| 2047 | 60,000 | 34,185 | 94,185 |
| 2048 | 63,000 | 31,005 | 94,005 |
| 2049 | 70,000 | 27,666 | 97,666 |
| 2050 | 73,000 | 23,956 | 96,956 |
| 2051 | 80,000 | 20,087 | 100,087 |
| 2052 | 85,000 | 15,847 | 100,847 |
| 2053 | 92,000 | 11,342 | 103,342 |
| 2054 | 97,000 | 6,466 | 103,466 |
| 2055 | 25,000 | 1,325 | 26,325 |
| Total | <u>\$ 1,187,000</u> | <u>\$ 1,678,298</u> | <u>\$ 2,865,298</u> |

**MORNINGVIEW METROPOLITAN DISTRICT
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2019**

| Year Ended December 31, | Prior Year Assessed Valuation for Current Year Property Tax Levy | Mills Levied | Property Taxes | | Percent Collected to Levied |
|--|---|-----------------|----------------|-----------|-----------------------------------|
| | | | Levied | Collected | |
| 2015 | \$ 560,680 | 40.000 | \$ 22,427 | \$ 22,427 | 100.00 % |
| 2016 | 1,007,280 | 40.000 | 40,291 | 40,291 | 100.00 |
| 2017 | 1,553,210 | 40.000 | 62,128 | 62,128 | 100.00 |
| 2018 | 1,843,330 | 44.219 | 81,510 | 81,510 | 100.00 |
| 2019 | 1,882,080 | 44.223 | 83,231 | 83,231 | 100.00 |
| Estimated for Year Ending December 31, 2020 | \$ 1,962,220 | 44.534 | \$ 87,385 | | |

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