

**MOUNTAIN VALLEY METROPOLITAN
DISTRICT
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2019

**MOUNTAIN VALLEY 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	21
CAPITAL PROJECTS FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	22
OTHER INFORMATION	
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY	24
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED	25

Independent Auditor's Report

Board of Directors
Mountain Valley 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 Mountain Valley 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 Mountain Valley 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 subject 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 30, 2020

BASIC FINANCIAL STATEMENTS

**MOUNTAIN VALLEY METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 17,481
Cash and Investments - Restricted	131,678
Receivable from County Treasurer	779
Accounts Receivable	4,475
Property Taxes Receivable	134,458
Capital Assets, Not Being Depreciated	3,612,309
Capital Assets, Net	<u>595,359</u>
Total Assets	<u>4,496,539</u>
LIABILITIES	
Accounts Payable	5,886
Prepaid Dues	3,775
Accrued Interest Payable	11,644
Noncurrent Liabilities	
Due in More Than One Year	<u>4,896,303</u>
Total Liabilities	<u>4,917,608</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax Revenue	<u>134,458</u>
Total Deferred Inflows of Resources	<u>134,458</u>
NET POSITION	
Net Investment in Capital Assets	(18,065)
Restricted For:	
Emergency Reserves	2,000
Debt Service	118,702
Unrestricted	<u>(658,164)</u>
Total Net Position	<u><u>\$ (555,527)</u></u>

See accompanying Notes to Basic Financial Statements.

**MOUNTAIN VALLEY 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	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 74,500	\$ 54,685	\$ -	\$ -	\$ (19,815)
Interest and Related Costs on Long-Term Debt	818,554	-	-	-	(818,554)
Total Governmental Activities	\$ 893,054	\$ 54,685	\$ -	\$ -	(838,369)
GENERAL REVENUES					
Property Taxes					71,343
Specific Ownership Taxes					8,638
Net Investment Income					11
Total General Revenues					79,992
CHANGE IN NET POSITION					(758,377)
Net Position - Beginning of Year					202,850
NET POSITION - END OF YEAR					\$ (555,527)

See accompanying Notes to Basic Financial Statements.

**MOUNTAIN VALLEY METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 17,481	\$ -	\$ -	\$ 17,481
Cash and Investments - Restricted	2,000	129,678	-	131,678
Receivable County Treasurer	111	668	-	779
Accounts Receivable	4,475	-	-	4,475
Property Taxes Receivable	19,207	115,251	-	134,458
	<u>\$ 43,274</u>	<u>\$ 245,597</u>	<u>\$ -</u>	<u>288,871</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 5,886	\$ -	\$ -	\$ 5,886
Prepaid Dues	3,775	-	-	3,775
Total Liabilities	<u>9,661</u>	<u>-</u>	<u>-</u>	<u>9,661</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax Revenue	19,207	115,251	-	134,458
Total Deferred Inflows or Resources	<u>19,207</u>	<u>115,251</u>	<u>-</u>	<u>134,458</u>
FUND BALANCES				
Restricted For:				
Emergency Reserves	2,000	-	-	2,000
Debt Service	-	130,346	-	130,346
Unassigned	12,406	-	-	12,406
Total Fund Balances	<u>14,406</u>	<u>130,346</u>	<u>-</u>	<u>144,752</u>
Total Liabilities, Deferred Inflows, of Resources, and Fund Balances	<u>\$ 43,274</u>	<u>\$ 245,597</u>	<u>\$ -</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, Net				4,207,668
Long-term liabilities, are not due and payable in the current period and, therefore are not recorded as liabilities in the funds.				
Bonds Payable				(2,430,000)
Accrued Bond Interest Payable				(11,644)
Developer Advance Payable				(1,800,724)
Interest Payable - Developer Advance				(665,579)
Net Position of Governmental Activities				<u>\$ (555,527)</u>

See accompanying Notes to Basic Financial Statements.

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

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property Taxes	\$ 10,192	\$ 61,151	\$ -	\$ 71,343
Specific Ownership Taxes	1,234	7,404	-	8,638
Net Investment Income	2	9	-	11
Homeowner Fees for Operations	49,875	-	-	49,875
Covenant Violation Fee	2,625	-	-	2,625
Late Collection Fee	425	-	-	425
Filing Fee	210	-	-	210
Setup Fee	1,050	-	-	1,050
Status Letter Fee	500	-	-	500
Total Revenues	<u>66,113</u>	<u>68,564</u>	<u>-</u>	<u>134,677</u>
EXPENDITURES				
Current:				
Accounting	3,700	-	-	3,700
County Treasurer's Fees	153	917	-	1,070
District Management	7,031	-	-	7,031
Dues and Subscriptions	550	-	-	550
Setup Fee	1,050	-	-	1,050
Status Letter Fee	500	-	-	500
Insurance	2,510	-	-	2,510
Landscape Maintenance	20,821	-	-	20,821
Landscape Water	8,780	-	-	8,780
Legal	8,416	-	-	8,416
Debt Service:				
Interest Expense - Bonds	-	111,004	-	111,004
Capital Project:				
Bond Issue Costs	-	-	29,410	29,410
Capital Outlay	-	-	4,228,657	4,228,657
Total Expenditures	<u>53,511</u>	<u>111,921</u>	<u>4,258,067</u>	<u>4,423,499</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	12,602	(43,357)	(4,258,067)	(4,288,822)
OTHER FINANCING SOURCES (USES)				
Bond Issuance	-	-	2,430,000	2,430,000
Developer Advance	-	-	4,208,592	4,208,592
Repayment Developer Advances	-	-	(2,430,000)	(2,430,000)
Transfers (to) from Other Funds	-	(49,475)	49,475	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(49,475)</u>	<u>4,258,067</u>	<u>4,208,592</u>
NET CHANGE IN FUND BALANCES	12,602	(92,832)	-	(80,230)
Fund Balances - Beginning of Year	<u>1,804</u>	<u>223,178</u>	<u>-</u>	<u>224,982</u>
FUND BALANCES - END OF YEAR	<u>\$ 14,406</u>	<u>\$ 130,346</u>	<u>\$ -</u>	<u>\$ 144,752</u>

See accompanying Notes to Basic Financial Statements.

**MOUNTAIN VALLEY 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 \$ (80,230)

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	(20,989)
Capital Outlay	4,228,657

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

Bond Issuance	(2,430,000)
Developer Advances	(4,208,592)
Developer Advances Repayment	2,430,000

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

Accrued Interest on Developer Advances - Change in Liability	(665,579)
Accrued Interest on Bonds - Change in Liability	(11,644)

Changes in Net Position of Governmental Activities	\$ (758,377)
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**MOUNTAIN VALLEY METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 10,192	\$ 10,192	\$ 10,192	\$ -
Specific Ownership Taxes	1,223	1,234	1,234	-
Net Investment Income	-	2	2	-
Homeowner Fees for Operations	49,350	49,875	49,875	-
Covenant Violation Fee	-	2,625	2,625	-
Late Collection Fee	-	425	425	-
Filing Fee	-	210	210	-
Setup Fee	-	1,050	1,050	-
Status Letter Fee	-	500	500	-
Total Revenues	<u>60,765</u>	<u>66,113</u>	<u>66,113</u>	<u>-</u>
EXPENDITURES				
Current:				
Accounting	4,500	3,700	3,700	-
County Treasurer's Fees	153	153	153	-
District Management	6,600	7,100	7,031	69
Dues and Subscriptions	200	550	550	-
Setup Fee	-	1,050	1,050	-
Status Letter Fee	-	500	500	-
Insurance	2,500	2,510	2,510	-
Landscape Maintenance	7,400	21,000	20,821	179
Landscape Repairs	2,500	-	-	-
Landscape Water	7,000	9,000	8,780	220
Legal	6,000	8,500	8,416	84
Contingency	750	1,937	-	1,937
Total Expenditures	<u>37,603</u>	<u>56,000</u>	<u>53,511</u>	<u>2,489</u>
NET CHANGE IN FUND BALANCE	23,162	10,113	12,602	2,489
Fund Balance - Beginning of Year	<u>2,751</u>	<u>1,804</u>	<u>1,804</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 25,913</u>	<u>\$ 11,917</u>	<u>\$ 14,406</u>	<u>\$ 2,489</u>

See accompanying Notes to Basic Financial Statements.

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

NOTE 1 DEFINITION OF REPORTING ENTITY

Mountain Valley 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 the District Court for El Paso County on November 28, 2016, and is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District undertakes its functions pursuant to the Service Plan dated October 5, 2016. 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.

**MOUNTAIN VALLEY 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.

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

**MOUNTAIN VALLEY 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.

The District has amended its annual budget for year ended December 31, 2019.

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	40 Years

**MOUNTAIN VALLEY 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.

**MOUNTAIN VALLEY 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.

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	\$ 17,481
Cash and Investments - Restricted	131,678
Total Cash	<u><u>\$ 149,159</u></u>

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

Deposits with Financial Institutions	<u><u>\$ 149,159</u></u>
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**MOUNTAIN VALLEY 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 \$261,639 and a carrying balance of \$149,159.

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.

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

NOTE 4 CAPITAL ASSETS

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

	Balance - December 31, 2018	Increases	Decreases	Balance - December 31, 2019
Capital Assets, Not Being Depreciated:				
Construction in Progress:				
Streets, Curbs, Gutters, Sidewalks	\$ -	\$ 1,497,237	\$ -	\$ 1,497,237
Sanitary Sewer	-	1,189,534	-	1,189,534
Water System	-	925,538	-	925,538
Total capital assets, not being depreciated	<u>\$ -</u>	<u>\$ 3,612,309</u>	<u>\$ -</u>	<u>\$ 3,612,309</u>
Capital Assets, Being Depreciated:				
Storm Drainage	\$ -	\$ 444,147	\$ -	\$ 444,147
Park Landscape	-	172,201	-	172,201
Total Capital Assets, Being Depreciated	-	616,348	-	616,348
Less Accumulated Depreciation For:				
Storm Drainage	-	(17,581)	-	(17,581)
Park Landscape	-	(3,408)	-	(3,408)
Total Accumulated Depreciation	<u>-</u>	<u>(20,989)</u>	<u>-</u>	<u>(20,989)</u>
Total Capital Assets, Being Depreciated, Net	<u>-</u>	<u>595,359</u>	<u>-</u>	<u>595,359</u>
Capital Assets, Net	<u><u>\$ -</u></u>	<u><u>\$ 4,207,668</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,207,668</u></u>

Depreciation expense in the amount of \$20,989 was charged to the general government function.

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

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 2019 - Limited Tax					
General Obligation Bonds	\$ -	\$ 2,430,000	\$ -	\$ 2,430,000	\$ -
Bonds Subtotal	-	2,430,000	-	2,430,000	-
Developer Advances:					
Developer Advance - Capital	-	4,208,592	2,430,000	1,778,592	-
Accrued Interest on Developer Advance - Capital	-	661,741	-	661,741	-
Developer Advance - Operating	22,132	-	-	22,132	-
Accrued Interest on Developer Advance - Operating	-	3,838	-	3,838	-
Developer Advances Subtotal	22,132	4,874,171	2,430,000	2,466,303	-
Total	<u>\$ 22,132</u>	<u>\$ 7,304,171</u>	<u>\$ 2,430,000</u>	<u>\$ 4,896,303</u>	<u>\$ -</u>

Series 2019 Limited Tax General Obligations Bonds

On February 15, 2019, the District authorized the issuance of Limited Tax General Obligation Bonds, Series 2019 (the Bonds) in the aggregate principal amount of \$2,430,000 with an interest rate of 5.75% calculated on the basis of a 360-day year of 12 30-day months. The bonds are payable on December 1, commencing on December 1, 2019 and matures on December 1, 2056. 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 38.796 mills. For collection year 2019, the District levied 32.869 mills.

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

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

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	\$ -	\$ 139,725	\$ 139,725
2021	-	139,725	139,725
2022	-	139,725	139,725
2023	-	139,725	139,725
2024	-	139,725	139,725
2025-2029	40,000	697,245	737,245
2030-2034	143,000	672,578	815,578
2035-2039	234,000	621,575	855,575
2040-2044	361,000	540,558	901,558
2045-2049	525,000	419,060	944,060
2050-2054	751,000	243,513	994,513
2055-2056	376,000	32,775	408,775
Total	<u>\$ 2,430,000</u>	<u>\$ 3,925,928</u>	<u>\$ 6,355,928</u>

Developer Advances

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

Funding and Reimbursement Agreement for Operations and Maintenance Costs

On December 13, 2016, the District entered into an agreement with Eagle Development Company (Developer). The Developer has agreed to fund the costs of operations and maintenance. The advances shall bear interest as to each advance made at the rate of 2% plus the current Federal Reserve Board Prime Rate, from the date such advance is made to the District. Such advances include interest are to be reimbursed by the District with the proceeds of any future bond issues or any other available revenues of the District. Any reimbursement is subject to annual appropriation by the District and is contingent upon the District's ability to generate sufficient revenues, after payment of annual operating expenditures and debt service requirements. As of December 31, 2019, outstanding principal was \$22,132 and accrued interest due to the Developer was \$3,838.

Funding and Reimbursement Agreement for Capital Costs

On December 13, 2016, the District entered into an agreement with the Developer. The Developer has agreed to fund the costs of capital projects. The advances shall bear interest as to each advance made at the rate of 2% plus the current Federal Reserve Board Prime Rate, from the date such advance is made to the District. . Such advances include interest are to be reimbursed by the District with the proceeds of any future bond issues or any other available revenues of the District. Any reimbursement is subject to annual appropriation by the District and is contingent upon the District's ability to generate sufficient revenues, after payment of annual operating expenditures and debt service requirements. As of December 31, 2019, outstanding principal was \$1,778,592 and accrued interest due to the Developer was \$661,741.

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

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

On November 8, 2016, the District's voters authorized total indebtedness of \$101,738,000 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 8, 2016	Authorization Used	Authorized But Unused
Water	\$ 7,267,000	\$ 534,397	\$ 6,732,603
Sanitation	7,267,000	943,272	6,323,728
Streets	7,267,000	864,490	6,402,510
Traffic and Safety	7,267,000	-	7,267,000
Parks and Recreation	7,267,000	87,841	7,179,159
Public Transportation	7,267,000	-	7,267,000
Television Relay and Translation	7,267,000	-	7,267,000
Mosquito Control	7,267,000	-	7,267,000
Security	7,267,000	-	7,267,000
Fire Protection and Emergency Medical	7,267,000	-	7,267,000
Operations and Maintenance Debt	7,267,000	-	7,267,000
Reimbursement Agreements	7,267,000	-	7,267,000
Refunding.	14,534,000	-	14,534,000
Total	<u>\$ 101,738,000</u>	<u>\$ 2,430,000</u>	<u>\$ 99,308,000</u>

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$3,068,750.

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.

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

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	\$ 595,359
Noncurrent Portion of Outstanding Long-Term Obligations	(613,424)
Net Investment in Capital Assets	<u>\$ (18,065)</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	\$ 2,000
Debt Service	118,702
Total Restricted Net Position	<u>\$ 120,702</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 of, or otherwise associated with Eagle Development Company and Landhuis Brokerage & Management Company, 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.

The District has an agreement with Landhuis Brokerage & Management Company (Company) to provide management services. During 2019, the District paid the Company \$8,581 for management services.

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

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 INTERFUND TRANSFERS

The transfer of funds from the Debt Service Fund to the Capital Projects Fund was related to costs of issuance.

NOTE 10 TAX, SPENDING AND DEBT LIMITATIONS

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

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

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

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

NOTE 10 TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

On November 8, 2016, 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 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

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

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 61,151	\$ 61,151	\$ 61,151	\$ -
Specific Ownership Taxes	7,338	7,404	7,404	-
Net Investment Income	-	9	9	-
Total Revenues	<u>68,489</u>	<u>68,564</u>	<u>68,564</u>	<u>-</u>
EXPENDITURES				
Current:				
County Treasurer's Fees	917	917	917	-
Interest Expense - Bonds	66,961	111,004	111,004	-
Total Expenditures	<u>67,878</u>	<u>111,921</u>	<u>111,921</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>611</u>	<u>(43,357)</u>	<u>(43,357)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers to Other Funds	-	(100,065)	(49,475)	50,590
Total Other Financing Uses	<u>-</u>	<u>(100,065)</u>	<u>(49,475)</u>	<u>50,590</u>
NET CHANGE IN FUND BALANCE	611	(143,422)	(92,832)	50,590
Fund Balance - Beginning of Year	<u>223,178</u>	<u>223,178</u>	<u>223,178</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 223,789</u></u>	<u><u>\$ 79,756</u></u>	<u><u>\$ 130,346</u></u>	<u><u>\$ 50,590</u></u>

**MOUNTAIN VALLEY METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenues	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
EXPENDITURES				
Current:				
Bond Issue Costs	50,000	30,000	29,410	590
Capital Outlay:				
Organization Costs	50,000	50,000	-	50,000
Parks and Recreation	100,000	172,200	172,200	-
Sanitary Sewer	950,000	1,633,682	1,633,682	-
Streets, Curbs, Gutters, Sidewalks	430,000	1,497,237	1,497,237	-
Water System	900,000	925,538	925,538	-
Total Expenditures	<u>2,480,000</u>	<u>4,308,657</u>	<u>4,258,067</u>	<u>50,590</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,480,000)	(4,308,657)	(4,258,067)	50,590
OTHER FINANCING SOURCES (USES)				
Bond Issuance	2,430,000	2,430,000	2,430,000	-
Developer Advances	2,250,000	4,208,592	4,208,592	-
Repayment Developer Advances	(2,200,000)	(2,430,000)	(2,430,000)	-
Transfers from Other Funds	-	100,065	49,475	(50,590)
Total Other Financing Sources (Uses)	<u>2,480,000</u>	<u>4,308,657</u>	<u>4,258,067</u>	<u>(50,590)</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

OTHER INFORMATION

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

\$2,430,000 Limited Tax General Obligation Bonds
Series 2019
Interest 5.75%
Dated February 15, 2019
Interest Payable December 1
Principal Payable December 1

Year Ending December 31,	Principal	Interest	Total
2020	\$ -	\$ 139,725	\$ 139,725
2021	-	139,725	139,725
2022	-	139,725	139,725
2023	-	139,725	139,725
2024	-	139,725	139,725
2025	-	139,725	139,725
2026	-	139,725	139,725
2027	3,000	139,725	142,725
2028	18,000	139,553	157,553
2029	19,000	138,518	157,518
2030	23,000	137,425	160,425
2031	24,000	136,103	160,103
2032	29,000	134,723	163,723
2033	31,000	133,055	164,055
2034	36,000	131,273	167,273
2035	38,000	129,203	167,203
2036	43,000	127,018	170,018
2037	46,000	124,545	170,545
2038	52,000	121,900	173,900
2039	55,000	118,910	173,910
2040	62,000	115,748	177,748
2041	65,000	112,183	177,183
2042	72,000	108,445	180,445
2043	77,000	104,305	181,305
2044	85,000	99,878	184,878
2045	89,000	94,990	183,990
2046	98,000	89,873	187,873
2047	104,000	84,238	188,238
2048	114,000	78,258	192,258
2049	120,000	71,703	191,703
2050	131,000	64,803	195,803
2051	139,000	57,270	196,270
2052	150,000	49,278	199,278
2053	159,000	40,653	199,653
2054	172,000	31,510	203,510
2055	182,000	21,620	203,620
2056	194,000	11,155	205,155
Total	<u>\$ 2,430,000</u>	<u>\$ 3,925,928</u>	<u>\$ 6,355,928</u>

**MOUNTAIN VALLEY 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	
2018	\$ 357,480	30.000	\$ 10,724	\$ 10,725	100.01 %
2019	1,860,450	38.347	71,343	71,343	100.00
Estimated for Year Ending December 31, 2020	\$ 3,465,770	38.796	\$ 134,458		

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.