

MIRABELLE METROPOLITAN DISTRICT NO. 1
Douglas County, Colorado

FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

YEAR ENDED DECEMBER 31, 2019

**MIRABELLE METROPOLITAN DISTRICT NO. 1
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YEAR ENDED DECEMBER 31, 2019**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mirabelle Metropolitan District No. 1
Douglas County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Mirabelle Metropolitan District No. 1 (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 of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Mirabelle Metropolitan District No. 1, as of December 31, 2019, and the respective changes in financial position thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Fiscal Focus Partners, LLC

Other Matters

Economic Dependency

The District has not yet established a revenue base sufficient to pay its operational expenditures. As discussed in Note 10, until an independent revenue base is established, continuation of District operations will be dependent upon funding by the Developer of the District's service area.

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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.

Other Information

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

Fiscal Focus Partners, LLC

Greenwood Village, Colorado
June 10, 2020

BASIC FINANCIAL STATEMENTS

**MIRABELLE METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	Governmental Activities
ASSETS	
Cash and Investments	\$ 900
Cash and Investments - Restricted	100
Receivable from County Treasurer	3
Accounts Receivable	570,982
Prepays	2,510
Property Taxes Receivable	10,480
Capital Assets:	
Capital Assets, Not Being Depreciated	18,920,256
Total Assets	19,505,231
LIABILITIES	
Accounts Payable	570,985
Retainage Payable	695,492
Noncurrent Liabilities:	
Due in More Than One Year	19,427,305
Total Liabilities	20,693,782
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	10,480
Total Deferred Inflows of Resources	10,480
NET POSITION	
Restricted for:	
Emergency Reserves	100
Unrestricted	(1,199,131)
Total Net Position	\$ (1,199,031)

See accompanying Notes to Basic Financial Statements.

**MIRABELLE METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

		Program Revenues			Net Revenues (Expenses) and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
FUNCTIONS/PROGRAMS					
Primary Government:					
Government Activities:					
General Government	\$ 182,396	\$ -	\$ 1	\$ -	\$ (182,395)
Interest and Related Costs on Long-Term Debt	763,321	-	-	-	(763,321)
Total Governmental Activities	\$ 945,717	\$ -	\$ 1	\$ -	(945,716)
 GENERAL REVENUES					
					310
					31
					341
 CHANGES IN NET POSITION					
					(945,375)
					(253,656)
					\$ (1,199,031)

See accompanying Notes to Basic Financial Statements.

**MIRABELLE METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 900	\$ -	\$ -	\$ 900
Cash and Investments - Restricted	100	-	-	100
Accounts Receivable	9,294	-	561,688	570,982
Receivable from County Treasurer	3	-	-	3
Prepaid Insurance	2,510	-	-	2,510
Property Tax Receivable	3,493	6,987	-	10,480
	<u>\$ 16,300</u>	<u>\$ 6,987</u>	<u>\$ 561,688</u>	<u>\$ 584,975</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 9,297	\$ -	\$ 561,688	\$ 570,985
Retainage Payable	-	-	695,492	695,492
Total Liabilities	<u>9,297</u>	<u>-</u>	<u>1,257,180</u>	<u>1,266,477</u>
DEFERRED INFLOWS OF RESOURCES				
Property Tax Revenue	3,493	6,987	-	10,480
Total Deferred Inflows of Resources	<u>3,493</u>	<u>6,987</u>	<u>-</u>	<u>10,480</u>
FUND BALANCES				
Nonspendable for:				
Prepaid Expense	2,510	-	-	2,510
Restricted for:				
Emergency Reserves	100	-	-	100
Unassigned	900	-	(695,492)	(694,592)
Total Fund Balances	<u>3,510</u>	<u>-</u>	<u>(695,492)</u>	<u>(691,982)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 16,300</u>	<u>\$ 6,987</u>	<u>\$ 561,688</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	18,920,256
Long-term liabilities, including bonds payable and interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Developer Advance Payable	(18,561,918)
Accrued Interest on Developer Advances	(865,387)
Net Position of Governmental Activities	<u>\$ (1,199,031)</u>

See accompanying Notes to Basic Financial Statements.

MIRABELLE METROPOLITAN DISTRICT NO. 1
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	\$ 310	\$ -	\$ -	\$ 310
Specific Ownership Taxes	31	-	-	31
Intergovernmental Revenues	1	-	-	1
Total Revenues	<u>342</u>	<u>-</u>	<u>-</u>	<u>342</u>
EXPENDITURES				
Current:				
Accounting	42,231	-	-	42,231
Audit	4,250	-	-	4,250
County Treasurer's Fees	5	-	-	5
Dues and Licenses	524	-	-	524
Insurance	3,508	-	-	3,508
Legal	50,222	-	-	50,222
Capital Outlay:				
Accounting	-	-	11,723	11,723
Legal Services	-	-	49,099	49,099
Engineering	-	-	888,789	888,789
Landscaping	-	-	251,438	251,438
Offsite Drainageway and Outfall	-	-	337,549	337,549
Roxborough Road	-	-	47,711	47,711
Southeast Access Road Phase 1 (Off-Site)	-	-	3,026,443	3,026,443
Bond Issue Costs	-	-	20,834	20,834
Streets	-	-	1,761,215	1,761,215
Solstice Filing I	-	-	9,402,756	9,402,756
Total Expenditures	<u>100,740</u>	<u>-</u>	<u>15,797,557</u>	<u>15,898,297</u>
EXCESS OF REVENUES UNDER EXPENDITURES	(100,398)	-	(15,797,557)	(15,897,955)
OTHER FINANCING SOURCES (USES)				
Developer Advance	113,701	-	15,498,178	15,611,879
Total Other Financing Sources	<u>113,701</u>	<u>-</u>	<u>15,498,178</u>	<u>15,611,879</u>
NET CHANGE IN FUND BALANCES	13,303	-	(299,379)	(286,076)
Fund Balances - Beginning of Year	<u>(9,793)</u>	<u>-</u>	<u>(396,113)</u>	<u>(405,906)</u>
FUND BALANCES - END OF YEAR	<u>\$ 3,510</u>	<u>\$ -</u>	<u>\$ (695,492)</u>	<u>\$ (691,982)</u>

See accompanying Notes to Basic Financial Statements.

**MIRABELLE METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

Net Change in Fund Balances - Total Governmental Funds \$ (286,076)

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.

Capital Outlay 15,715,901

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.

Developer Advance (15,611,879)

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 - Developer Advances (763,321)

Changes in Net Position of Governmental Activities \$ (945,375)

**MIRABELLE METROPOLITAN DISTRICT NO. 1
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 310	\$ 310	\$ 310	\$ -
Specific Ownership Taxes	31	31	31	-
Intergovernmental Revenues	-	-	1	1
Total Revenues	<u>341</u>	<u>341</u>	<u>342</u>	<u>1</u>
EXPENDITURES				
Current:				
Accounting	15,000	45,000	42,231	2,769
Audit	5,000	5,000	4,250	750
County Treasurer's Fees	5	5	5	-
Dues and Licenses	1,000	1,000	524	476
Insurance	3,000	3,000	3,508	(508)
Legal	25,000	52,000	50,222	1,778
Contingency	5,995	3,995	-	3,995
Total Expenditures	<u>55,000</u>	<u>110,000</u>	<u>100,740</u>	<u>9,260</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(54,659)	(109,659)	(100,398)	9,261
OTHER FINANCING SOURCES (USES)				
Developer Advance	54,650	120,452	113,701	(6,751)
Total Other Financing Sources (Uses)	<u>54,650</u>	<u>120,452</u>	<u>113,701</u>	<u>(6,751)</u>
NET CHANGE IN FUND BALANCE	(9)	10,793	13,303	2,510
Fund Balance - Beginning of Year	<u>1,090</u>	<u>(9,793)</u>	<u>(9,793)</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,081</u>	<u>\$ 1,000</u>	<u>\$ 3,510</u>	<u>\$ 2,510</u>

See accompanying Notes to Basic Financial Statements.

MIRABELLE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 DEFINITION OF REPORTING ENTITY

Mirabelle Metropolitan District No. 1, formerly Highlands Ranch Metropolitan District No. 5, (the District), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized by order and decree of the District Court of Douglas County, Colorado on June 25, 1980, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Consolidated Service Plan approved by the Douglas County Board of County Commissioners on October 25, 2016. The District operates in connection with Districts Nos. 2 – 4 and serves as the operating District.

The District was established to provide financing for the operations and maintenance and design, acquisition, installation, construction, relocation, redevelopment, and completion of public improvements, covenant enforcement services, and planning services, including water, sanitation, streets, security services, park and recreation, public transportation, traffic and safety, limited fire protection, limited television relay and translation, and mosquito control.

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

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

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.

**MIRABELLE METROPOLITAN DISTRICT NO. 1
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 the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement 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. Redemption of bonds are recorded as a reduction in liabilities.

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 government 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 taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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 general obligation 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.

MIRABELLE METROPOLITAN DISTRICT NO. 1
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 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 the 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 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.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or, if in 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.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. 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.

MIRABELLE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period 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 District'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.

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.

**MIRABELLE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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

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

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

Deficits

The Capital Projects Fund reported a deficit in the fund financial statements as of December 31, 2019. This deficit is a result of retainage payable which will be eliminated at the completion of the capital projects.

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	\$ 900
Cash and Investments - Restricted	100
Total Cash and Investments	\$ 1,000

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

Deposits with Financial Institutions	\$ 1,000
Total Cash and Investments	\$ 1,000

MIRABELLE METROPOLITAN DISTRICT NO. 1
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 \$1,441,041 and a carrying balance of \$1,000.

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.

**MIRABELLE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 CAPITAL ASSETS

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

	Balance - December 31, 2018	Additions	Reductions	Balance - December 31, 2019
Capital Assets, Not Being Depreciated:				
Land	\$ 1,058,749	\$ -	\$ -	\$ 1,058,749
Construction in Progress	2,145,606	15,715,901	-	17,861,507
Total Capital Assets, Not Being Depreciated	<u>\$ 3,204,355</u>	<u>\$ 15,715,901</u>	<u>\$ -</u>	<u>\$ 18,920,256</u>

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 at January 1, 2019	Additions	Reductions	Balance at December 31, 2019	Due Within One Year
Developer Advances - Capital	\$ 1,784,181	\$ 15,498,178	\$ -	\$ 17,282,359	\$ -
Accrued Interest on Developer Advances - Capital	81,167	651,746	-	732,913	-
Developer Advances - ARS	1,058,750	-	-	1,058,750	-
Accrued Interest on Developer Advances - ARS	14,460	98,114	-	112,574	-
Developer Advances - CWSD	13,649	-	-	13,649	-
Accrued Interest on Developer Advances - CWSD	1,056	1,228	-	2,284	-
Developer Advances - General	93,459	113,701	-	207,160	-
Accrued Interest on Developer Advances - General	5,383	12,233	-	17,616	-
Total	<u>\$ 3,052,105</u>	<u>\$ 16,375,200</u>	<u>\$ -</u>	<u>\$ 19,427,305</u>	<u>\$ -</u>

**MIRABELLE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

The detail of the District's long-term obligation is as follows:

Authorized Debt

At December 31, 2019, the District has authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized November 8, 2016	Authorized But Unissued
Street Improvements	\$ 90,000,000	\$ 90,000,000
Parks and Recreation	90,000,000	90,000,000
Water	90,000,000	90,000,000
Sanitation/Storm Sewer	90,000,000	90,000,000
Transportation	90,000,000	90,000,000
Mosquito Control	90,000,000	90,000,000
Safety Protection	90,000,000	90,000,000
Fire Protection	90,000,000	90,000,000
Television Relay and Translation	90,000,000	90,000,000
Security	90,000,000	90,000,000
In-District Special Assessment Debt	90,000,000	90,000,000
Operations and Maintenance Debt	90,000,000	90,000,000
Refunding Debt	90,000,000	90,000,000
District Intergovernmental Agreements as Debt	90,000,000	90,000,000
District Private Agreements as Debt	90,000,000	90,000,000
Total	<u>\$ 1,350,000,000</u>	<u>\$ 1,350,000,000</u>

Pursuant to the Amended and Restated Service Plan, the aggregate debt limit is \$90,000,000 for all of District Nos. 1 – 4 combined, exclusive of refundings.

Pursuant to the Amended and Restated Service Plan, the maximum mill levy for general obligation debt and operations and maintenance is 75.000 mills of which the District imposes 25.000 mills for operations. The combined mill levy of 75.000 mills is subject to adjustment for increases or decreases in the residential assessment ratio so that the actual tax revenues derived from the mill levy, as adjusted, are neither diminished nor enhanced as a result.

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.

Developer Advance

The District has entered into Funding and Reimbursement Agreements with Shea Homes Limited Partnership (the Developer) as follows:

MIRABELLE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Developer Advance (Continued)

Operations Funding and Reimbursement Agreement

The District and the Developer entered into a Funding and Reimbursement Agreement (Operations and Maintenance) on January 1, 2017 whereby the Developer agreed to loan moneys to the District for the purpose of covering revenue shortfalls with respect to operations and maintenance expenses of the District.

Interest accrues from date Developer deposits funds at a rate of 5%, plus the Municipal Market data (MMD) BAA 30 year index. The funds are to be loaned to the District in a series of installments and are to be available to the District through December 31, 2020 (the O&M Loan Obligation Termination Date). Thereafter, the Developer may agree to renew its agreement on an annual basis by providing written notice to the District, in which case, the Loan Obligation Termination Date will be amended to the date provided but not earlier than December 31 of the succeeding year. The District's obligations hereunder shall terminate at the earlier of the repayment in full of all amounts loaned to the District by the Developer hereunder or forty years from the execution date hereof.

The balance of advances outstanding as of as of December 31, 2019 is \$207,160 of principal and \$17,616 of interest.

Infrastructure Acquisition Reimbursement Agreement

The District and the Developer entered into an Infrastructure Acquisition Reimbursement Agreement (Infrastructure Acquisition) on January 1, 2017 whereby the Developer agreed to loan moneys to the District for the purpose of funding public infrastructure costs of the District. Under the agreement construction contracts for infrastructure entered into by the Developer for the benefit of the District are subject to future reimbursement by the District. Interest accrues from date Developer deposits funds at a rate of 5%, plus the Municipal Market data (MMD) BAA 30 year index not to exceed 8%. The District anticipates repaying District Eligible Costs approved by the District under this Agreement from the proceeds of loans or bonds issued by the District, and/or the Financing Districts that are remitted to the District under the terms of the Mill Levy Equalization and Pledge Agreement (MLEPA) dated December 7, 2016 and/or other legally available funds of the District not otherwise required for reasonable operating costs of the District.

The balance of advances outstanding as of December 31, 2019 is \$17,282,359 of principal and \$732,913 of interest.

MIRABELLE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Developer Advance (Continued)

ARS Purchase and Sale Funding and Reimbursement Agreement

The District and the Developer entered into a Funding and Reimbursement Agreement (ARS Purchase and Sale) on October 15, 2018 whereby the Developer agreed to loan moneys to the District for the purpose to pay ARS Sand and Gravel Co., LLC (ARS) for the purchase price of the Southeast Access Road. Interest accrues from date Developer deposits funds at a rate of 5%, plus the Municipal Market data (MMD) BAA 30 year index.

The District's obligations hereunder shall terminate at the earlier of the repayment in full of all amounts loaned to the District by the Developer hereunder or forty years from the execution date hereof.

The balance of advances outstanding as of December 31, 2019 is \$1,058,750 of principal and \$112,574 of interest.

CWSD Agreement Fees Funding and Reimbursement Agreement

The District and the Developer entered into a Funding and Reimbursement Agreement (the Agreement) on July 11, 2018, as amended on March 13, 2019, whereby the Developer agreed to loan moneys to the District for the purpose of paying amounts due to Centennial Water and Sanitation District (CWSD). Amounts due include the administrative advance, tap option payments, and engineering fees. Interest accrues from date Developer deposits funds at a rate of 5%, plus the Municipal Market data (MMD) BAA 30 year index. The Developer agrees to loan to the District one or more sums of money as requested by the District for the Costs incurred or to be incurred by the District. These funds shall be loaned to the District in one or a series of installments and shall be available to the District through December 31, 2025. Thereafter, the Developer may agree to renew its agreement hereunder on an annual basis by providing written notice thereof to the District, in which case the Loan Obligation Termination Date shall be amended to the date provided in such notice, which date shall not be earlier than December 31 of the succeeding year.

The District's obligations hereunder shall terminate at the earlier of the repayment in full of all amounts loaned to the District by the Developer hereunder or forty years from the execution date hereof.

The balance of the advance outstanding as of December 31, 2019 is \$13,649 of principal and \$2,284 of interest.

**MIRABELLE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 6 NET POSITION

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

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

	Governmental Activites
Restricted Net Position:	
Emergency Reserves	\$ 100
Total	\$ 100

The District had a deficit unrestricted net position as of December 31, 2019.

NOTE 7 RELATED PARTIES

The Developer of the property which constitutes the District is Shea Homes Limited Partnership. The majority members of the Board of Directors are employees, owners or otherwise associated with the Developer, and may have conflicts of interest in dealing with the District.

NOTE 8 DISTRICT AGREEMENTS

ARS Purchase and Sale Agreement

The District entered into an agreement with ARS Sand & Gravel Co., LLC (Seller) on October 18, 2018. The District agrees to purchase a strip of land located in Douglas County. The purpose of the purchase is to facilitate the development of the project known as Solstice. The sale includes all abutting roads, easements, and drainage rights as well as improvements exclusive of water taps and mineral rights. The purchase price for the transaction is \$1,545,000, payable in four installments. The first installment and earnest money, each in the amount of \$265,000, is payable within five days of the effective date of the transaction. The second installment in the amount of \$265,000 is due upon conveyance of the property to the County. The third installment in the amount of \$250,000 will be payable upon purchaser closing and upon the earlier of the second anniversary of the effective date or the preliminary acceptance of the public improvements by the County an additional sum of \$250,000 will be paid. The fourth and final installment in the amount of \$250,000 will be due upon the earlier of the third anniversary of the effective date or the final acceptance of the public improvements by the County. No payments were made under this agreement in 2019.

**MIRABELLE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 8 DISTRICT AGREEMENTS (CONTINUED)

Subdivision Improvements Agreement and Intergovernmental Agreement

On October 9, 2018, the District entered into an agreement with Shea Homes Limited Partnership (Developer) and the Board of County Commissioners of the County of Douglas (County) to provide for improvements and landscape and park improvements within the District. Improvements shall mean (i) all on and off-site grading, and streets and traffic facilities associated with the Subdivision, (ii) the detached sidewalks adjacent to the streets, and (iii) all on-site facilities for storm water drainage, water and water quality, and sanitary sewer associated with the Subdivision; all as more particularly described in the Improvement Plans. Landscape and Park Improvements shall mean landscape and hardscape improvements associated with the Subdivision. To the extent the District has not made or continued to make funds available for the completion of the Improvements or the Landscape and Park Improvements, or otherwise remains in default in its obligations herein after due notice as required hereby, in order to secure the performance of the obligations of the District under this Agreement to complete the Improvements and the Landscape and Park Improvements for the Subdivision, the Developer shall deposit with the County, at the time of such default, an irrevocable letter of credit (Completion LOC). The Completion LOC, if required, shall be in the amount equal to 115% of the estimated cost to complete the construction. If required, the Completion LOC shall be retained by the County until satisfaction of the Developer's obligations under this Agreement with respect to each particular Construction Phase or earlier release by the County.

Restated and Amended Highlands Ranch Water and Wastewater Agreement

The District entered into the restated and amended agreement with Centennial Water and Sanitation District (Centennial) on February 26, 2018. The agreement provides for Centennial to provide potable water and wastewater treatment services to areas included within the District in exchange for prepayment of the reserved capacity fees to Centennial in anticipation of collection of future tap fees. Centennial has reserved for use within the Mirabelle service area up to 1,500 single family equivalent (SFE) water and 1,500 SFE wastewater taps. The District shall pay tap fees to Centennial to fully recover 100% of the capital and other costs incurred by Centennial to extend services to Mirabelle. The District shall pay tap option payments to Centennial annually beginning on January 1, 2020 in an amount equal to 2% of the water and wastewater tap fee for all SFE water and wastewater taps reserved but not yet purchased as of December 31st of the preceding calendar year. Centennial shall bill Mirabelle customers in accordance with the water and wastewater service rates adopted by Centennial by resolution and shall directly bill Mirabelle customers monthly in accordance with Centennial's standard billing practices.

Amended and Restated Mill Levy Equalization and Pledge Agreement

The District entered into the Mill Levy Equalization and Pledge Agreement (MLEPA) with Mirabelle Metropolitan District No. 2 (District No. 2) on December 7, 2016, as amended and restated on January 8, 2020, in order to promote the integrated plan of development set forth in the Service Plan for the Districts. The MLEPA is intended to ensure an equitable allocation among the Districts of the costs of acquiring, installing, constructing, designing, administering, financing, operating, and maintaining streets, water, sanitation, and various other public improvements and services.

**MIRABELLE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 8 DISTRICT AGREEMENTS (CONTINUED)

Amended and Restated Mill Levy Equalization and Pledge Agreement (Continued)

Pursuant to the MLEPA, each District agrees to impose an Equalization Mill Levy consisting of the Debt Service Mill Levy plus the Operations and Maintenance Mill Levy in order to pay the Developer Debt, the Senior Bonds and the operations and maintenance costs of the Districts. The MLEPA generally defines the term "Developer Debt" as amounts owed to the Developer for advancing of amounts to fund operations shortfalls, amounts owed to the Developer for advancing of guaranty payments on the Senior Bonds, amounts owed to the Developer for the provision of Public Improvements, and any other repayment obligation incurred by the Districts in connection with advances made by the Developer to the Districts. The MLEPA generally defines the term "Senior Bonds" as all Bonds issued by any of the Financing Districts, now or in the future, which bonds shall be senior to any obligations of the Districts under the MELPA.

District Operating Services Agreement

The District entered into the District Operating Services Agreement with District No. 2 on December 7, 2016 wherein the District shall perform the administrative services on behalf of District No. 2. It is anticipated that the District will own, operate, and maintain all Public Improvements within the boundaries of the Districts that are not otherwise conveyed to other governmental entities. District No. 2, as a party to the MLEPA, shall be responsible for any and all costs incurred by the District in providing administrative and operations and maintenance services (collectively, the "Operating Services") through the imposition of the Operations and Maintenance Mill Levy, as well as the Debt Service Mill Levy to the extent the District borrows revenues to pay for the operating services.

NOTE 9 COMMITMENTS AND CONTINGENCIES

Construction Commitments

As of December 31, 2019, the District had unexpended construction related contract commitments of approximately \$7,791,114.

NOTE 10 ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer.

MIRABELLE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 11 RISK MANAGEMENT

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

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

The District pays annual premiums to the Pool for liability, workers' compensation, 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 12 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 limits must be refunded unless the voters approve retention of such revenue.

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.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. District No. 1 serves as the Operating District and has established an Emergency Reserve for the District.

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.

**MIRABELLE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 13 SUBSEQUENT EVENT

The District evaluated its December 31, 2019 financial statements for subsequent events through the date the financial statements were issued. In January 2020, Mirabelle Metropolitan District No. 2 issued General Obligation bonds in the amount of \$36,660,000 and established project funds in the amount of \$30,683,745. Upon issuance, District No. 2 transferred \$19,294,502 to District No. 1 for the purpose of repaying amounts due under the Infrastructure Acquisition Reimbursement Agreement and the ARS Purchase and Sale Funding and Reimbursement Agreement. Remaining project funds will be used to fund capital expenditures.

SUPPLEMENTARY INFORMATION

**MIRABELLE METROPOLITAN DISTRICT NO. 1
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			
Total Revenues	\$ -	\$ -	\$ -
EXPENDITURES			
Total Expenditures	-	-	-
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance - Beginning of Year	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**MIRABELLE METROPOLITAN DISTRICT NO. 1
CAPITAL PROJECTS 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			
Total Revenues	\$ -	\$ -	\$ -
EXPENDITURES			
Capital Outlay:			
Accounting	10,000	11,723	(1,723)
Legal Services	10,000	49,099	(39,099)
Engineering	553,656	888,789	(335,133)
Landscaping	1,424,586	251,438	1,173,148
Phase 1 Grading Project	466,667	-	466,667
Detention Pond	680,472	-	680,472
Offsite Drainageway and Outfall	372,058	337,549	34,509
Roxborough Road	3,310,816	47,711	3,263,105
Sanitary Sewer	1,193,345	-	1,193,345
Southeast Access Road (On-Site)	1,356,030	-	1,356,030
Southeast Access Road Phase 1 (Off-Site)	8,681,726	3,026,443	5,655,283
Urban Collectors	301,638	-	301,638
Waterline	1,152,035	-	1,152,035
Bond Issue Costs	-	20,834	(20,834)
Streets	454,419	1,761,215	(1,306,796)
ARS Payment	221,251	-	221,251
Solstice Filing I	-	9,402,756	(9,402,756)
CWSD Payments	2,514,286	-	2,514,286
Storm Drainage	4,974,077	-	4,974,077
Contingency	13,000	-	13,000
Total Expenditures	<u>27,690,062</u>	<u>15,797,557</u>	<u>11,892,505</u>
EXCESS OF REVENUES UNDER EXPENDITURES	(27,690,062)	(15,797,557)	(11,892,505)
OTHER FINANCING SOURCES (USES)			
Developer Advance	27,690,062	15,498,178	(12,191,884)
Total Other Financing Sources (Uses)	<u>27,690,062</u>	<u>15,498,178</u>	<u>(12,191,884)</u>
NET CHANGE IN FUND BALANCE	-	(299,379)	(299,379)
Fund Balance - Beginning of Year	-	(396,113)	(396,113)
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ (695,492)</u>	<u>\$ (695,492)</u>

OTHER INFORMATION

**MIRABELLE METROPOLITAN DISTRICT NO. 1
 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	\$ 82,820	27.638	\$ 2,289	\$ 2,289	100.00 %
2019	11,220	27.638	310	310	100.00
Estimated for Year Ending December 31, 2020	\$ 125,520	83.495	\$ 10,480		

NOTE:

Property taxes collected in any one year may include collection of delinquent property taxes levied in prior years.