Todd Creek Village Metropolitan District
(Adams County, Colorado)

Financial Report
with Supplemental Information
December 31, 2018

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Independent Auditor's Report

To the Board of Directors
Todd Creek Village Metropolitan District
(Adams County, Colorado)

Report on the Financial Statements

We have audited the accompanying financial statements of Todd Creek Village Metropolitan District (Adams County, Colorado) (the "District") as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise Todd Creek Village Metropolitan District (Adams County, Colorado)'s basic financial statements, as listed in the table of contents.

Management's Responsibility for the Basic 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Todd Creek Village Metropolitan District (Adams County, Colorado) as of December 31, 2018 and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Prior Year Financial Statements

The basic financial statements of Todd Creek Village Metropolitan District (Adams County, Colorado) as of and for the year ended December 31, 2017 were audited by EKS&H LLLP, which expressed an unmodified opinion. The predecessor auditor's report was dated July 20, 2018.

To the Board of Directors
Todd Creek Village Metropolitan District
(Adams County, Colorado)

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedule of revenue, expenditures, and changes in funds available - budget and actual (budgetary basis) is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The schedule of revenue, expenditures, and changes in funds available - budget and actual (budgetary basis) has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Plante & Moran, PLLC

July 15, 2019

Statement of Net Position

December 31, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	$ 120,641	$ 245,241
Accounts receivable, net of allowance for doubtful accounts of $121,598 (2018) and $31,832 (2017)	834,475	625,483
Prepaid expenses	14,773	14,773
Restricted assets - Investments (Note 3)	3,664,689	4,778,989
Capital assets - Net (Note 4)	49,768,274	49,135,917
Total assets	54,402,852	54,800,403
Deferred Outflows of Resources - Deferred charge on bond refunding	5,910,888	-
Liabilities		
Accounts payable	1,479,485	1,491,523
Accrued interest payable	77,677	145,587
Current portion of capital lease obligations	-	19,762
Current portion of long-term debt (Note 5)	500,000	365,000
Noncurrent liabilities - Long-term debt - Net of current portion (Note 5)	27,611,405	20,843,000
Total liabilities	29,668,567	22,864,872
Net Position		
Net investment in capital assets	27,567,757	27,908,155
Restricted	3,664,689	4,778,989
Unrestricted	(587,273)	(751,613)
Total net position	**$ 30,645,173**	**$ 31,935,531**

Todd Creek Village Metropolitan District (Adams County, Colorado)

Statement of Revenue, Expenses, and Changes in Net Position

Years Ended December 31, 2018 and 2017

	2018	2017
Operating Revenue		
Water revenue	$ 4,974,540	$ 3,962,498
Facility development fees	-	747,971
Failure to connect fees	262,990	305,090
Availability fees	9,651	7,574
Meter fees	73,100	109,860
Inspection fees	21,450	32,850
Penalties and other income	807,956	742,830
Total operating revenue	6,149,687	5,908,673
Operating Expenses		
Depreciation	1,565,535	1,508,225
District management	1,135,493	1,061,208
Utilities and water leases	2,411,849	1,046,386
Raw water acquisition	-	646,366
Repairs and maintenance	629,876	446,704
Office expense	248,987	260,469
Legal	182,639	226,039
MXU system	139,914	124,114
Water treatment	121,941	111,012
Engineering	34,521	103,048
Insurance	37,178	50,940
Miscellaneous	-	35,187
Accounting and audit	21,262	32,184
Bad debt expense	121,598	31,832
Vehicle expense	25,279	12,466
Public relations	13,322	9,687
Total operating expenses	6,689,394	5,705,867
Operating (Loss) Income	(539,707)	202,806
Nonoperating Revenue (Expense)		
Interest income	79,421	48,760
Amortization expense	-	(30,000)
Interest expense	(1,730,900)	(1,771,974)
Debt issuance costs	(748,446)	(5,500)
Total nonoperating expense	(2,399,925)	(1,758,714)
Capital Contributions - Tap fees	1,649,274	2,614,152
Change in Net Position	(1,290,358)	1,058,244
Net Position - Beginning of year	31,935,531	30,877,287
Net Position - End of year	**$ 30,645,173**	**$ 31,935,531**

Statement of Cash Flows

Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Receipts from customers and users	$ 5,940,695	$ 5,611,838
Payments to suppliers	(5,135,897)	(4,757,945)
Net cash provided by operating activities	804,798	853,893
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(2,197,892)	(3,659,495)
Principal paid on capital lease	(19,762)	(20,467)
Interest paid on capital lease	(544)	(1,686)
Principal paid on Series 2015 bonds	(21,208,000)	(340,000)
Issuance of Series 2018 bonds	28,111,405	-
Interest paid on bonds and certificates of participation	(1,798,266)	(1,772,554)
Other debt-related expenditures	(748,446)	(5,500)
Deferred charge on refunding	(5,910,888)	-
Tap fees	1,649,274	2,614,152
Net cash used in capital and related financing activities	(2,123,119)	(3,185,550)
Cash Flows Provided by Investing Activities - Interest received	79,421	48,760
Net Decrease in Cash and Cash Equivalents	(1,238,900)	(2,282,897)
Cash and Cash Equivalents - Beginning of year	5,024,230	7,307,127
Cash and Cash Equivalents - End of year	**$ 3,785,330**	**$ 5,024,230**
Classification of Cash and Cash Equivalents		
Cash and cash equivalents	$ 120,641	$ 245,241
Investments - Restricted	3,664,689	4,778,989
Total cash and cash equivalents	**$ 3,785,330**	**$ 5,024,230**
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating (loss) income	$ (539,707)	$ 202,806
Adjustments to reconcile operating (loss) income to net cash from operating activities:		
Depreciation and amortization	1,565,535	1,508,225
Bad debt expense	121,598	31,832
Changes in assets and liabilities:		
Receivables	(330,590)	(328,667)
Prepaid expenses and other assets	-	201
Accounts payable	(12,038)	(560,504)
Total adjustments	1,344,505	651,087
Net cash and cash equivalents provided by operating activities	**$ 804,798**	**$ 853,893**

See notes to financial statements.

Note 1 - Nature of Business

Todd Creek Village Metropolitan District (Adams County, Colorado) (the "District") is a quasi-municipal corporation organized on November 19, 1996 and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Adams and Weld Counties, Colorado. The District was established to provide water and wastewater services to an area encompassing approximately 6,725 acres in Adams County and 6,000 acres in Weld County.

The District has no employees, and all operations and administrative functions are contracted. 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, the ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

As of December 31, 2018, no component unit has been identified as reportable to the District, nor is the District a component unit of any other primary governmental entity.

Note 2 - Significant Accounting Policies

Basis of Presentation

The financial statements of the District have been prepared on the basis of generally accepted accounting principles (GAAP) as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned, and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets, and redemption of bonds and certificates of participation are recorded as reductions in liabilities. Tap fees are recorded as capital contributions when received.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

Operating Revenue and Expenses

The District distinguishes between operating revenue and expenses and nonoperating items in the statement of revenue, expenses, and changes in net position. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing water and wastewater services to its customers. Operating revenue consists of charges to customers for service provided. Operating expenses include the cost of service, administrative expenses, and depreciation of assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses or capital contributions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Significant Accounting Policies (Continued)

Restricted Cash and Investments

Certain proceeds of the District's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. Restricted cash and investments totaled $3,664,689 and $4,778,989 at December 31, 2018 and 2017, respectively.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Accounts Receivable and Allowance for Doubtful Accounts

Use fees and tap fees constitute a perpetual lien on or against property served until paid. Such liens may be foreclosed upon as provided by the State of Colorado. Therefore, no provision for uncollectible receivables has been made in the financial statements. Accounts receivable, other than those for use fees and tap fees, are evaluated by management for collectibility based on historical performance and known collection issues. Accounts receivable that are determined to be not collectible have been fully allowed for in the statement of net position.

Capital Assets

Capital assets, which include water rights, water wells, storage and treatment facilities, and delivery systems, 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 or at the developer's cost. Capital assets are defined by the District as those assets with a cost or value of $1,000 or greater. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements for which the District retains title are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the District are depreciated using the straight-line method over the estimated useful lives (40 years for water system infrastructure). The cost of water rights includes acquisition, legal, and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. Depreciation expense for the years ended December 31, 2018 and 2017 totaled $1,565,535 and $1,508,225, respectively.

Amortization of Bond Discount and Premium

Series 2015 bond discounts were being amortized over the respective terms of the bonds using the straight-line method. Amortization expense for bond discounts amounted to $0 and $30,000 for the years ended December 31, 2018 and 2017, respectively. The discount was reduced to zero during the year ended December 31, 2018.

Series 2018 bonds were issued with a premium during the year ended December 31, 2018. There was no amortization of the bond premium during 2018.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

The District reports deferred outflows related to deferred charges on refunding.

Note 2 - Significant Accounting Policies (Continued)

Net Position

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

Net Investment in Capital Assets

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, loans, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those net assets. As of December 31, 2018 and 2017, the District had net investment in capital assets of $27,567,757 and $27,908,155, respectively.

Restricted

The District had $3,664,689 and $4,778,989 restricted by contractual obligation for payment of debt service as of December 31, 2018 and 2017, respectively.

Unrestricted

The District's unrestricted net position as of December 31, 2018 and 2017 is $(587,273) and $(751,613), respectively. The deficit amounts are a result of the District being responsible for the repayment of bonds issued for construction, installation, and completion of water system improvements.

Contributed Capital

Tap fees and water resource fees are generally recorded as capital contributions when received. Lines contributed to the District by developers are recorded as capital contributions and additions to the systems at the developer's cost or at the estimated fair value at the date of contribution.

Budgetary Information

In accordance with State Budget Law, the District's board of directors holds public hearings in the fall of each year to approve the budget and appropriate 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 total appropriation can only be modified upon completion of notification and publication requirements.

The District budgeted a negative fund balance for the years ended December 31, 2018 and 2017, which is a violation of State Budget Law. Additionally, the District exceeded its budgeted expenditures for the years ended December 31, 2018 and 2017, which is a violation of State Budget Law.

Upcoming Accounting Pronouncements

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the District's financial statements for the year ending December 31, 2019.

Note 2 - Significant Accounting Policies (Continued)

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the District's financial statements for the year ending December 31, 2020.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.* This statement establishes criteria to improve the information that is disclosed in the notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the District's financial statements for the year ending December 31, 2019.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including July 15, 2019, which is the date the financial statements were available to be issued.

Reclassification

Certain 2017 amounts in the statement of cash flows have been reclassified to conform to the 2018 presentation.

Note 3 - Investments

Deposits with Financial Institutions

Colorado statutes require that the District use eligible public depositories, as defined by the Colorado Public Deposit Protection Act (the "Act"). Under the Act, amounts on deposit in excess of federal insurance levels must be collateralized. As of December 31, 2018 and 2017, the federal insurance limits were $250,000. The eligible collateral is determined by the Act and allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least 102 percent of the aggregate uninsured deposits. The state regulatory commissions 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.

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's cash deposit and investment policy adopts state statutes regarding custodial credit risk for deposits. As of December 31, 2018 and 2017, the District had $0 and $171,640, respectively, in custodial credit risk exposure.

Deposits with financial institutions as of December 31, 2018 were $120,641 and $214,859 for the carrying balance and bank balance, respectively. Deposits with financial institutions as of December 31, 2017 were $245,241 and $421,460 for the carrying balance and bank balance, respectively. There were no restricted cash deposits held with financial institutions as of December 31, 2018 and 2017.

Credit Risk

The District's cash deposit and investment policy adopts state statutes regarding credit risk for investments.

Note 3 - Investments (Continued)

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest, which include: obligations of the U.S. and certain U.S. government agency securities; certain international agency securities; general obligations; and revenue bonds of the U.S. local government entities, bankers' acceptances of certain banks, commercial paper, written repurchase agreements collateralized by certain authorized securities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Interest Rate Risk

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.

The details of the District’s investments in trading securities at December 31 are as follows:

	2018	2017
Colorado Surplus Asset Fund Trust	$ 3,664,689	$ 4,778,989

Colorado Surplus Asset Fund Trust

During 2018 and 2017, the District invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The state securities commissioner administers and enforces all state statutes governing the trust. The trust is similar to a money market fund with each share valued at $1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as a safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAm by Standard & Poor's. The maturity of CSAFE is weighted average under 60 days.

Investments in Entities that Calculate Net Asset Value per Share

The District holds shares whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At December 31, 2018, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Colorado Surplus Asset Fund Trust	$ 3,664,689	$ -	No restrictions	None

The CSAFE is not registered with the SEC and does not issue a separate report. The pool does not meet the requirements under GASB 79 to report its value for financial reporting purposes at amortized costs. Accordingly, the investment is reported at fair value. The fair value of the position in the pool is not the same as the value of the pool shares because the pool redeems shares at $1 per share regardless of current fair value. The funds are held at UMB and have an AAAm rating.

Concentration of Credit Risk

The District's cash deposit and investment policy adopts state statutes regarding concentration of credit risk for investments. The District invests primarily in money markets and/or U.S. securities, U.S. agency securities, or U.S.-sponsored corporate securities, which are not subject to concentration of credit risk.

Note 3 - Investments (Continued)

Custodial Credit Risk - Investments

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's cash deposit and investment policy adopts state statutes regarding custodial credit risk for investments. As of December 31, 2018 and 2017, the District had $3,664,689 and $4,778,989, respectively, of investments held by outside parties.

Note 4 - Capital Assets

A summary of capital asset acquisitions, dispositions, and accumulated depreciation for the year ended December 31, 2018 is as follows:

	January 1, 2018	Increases	Transfers	December 31, 2018
Capital assets not being depreciated:				
Water rights	$ 4,683,684	$ -	$ -	$ 4,683,684
Construction in progress	623,728	1,661,119	-	2,284,847
Total capital assets not being depreciated	5,307,412	1,661,119	-	6,968,531
Capital assets being depreciated:				
Water distribution and storage	55,736,982	536,773	-	56,273,755
Sewer system	5,045,437	-	-	5,045,437
Vehicles	116,702	-	-	116,702
Total capital assets being depreciated	60,899,121	536,773	-	61,435,894
Less accumulated depreciation	17,070,616	1,565,535	-	18,636,151
Net capital assets	$ 49,135,917	$ 632,357	$ -	$ 49,768,274

A summary of capital asset acquisitions, dispositions, and accumulated depreciation for the year ended December 31, 2017 is as follows:

	January 1, 2017	Additions	Transfers	December 31, 2017
Capital assets not being depreciated:				
Water rights	$ 4,683,684	$ -	$ -	$ 4,683,684
Construction in progress	3,674,228	460,765	(3,511,265)	623,728
Total capital assets not being depreciated	8,357,912	460,765	(3,511,265)	5,307,412
Capital assets being depreciated:				
Water distribution and storage	49,063,874	3,161,843	3,511,265	55,736,982
Sewer system	5,045,437	-	-	5,045,437
Vehicles	79,815	36,887	-	116,702
Total capital assets being depreciated	54,189,126	3,198,730	3,511,265	60,899,121
Less accumulated depreciation	15,562,391	1,508,225	-	17,070,616
Net capital assets	$ 46,984,647	$ 2,151,270	$ -	$ 49,135,917

Note 4 - Capital Assets (Continued)

Construction Commitments

The District has active construction projects at year end. At year end, the District's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Mann Lakes Raw Water Conveyance System Project	$ 629,859	$ 3,372,444

Note 5 - Long-term Debt

Long-term debt activity for the year ended December 31, 2018 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Series 2015 bonds	$ 21,838,000	$ -	$ (21,838,000)	$ -	$ -
Series 2018 bonds	-	27,240,000	-	27,240,000	500,000
Total principal outstanding	21,838,000	27,240,000	(21,838,000)	27,240,000	500,000
Unamortized bond premiums	-	871,405	-	871,405	-
Unamortized bond discounts	(630,000)	-	630,000	-	-
Total bonds and contracts payable	$ 21,208,000	$ 28,111,405	$ (21,208,000)	$ 28,111,405	$ 500,000

Long-term debt activity for the year ended December 31, 2017 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Series 2015 bonds	$ 22,178,000	$ -	$ (340,000)	$ 21,838,000	$ 365,000
Unamortized bond discounts	(660,000)	-	30,000	(630,000)	-
Total bonds and contracts payable	$ 21,518,000	$ -	$ (310,000)	$ 21,208,000	$ 365,000

Bonds Payable

Taxable Series 2015 Water Activity Enterprise Revenue and Improvement Bonds

On November 18, 2015, the District issued Water Activity Enterprise Revenue Refunding and Improvement Bonds, Taxable, Series 2015, in the aggregate principal amount of $23,000,000. These bonds are a limited obligation and payable solely from the gross revenue of the system, subject to payment of operation and maintenance expenses. The bondholders of the 2004 bonds and 2006 certificates of participation independently entered into settlement agreements with the District dated June 11, 2015, in which each of the parties agreed to an amount to settle the unpaid debt obligations from the Series 2015 bond proceeds.

Note 5 - Long-term Debt (Continued)

The bonds bear interest at 8 percent per annum payable semiannually on June 1 and December 1. The bonds are subject to mandatory sinking fund redemption prior to maturity, in part, on December 1 each year, according to terms described in the trust indenture. The bonds are also subject to prior redemption at the option of the District, as a whole or in part in integral multiples of $5,000 plus accrued interest, on December 1, 2023 and on any interest payment date thereafter, subject to redemption prices of 104 percent on December 1, 2023; 102 percent on December 1, 2024; and 100 percent on December 1, 2025 and thereafter.

The bonds are special limited revenue obligations of the District's enterprise, payable solely from and secured by the "pledged revenue and funds," as defined in the bond trust indenture. Gross revenue of the enterprise is pledged to payment of the bonds and remitted to the trustee in accordance with the Indenture of Trust. The trustee disburses operating, capital, and debt payments upon review and approval of the bondholder and district management. The District is subject to various performance covenants that are included in the trust indenture.

Taxable and Nontaxable Series 2018 Water Activity Enterprise Revenue and Improvement Bonds

On December 11, 2018, the District issued Water Activity Revenue Refunding Bonds, Series 2018A and Series 2018B, in the aggregate principal amount of $19,775,000 and $7,465,000, respectively. These bonds are a limited obligation and payable solely from the gross revenue of the system, subject to payment of operation and maintenance expenses. These bonds were used to fully refund and defease the 2015 Revenue Bonds.

The 2018A Series bonds bear interest at a range between 4.375 percent and 5 percent per annum payable semiannually on June 1 and December 1. The 2018B Series bonds bear interest at 5.87 percent per annum payable semiannually on June 1 and December 1. The bonds are subject to mandatory sinking fund redemption prior to maturity, in part, on December 1 each year, according to terms described in the trust indenture.

The bonds are special limited revenue obligations of the District's enterprise, payable solely from and secured by the "pledged revenue and funds," as defined in the bond trust indenture. Gross revenue of the enterprise is pledged to payment of the bonds and remitted to the trustee in accordance with the Indenture of Trust. The trustee disburses operating, capital, and debt payments upon review and approval of the bondholder and district management. The District is subject to various performance covenants that are included in the trust indenture

Bond Maturities

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending December 31	Principal	Interest	Total
2019	$ 500,000	$ 1,359,343	$ 1,859,343
2020	470,000	1,368,806	1,838,806
2021	505,000	1,343,469	1,848,469
2022	520,000	1,316,294	1,836,294
2023	560,000	1,288,238	1,848,238
2024-2028	3,420,000	5,950,500	9,370,500
2029-2033	4,515,000	4,897,944	9,412,944
2034-2038	5,810,000	3,515,069	9,325,069
2039-2043	4,915,000	2,030,919	6,945,919
2044-2048	6,025,000	813,314	6,838,314
Total	$ 27,240,000	$ 23,883,896	$ 51,123,896

Note 5 - Long-term Debt (Continued)

Advance Refundings

During the year, the District issued $27,240,000 in revenue refunding bonds with an average interest rate of 4.96 percent. The proceeds of these bonds were used to advance refund $21,838,000 of outstanding revenue refundung bonds with an average interest rate of 8.00 percent. The net proceeds were $26,490,939 (after payment of $749,061 in underwriting fees, insurance, and other issuance costs). As a result, the bonds are considered to be defeased, and the liability for the bonds has been removed from the general long-term debt of the District. The advance refunding reduced total debt service payments over the next 22 years by approximately $8,910,237. The District had deferred outflows of $5,910,888 related to deferred charges on bond refundings at December 31, 2018, resulting from the difference between the face value of the bonds refunded and the amount deposited into escrow.

Note 6 - Water Agreements

Water Lease Agreements

On January 1, 2004, the District entered into two water lease agreements with Coors Brewing Company (Coors), both renewable annually until December 31, 2006. Under the terms of the agreements, the District received the right for a minimum of 250 acre feet of leased water at a rate of $175 per acre foot in 2005 and $200 per acre foot in 2006, with minimum annual payments of $45,500 and $52,000, respectively, payable on January 1 each year.

Effective January 1, 2008, the District renewed its two water lease agreements with Coors, both now terminated on December 31, 2011 (initial term). Both agreements were renewed for an additional five-year term ended December 31, 2017.

Under the terms of the first agreement, the District received the right to 100 acre feet of leased water at a rate of $325 per acre foot. The minimal annual payments were $32,500, payable on January 1 each year. Under the terms of the second agreement, the District received the right to 100 acre feet of leased water at a rate of $325 per acre foot. The minimal annual payments were $32,500, payable on January 1 each year.

The first and second agreements were terminated and replaced with a water lease agreement executed on March 31, 2017. The agreement commenced on April 1, 2017 with an initial lease term ending on March 31, 2022, with the option for up to two five-year renewals. Under the terms of the agreement, the District receives the right to up to 200 acre feet, with the option to increase by an additional 200 acre feet, of water per delivery season at a rate of $750 per acre foot.

Water Share Purchase and Lease-back Agreement

On June 17, 2014, the District entered into a water share purchase and lease-back agreement with H3O LLC (H3O). Principals of H3O also serve on the District's board of directors. Under this agreement, H3O funded the $1,000,000 settlement with Valley Bank and Trust on the District's behalf. As a result, the District conveyed its original Brantner Share certificates to H3O, and the District agrees to lease consumable water from H3O at a rate of $350 per acre foot per year. The term of the lease will continue for as long as H3O owns the Brantner Shares and will terminate when and to the extent H3O sells all or a portion of the shares. The District has first right of refusal upon H3O's decision to sell the shares.

Water Lease Agreement

The District entered into two water lease agreements with H3O to lease consumable water and potable and nonpotable water at $650 per acre foot. The leases expired on December 31, 2013; however, the District and H3O have been operating under the terms of the initial lease subsequent to the termination date.

Note 6 - Water Agreements (Continued)

On January 1, 2016, the District entered into a water lease agreement with H3O with a termination date of December 31, 2018. Under the terms of the new agreement, H3O will lease the District up to 300 acre feet of water annually at a rate of $650 per acre foot paid monthly.

On January 1, 2016, the District entered into a water lease agreement with H3O with a termination date of December 31, 2025. Under terms of this agreement, the District will lease up to 300 acre feet of water annually to H3O at a rate of $650 per acre foot paid monthly.

Water Storage and Facilities Usage and Public Improvements Agreement

On August 21, 2013, the District entered into a water storage and facilities usage and public improvements agreement with H3O. H3O is granted the use of the following: (1) the District's water storage reservoirs, including but not limited to Signal Reservoir No. 1 and Signal Reservoir No. 2, or other District water storage reservoirs designated by the District; (2) water transmission lines, wells, pumps, facilities, and appurtenances for the purpose of storing up to 200 acre feet of water and transmitting up to 2,000 acre feet of water per year, provided such storage and transmission does not interfere with the District's use of the facilities; and (3) the signal reservoirs and the District's adjoining land necessary for the purposes of installing temporary and permanent water pumps, pipelines, and associated facilities to withdraw water from the signal reservoirs and to construct access roads. H3O's right of usage is subject to the District's use of the facilities for the benefit of the District's present or future customers, and H30 is not entitled to use any facilities needed for public use by the District's present or future customers.

As partial consideration for the right of usage, H3O has paid the District $50 per acre foot of water pumped through the District's water lines, as measured at the District's alluvial wells or the Guthrie turnout on the Brantner Ditch, but not to exceed $100,000 per year. As additional consideration, H3O agrees to construct improvements to the reservoir estimated to be $750,000 and improvements to the water lines and to the District's delivery systems from the reservoirs, estimated to be $250,000. The public improvements will be dedicated to the District on or before the end of the term of this agreement (December 31, 2018) at no cost to the District.

Water Lease Agreement

The District entered into a water lease agreement with South Adams County Water and Sanitation District (SACWSD) on April 3, 2013 to lease 500 acre feet of water at $340 per acre foot. On or before March 31 of each subsequent year of the lease term, SACWSD shall provide the District with a written delivery projection for that year of the lease term. The lease terminates on March 31, 2018.

On January 1, 2016, the District entered into a new water lease agreement with HTC Golf Acquisitions, LLC (HTC) to lease nonpotable water to the golf course. The lease expires on December 31, 2018. Under the terms of the lease, the District will lease 300 acre feet of water annually to HTC at a rate of $537.65 per acre foot, or $1.65 per thousand gallons of nonpotable water drawn by HTC.

Note 6 - Water Agreements (Continued)

Water Lease - Purchase Agreement

On December 8, 2015, the District, Adams County, Colorado (the "County"), and SACWSD entered into an intergovernmental agreement regarding the Mann Lakes Reservoir (Mann Lakes). The County agreed to lease to the District and SACWSD certain storage and inlet/outlet capacity, as well as granted a license to use, access, manage, operate, repair, and maintain Mann Lakes and the area around Mann Lakes, which is controlled by the County. The County further granted the District and SACWSD a purchase option for the reservoir storage and inlet/outlet capacity, effective when the reservoir becomes operational and remaining in effect through the end of the lease purchase term. The minimum purchase amount is $6,238,925, adjusted for credits to and from the District, as detailed in the lease purchase agreement. The term of the lease purchase expired on December 31, 2015; is subject to an automatic renewal for 12 consecutive one-year periods unless terminated prior to the end of the lease term; and is subject to annual appropriation by the District and SACWSD. The District made an earnest payment to the County of $30,000, which shall be credited to the first year's lease-purchase payment. Lease-purchase payments are $120,000 annually and are due on April 1 of each year once the reservoir becomes operational. The District anticipates that the reservoir will be operational in late 2019 or early 2020.

Note 7 - Related Party Transactions

The majority of the District's board of directors are either stockholders or employees of Equinox Land Group, Inc. (the "Parent Company"). The Parent Company owns Village Water Management, LLC (the "Company"). The Company entered into an agreement to perform the administrative duties, maintain and administer operations, and handle the financial affairs of the District. The contract expired in 2015 but is subject to the District's annual budget and appropriation. As of December 31, 2018, the District owed $95,551 to the Company, which is included in the accounts payable on the statement of net position.

On December 30, 2015, the District entered into a facilities development agreement with the Parent Company. Under the agreement, the District is solely responsible for contracting the design, construction, and installation of improvements on property owned by the Parent Company to serve the property as components of the District's water system. The Parent Company is required to pay a facilities development fee to the District for the benefit of the public improvements to the Parent Company. The development fee of $60,924 per lot will be paid to the District upon transfer of the lots within the property from the Parent Company to the homebuilders or other parties. For the years ended December 31, 2018 and 2017, the facility development fee paid to the District was $0 and $747,971, respectively.

Principals of H3O (see Note 6) also serve on the District's board of directors. At December 31, 2018 and 2017, the District owed H3O $9,750 and $13,000, respectively, and H3O owed the District $750 and $3,750, respectively, related to the water agreements disclosed in Note 6.

Principals of HTC (see Note 6) also serve on the District's board of directors. At December 31, 2018 and 2017, HTC owed the District $0 and $41,639, respectively, related to the water agreements disclosed in Note 6.

Principals of West South Platte Water & Reservoir, LLC also serve on the District's board of directors. As of and for the years ended December 31, 2018 and 2017, the District paid $75,000 and $25,000, respectively, for rent expense, included in the amount disclosed in Note 8, and owed West South Platte Water & Reservoir, LLC $7,088 and $94,956, respectively.

Note 8 - Commitments and Contingencies

Commitments

The District leases office space from a related party (see Note 7) under a triple-net agreement that expires in August 2021. Additionally, the District leases certain office equipment payable through 2019. Total rental expense from the operating leases for the years ended December 31, 2018 and 2017 was $105,912 and $106,592, respectively.

Note 8 - Commitments and Contingencies (Continued)

Minimum base rental payments, excluding expected property taxes, due for the next four years and in total are as follows for the years ending December 31:

2019	$ 77,160
2020	76,380
2021	51,380
2022	1,380
Total	$ 206,300

In January 2017, the District entered into an agreement with a third party to provide professional consulting and management services for planning, financing, constructing, and installing certain public improvements at a rate of 5 percent of gross billings for all contractors hired and constructions performed by the third party to complete the public improvements. The agreement was renewed in January 2018 and automatically renews each succeeding year until it is terminated.

Litigation

On August 22, 2013, ALF Todd Creek Village North, L.P. (ALF) filed a complaint against the District regarding the Water and Sewer Agreement with ALF Equinox Todd Creek Village North, LLC (the "Joint Venture") seeking a declaration regarding the Joint Venture's obligation to obtain water and sewer service from the District and seeking, in the alternative, breach of contract or anticipatory repudiation claims against the District alleging unspecified damages. On September 11, 2013, the District filed a motion to dismiss all of the claims. On January 6, 2014, the District's motion was denied. The District filed an answer, affirmative defenses, and counterclaims on May 9, 2014, seeking a declaration that the Water and Sewer Agreement is enforceable and provides the District with an exclusive right to provide water and sewer services pursuant to its terms. On March 23, 2015, the matter went to trial, and the court ruled on May 19, 2015 in favor of the District, which ALF has appealed. On August 25, 2016, the Colorado Court of Appeals affirmed the judgment in favor of the District. ALF appealed the ruling to the Colorado Supreme Court on October 15, 2016. During 2017, the Colorado Supreme Court declined to hear the ruling; therefore, all appeals in this matter have concluded in favor of the District, causing the Water and Sewer Agreement to be a binding and enforceable contract. Additionally, in 2017, ALF was required to pay the District $335,000 for attorney's fees and costs, which was paid during 2017.

During the year ended December 31, 2018, Todd Creek Village Park and Recreation (TCVP&R) filed a complaint against the District challenging the District's ability to collect tap fees related to parks in the development. The court ruled in favor of the District. As part of the ruling, TCVP&R was required to pay the District $453,513, which is included in accounts receivable on the statement of net position. As of December 31, 2018, TCVP&R has filed an appeal with the court, which the District does not expect to be overturned.

The District is involved in litigation from time to time in the ordinary course of business. In the opinion of management, the outcome of any such litigation will not materially affect the net position, results of operations, or cash flows of the District.

Note 9 - Tax, Spending, and Debt Limitations

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

The District's management believes it qualifies under the Water Activity Enterprise definition of TABOR, and, therefore, is not subject to the requirements of TABOR. However, TABOR is complex and subject to interpretation.

Note 10 - Risk Management

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The District maintains commercial insurance for all risks of loss. Settled claims have not exceeded the commercial coverage limits in any of the past three years.

Other Supplemental Information

Other Supplemental Information
Schedule of Revenue, Expenditures, and Changes in Funds Available - Budget and Actual (Budgetary Basis)

Year Ended December 31, 2018

	Original and Final Budget Amounts (Unaudited)	Actual	Variance with Final Budget - Favorable (Unfavorable)
Revenue			
Water revenue	$ 4,426,408	$ 4,974,540	$ 548,132
Failure to connect fees	250,565	262,990	12,425
Availability fees	7,800	9,651	1,851
Meter fees	145,350	73,100	(72,250)
Inspection fees	46,900	21,450	(25,450)
Penalties and other income	703,548	807,956	104,408
Total revenue	5,580,571	6,149,687	569,116
Expenditures			
District management	1,135,493	1,135,493	-
Utilities and water leases	1,705,085	2,411,849	(706,764)
Repairs and maintenance	584,000	629,876	(45,876)
Office expense	255,565	248,987	6,578
Legal	251,000	182,639	68,361
MXU system	176,000	139,914	36,086
Water treatment	152,700	121,941	30,759
Engineering	20,000	34,521	(14,521)
Insurance	24,958	37,178	(12,220)
Miscellaneous	40,000	-	40,000
Accounting and audit	26,667	21,262	5,405
Bad debt expense	-	121,598	(121,598)
Vehicle expense	4,000	25,279	(21,279)
Public relations	6,587	13,322	(6,735)
Total expenditures	4,382,055	5,123,859	(741,804)
Excess of Revenue Over Expenditures	1,198,516	1,025,828	(172,688)
Other Financing Sources (Uses)			
Interest income	33,000	79,421	46,421
Interest expense	(1,740,240)	(1,730,900)	9,340
Debt issuance costs	-	(748,446)	(748,446)
Debt service - Principal	(414,040)	6,883,643	7,297,683
Capital outlay	(3,754,892)	(2,197,892)	1,557,000
Total other financing (uses) sources	(5,876,172)	2,285,826	8,161,998
Capital Contributions	3,214,775	1,649,274	(1,565,501)
Net Change in Fund Balances	**$ (1,462,881)**	**$ 4,960,928**	**$ 6,423,809**

See note to other supplemental information.

Budgetary Information

A reconciliation of the budgetary comparison schedules to the fund-based statement of changes in fund balance is as follows:

Revenue - Budgetary and GAAP basis	$ 6,149,687
Expenditures - Budgetary basis	(5,123,859)
Depreciation	(1,565,535)
Total expenses - GAAP basis	(6,689,394)
Other financing sources - Budgetary basis	2,285,826
Debt issued - Net	(6,883,643)
Capital outlay	2,197,892
Nonoperating expense - GAAP basis	(2,399,925)
Capital contributions - Budgetary and GAAP basis	1,649,274
Change in net position per statement of revenue, expenses, and changes in net position	$ (1,290,358)