ERIE COMMONS METROPOLITAN DISTRICT NO. 1

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

ERIE COMMONS METROPOLITAN DISTRICT NO. 1
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2018

INDEPENDENT AUDITORS' REPORT

Board of Directors
Erie Commons Metropolitan District No. 1
Town of Frederick, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Erie Commons Metropolitan District No. 1, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the entity'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.

Auditors' 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 auditors' 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 the major fund of Erie Commons Metropolitan District No. 1 as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Matured Debt

As discussed in Note 6, the District holds a Bond Anticipation Note (BAN), which matured at December 31, 2014. At the date of this report, the District has the ability to consummate the outstanding BAN in accordance with the GASB No. 62, Paragraph 39, by entering into a financing agreement with the Developer on February 3, 2016. Based on this ability, the District has excluded this BAN from current liabilities as of December 31, 2018. The agreement states that the outstanding BAN is legally enforceable until principal is paid in full or a new debt instrument is issued. The District did not pay off principal or issue a new instrument in 2018. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 21 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management omitted the management's discussion and analysis that accounting principals 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
February 25, 2019

ERIE COMMONS METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2018

		Governmental Activities
ASSETS		
Cash and Investments	$	57,016
Restricted Cash and Investments		500,000
Accounts Receivable		6,268
Prepaid Items		3,559
Total Assets		566,843
LIABILITIES		
Accounts Payable and Retainage Payable		2,018
Noncurrent Liabilities:		
Due Within the Year:		
Accrued Interest		12,580,127
2009 Limited Tax Supported Revenue Refunding Bonds		255,000
2013 Limited Tax Revenue Promissory Note		1,424,195
Due in More Than One Year:		
Developer Advances		1,301,235
2010 Bond Anticipation Notes		15,275,000
2009 Limited Tax Supported Revenue Refunding Bonds		6,600,000
Total Liabilities		37,437,575
NET POSITION		
Restricted for TABOR		41,099
Unrestricted		(36,911,831)
Total Net Position	$	(36,870,732)

See accompanying Notes to Financial Statements.

ERIE COMMONS METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

Functions/Programs	Expenses	Program Revenue	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Governmental Activities:			
General Government	$ 65,143	$ -	$ (65,143)
Public Works	6,755	-	(6,755)
Interest and Related Costs on Long-Term Debt	1,893,473	-	(1,893,473)
	$ 1,965,371	$ -	(1,965,371)
General Revenues:			
Net Investment Income			2,447
Intergovernmental Revenue - District No. 2			1,369,972
Total General Revenues			1,372,419
Change in Net Position			(592,952)
Net Position - Beginning of Year			(36,277,780)
Net Position - End of Year			$ (36,870,732)

See accompanying Notes to Financial Statements.

ERIE COMMONS METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
DECEMBER 31, 2018

	General Fund
ASSETS	
Unrestricted Cash and Investments	$ 57,016
Restricted Cash and Investments	500,000
Accounts Receivable	6,268
Prepaid Items	3,559
Total Assets	$ 566,843
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable and Retainage Payable	$ 2,018
Total Liabilities	2,018
FUND BALANCE	
Nonspendable	3,559
Restricted	
TABOR	41,099
Debt Service	500,000
Unassigned	20,167
Total Fund Balance	564,825
Total Liabilities and Fund Balance	$ 566,843

See accompanying Notes to Financial Statements.

ERIE COMMONS METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2018

Total Fund Balance - Total Governmental Fund	$ 564,825
Amounts reported for governmental activities in the statement of net position are different because:	
Accrued interest payable is recognized for governmental activities, but is due and payable in the current period and, therefore, is not reported as a liability in the governmental fund.	(12,580,127)
Some liabilities, including bonds and notes payable, are not due in the current period and, therefore, are not reported in the fund balance sheet.	
Developer Advances	(1,301,235)
2009 Limited Tax Supported Revenue Refunding Bonds	(6,855,000)
2010 Bond Anticipation Note	(15,275,000)
2018 Limited Tax Revenue Promissory Note	(1,424,195)
	(24,855,430)
Net Position of Governmental Activities	$ (36,870,732)

See accompanying Notes to Financial Statements.

ERIE COMMONS METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2018

	General Fund
REVENUES	
Intergovernmental - Erie Commons Metropolitan District No. 2	$ 1,369,972
Investment Income	2,447
Total Revenues	1,372,419
EXPENDITURES	
Current:	
Intergovernmental - Erie Commons Metropolitan District No. 2	11,905
Audit and Accounting	26,932
Insurance	3,680
Legal	14,550
Other	7,476
Debt Service:	
Trustee Fees	600
Principal	240,000
Interest	1,128,913
Capital Outlay	6,755
Total Expenditures	1,440,811
NET CHANGE IN FUND BALANCE	(68,392)
Fund Balance - Beginning of Year	633,217
FUND BALANCE - END OF YEAR	$ 564,825

See accompanying Notes to Financial Statements.

ERIE COMMONS METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

Net Change in Fund Balance - Total Governmental Fund	$	(68,392)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental fund reports capital outlays as expenditures. However, for government activities, those capital outlays other than noncapitalizable items are shown in the statement of net position at cost.		
Capital Outlay		6,755
The repayment of the principal on long term debt consumes the current financial resources of governmental fund. This transaction, however, does not have any effect on net position. Also, accrued interest expense reported in the statement of activities does not require the use of current financial resources and therefore, is not reported as an expenditure in the governmental fund.		
Repayment of Long-Term Debt		240,000
Accrued Interest		(764,560)
Transfers of capital improvements to other entities decrease net position in the statement of activities. This transaction is not reported in the governmental fund as it is not a current use of financial resources.		(6,755)
Change in Net Position of Governmental Activities	$	(592,952)

See accompanying Notes to Financial Statements.

NOTE 1 DEFINITION OF REPORTING ENTITY

Erie Commons Metropolitan District No. 1 (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court, 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 with Erie Commons Metropolitan District No. 2 (District No. 2) approved by the Town of Erie on July 8, 2003 and as amended on January 4, 2005. Pursuant to the Service Plan, District No. 2, the financing district, is intended to provide funding to District No. 1, the operating district, for construction, operation and maintenance of the public improvements, while District No. 1 is intended to manage the financial, construction and operation and maintenance of such improvements. The operating district is economically dependent upon intergovernmental revenue received from the financing district.

The District has the power to provide water, sanitation, streets, traffic and safety controls, park and recreation improvements, mosquito and pest control, transportation and other related improvements for the benefit of taxpayers and service users within the Districts' boundaries. The Service Plan requires the District to convey most of the constructed improvements to the Town of Erie or the Homeowner's Association (HOA) for ownership and maintenance.

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

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity, including District No. 2 and the Town of Erie.

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. Governmental activities are normally supported by taxes and intergovernmental revenues.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The statement of net position presents information about all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference is reported as the net position. In previous years, the District transferred the ownership of certain public infrastructure improvements to the Town of Erie or the HOA for maintenance responsibility. The District is responsible for the repayment of bonds issued to construct the aforementioned improvements. Consequently, a net deficit balance is reflected on the District's statement of net position as of December 31, 2018.

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 charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Construction in progress is shown as an increase in assets and increases in long-term obligations are recorded as an increase 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 development fees. The District determined that developer advances are not considered as revenue susceptible to accrual. Expenditures generally are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures are recorded only when payment is due. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

The District reports the following major governmental fund:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government.

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 adopted budgets for the General Fund, and Debt Service Fund have been consolidated and reflected as the General Fund budget for financial reporting purposes.

Capital Assets

Capital assets consist entirely of construction projects in process that will be conveyed to the Town of Erie or the HOA once completed. Therefore, no depreciation is calculated on these assets.

Park Improvement Fees

Pursuant to a Fee Resolution duly adopted by the Board of Directors, units of the development shall make a fee-in-lieu payment of at the time of building permit issuance to the District for reimbursement of the park improvements to the 7 acre Neighborhood Park.

Fund Balance and Net Position

Net position is reported in the governmental activities and is classified as restricted, unrestricted, or net investment in capital assets. Restrictions of net position represent amounts that are not available for appropriation or are legally restricted. Net investment in capital assets includes the values of capital assets. As of December 31, 2018, fund balances of governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are not spendable in form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

Committed – amounts that are subject to a purpose constraint imposed by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified or rescinded only through resolutions approved by the Board.

Assigned – amounts that are subject to a purpose constraint that represents an intended use established by the District in its budget process. The purpose of the assignment must be narrower than the purpose of the General Fund.

Unassigned – represents the residual classification for the District's General Fund and could report a surplus or deficit.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Emergency Reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado. In compliance with this requirement, $41,099 of the General Fund balance has been restricted.

Fund balance of $500,000 is restricted to meet contractual commitments under the Series 2009 Limited Property Tax Supported Revenue Refunding Bonds (see Note 6).

The District's order of fund balance spending policy is to apply expenditures against restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance. The District reserves the right to selectively spend unassigned fund balance.

NOTE 3 CASH AND INVESTMENTS

Cash and investments reflected on the statement of net position as of December 31, 2018 consist of the following:

Deposits	$	555,572
Investments		1,444
Total Cash and Investments	$	557,016

Cash Deposits

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 equal to 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, 2018, the District's cash deposits had a carrying balance of $555,572.

Investments

The District has not adopted a formal investment policy; however, it follows state statutes regarding investments. The District also follows investment policies in bond or note agreements when those agreements are more restrictive than state statutes. 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 disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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 World Bank securities
- General obligation and revenue bonds of 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
- Local government investment pools*
- Certain reverse repurchase agreements
- Certain corporate bonds
- Certain securities lending agreements

Colorado revised statutes limit investment maturities to five years or less depending on the specific investment held unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements. Revenue bonds of U.S. local government, corporate and bank securities and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

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

Investment	Maturity	Fair Value
Colotrust	Less than One Year	$ 1,444

At December 31, 2018, the District had invested $1,444 in the Colotrust Plus Fund. Colotrust 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 Colotrust. The Fund invests in commercial paper, collateralized bank deposits, U.S. Treasury securities, Federal instrumentality securities, Agency securities, repurchase agreements, and commercial paper. The Fund operates similarly to a money market fund and each share is equal in value to $1.00. The trust is rated AAAm by Standard & Poor's and has a weighted average maturity of 61 days. The fund is being measured at net asset value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Fair Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices; Level 3 inputs are significant unobservable inputs.

NOTE 4 CONSTRUCTION IN PROCESS

An analysis of the changes in construction in progress for the year ended December 31, 2018 follows:

	Balance at January 1, 2018	Additions	Reductions	Balance at December 31, 2018
Construction in Progress	$ -	$ 6,755	$ 6,755	$ -

It is the policy of the Town of Erie to accept the maintenance responsibility for water, sanitation, traffic and safety controls, park and recreation improvements, mosquito and pest control, transportation and other related improvements within the District only after a probationary period following completion of construction. When the improvements enter the probationary period, the District removes the cost of construction from its statement of net position.

During 2018, the District incurred $6,755 in warranty costs. The improvements have been conveyed to the Town of Erie.

NOTE 5 RELATED PARTY

All three members of the Board of Directors are employees or are associated with Bellock Construction Company, construction manager and accountants for the District, and Community Development Group of Erie, Inc. (CDG of Erie, Inc.), the developer within the District. During 2018, Districts No. 1 and No. 2 had three of five of the same Board of Directors.

Construction Management Agreement

A construction management agreement was entered into during 2004 between the District and Bellock Construction Company. The agreement calls for Bellock Construction Company to provide management services for all activities related to construction projects to be completed within Erie Commons Metropolitan Districts No. 1 and No. 2.

The agreement expires on December 31 of each year, but is automatically extended for a successive annual period so long as sufficient funds have been appropriated, unless contrary action is taken.

The amount paid to Bellock Construction Company during 2018 for construction management was $6,755.

Accounting Services Agreement

An accounting services contract was entered into with Bellock Construction Company on March 25, 2004. Under this agreement, accounting services are provided to both District No. 1 and District No. 2 at the hourly rates of Bellock Construction Company employees. During 2018, the District incurred accounting services fees in the amount of $13,132.

NOTE 6 LONG-TERM OBLIGATIONS

The District's long-term obligations consist of the following for the year ended December 31, 2018:

	Balance at January 1, 2018	Additions	Reductions	Balance at December 31, 2018	Due Within One Year
Developer Advances	$ 1,301,235	$ -	$ -	$ 1,301,235	$ -
2009 Limited Tax Supported Revenue Bonds	7,095,000	-	240,000	6,855,000	255,000
2010 Bond Anticipation Note	15,275,000	-	-	15,275,000	-
2018 Limited Tax Revenue Promissory Note	1,424,195	-	-	1,424,195	1,424,195
Accrued Interest	11,815,567	1,893,473	1,128,913	12,580,127	12,580,127
Total	$ 36,910,997	$ 1,893,473	$ 1,368,913	$ 37,435,557	$ 14,259,322

Developer Advances

During 2005, the District entered into the 2005 restated loan agreement for capital costs with CDG of Erie, Inc., the developer, which was amended in 2009, pursuant to which the developer agreed to advance the District up to $17,500,000 for eligible costs as defined by the Districts. Most of the advances made during 2005 were subsequently repaid with the issuance of bond anticipation notes (see below). The developer advances under the restated agreement carry interest at 8.5% per annum. In March 2010, the interest rate decreased to 0%. The repayment of the advances is subordinate to the repayment of the 2010 Bond Anticipation Note and 2009 Bonds. In March 2010, $10,000,582 of the developer advances were refunded with the proceeds of the 2010 Bond Anticipation Note. A limited portion of the remaining developer advances was for operation/administrative costs and the remaining portion was for capital.

$8,500,000 2009 Limited Tax Supported Revenue Refunding Bonds

On August 1, 2009, the District issued $8,500,000 of Limited Tax Supported Revenue Refunding Bonds to refund the 2004 Revenue and Limited Obligation Promissory Notes for $4,000,000 and the 2005 Revenue and Junior Limited Tax Obligation Promissory Notes for $2,000,000. The interest is due semi-annually on June 1 and December 1, and the principal is due annually on December 1.

The District incurred $478,893 in interest expense for the year ended December 31, 2018 for these bonds. The bonds are term bonds. The term bonds have an interest rate of 6.75% and mature on December 1, 2034. The bonds are subject to mandatory sinking fund redemptions. Bonds maturing on or before December 1, 2018 were not subject to redemption prior to their respective maturity dates. Bonds maturing on and after December 1, 2019 are subject to redemption prior to their maturities, at the option of the District, on December 1, 2019 and on any date thereafter. Pledged Revenue consists of Property Tax Revenues and Specific Ownership Tax Revenues, all derived from the limited exercise of the ad valorem taxing power of Erie Commons Metropolitan District No. 2. The bonds are also secured by amounts on deposit in the Reserve Fund and, under any circumstance, moneys on deposit in the Restricted Project Fund, if any, will be used to pay the bonds.

NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)

$8,500,000 2009 Limited Tax Supported Revenue Refunding Bonds (Continued)

The 2009 Limited Tax Supported Revenue Refunding Bonds will mature as follows:

Year Ending December 31,	Principal	Interest	Total
2019	$ 255,000	$ 462,712	$ 717,712
2020	270,000	445,500	715,500
2021	285,000	427,275	712,275
2022	300,000	408,038	708,038
2023	315,000	387,787	702,787
2024-2028	1,855,000	1,594,351	3,449,351
2029-2033	2,450,000	895,389	3,345,389
2034	1,125,000	75,938	1,200,938
Total	$ 6,855,000	$ 4,696,990	$ 11,551,990

$15,275,000 Bond Anticipation Notes

In March 2010, the District issued one or more series of subordinate notes, in a total principal amount not to exceed $15,275,000, to be issued to the Developer to refund the Series 2005 Bond Anticipation Note (BAN) and for outstanding amounts previously advanced to the District by the Developer for capital costs. The BAN shall incur interest payable on December 31, starting on December 31, 2010 at an annual interest rate of 8.5% per annum. The repayment of the 2010 BAN will be subordinate to any outstanding senior bonds. The 2010 BAN matured on December 31, 2014. The District has the ability to consummate the outstanding BAN in accordance with GASB No. 62, Paragraph 39 by entering into a financing agreement with the Developer on February 3, 2016. Based on this ability, the District has excluded the BAN from current liabilities as of December 31, 2018. The agreement states that the BAN is legally enforceable until principal is paid in full or a new debt instrument is issued. The District did not pay off principal or issue a new instrument in 2018. Interest will continue to accrue until one of those requirements is met. Total interest charged to expense for the 2010 BAN was $1,291,162 for the year ended December 31, 2018.

$1,424,195 2018 Limited Revenue Promissory Note

Pledged In connection with the Improvement Acquisition Agreement (Note 7), in 2013 the District issued a promissory note for $1,285,978 bearing annual interest at 8.5% as reimbursement for costs incurred by Shea Homes (see Note 7). In 2017 the district issued a new note in the amount of $1,424,195 which increased the amount of principal by $138,217 from the 2013 note. The note is subordinate to the Limited Tax Supported Revenue Bonds and will be paid if and when the District collects sufficient revenues to pay down the Bond Anticipation Note on a parity prorata basis relative to principal. As the District has utilized all of the service plan debt limit authority, the note is a nonmulti year debt instrument, which is appropriated annually.

NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)

$1,424,195 2018 Limited Revenue Promissory Note (Continued)

Total interest charged to expense for the 2018 Promissory Note was $121,057 for the year ended December 31, 2018.

Year Ending December 31,	Principal	Interest	Total
2019	$ 1,424,195	$ 421,935	$ 1,846,130
Total	$ 1,424,195	$ 421,935	$ 1,846,130

Debt Authorization

The District voters approved $186,000,000 of revenue obligation debt in 2005 at an interest rate not to exceed 18% per annum. At December 31, 2018, the District had remaining authorized but unissued indebtedness of $163,870,000 for parks and recreation, streets and traffic controls, water, sewer and storm drainage, and safety or refunding the obligations issued for such purposes. 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.

NOTE 7 DISTRICT FACILITIES CONSTRUCTION AND SERVICE AGREEMENT (SERVICE CONTRACT) AND OTHER AGREEMENTS

District Facilities Construction and Service Agreement

In order to implement the Service Plan, the District entered into an intergovernmental agreement with District No. 2. The agreement shall remain in full force and effect until such time as each of the terms and conditions have been performed in their entirety or until the agreement is terminated by mutual written agreement by both Districts.

The District is to construct the facilities benefiting the two Districts and transfer them to the Town of Erie or the HOA. District No. 2 will, to the extent that it is to benefit, pay the capital costs and the service costs of operation and maintenance of such facilities.

District No. 2 is required to fund, on an annual basis, the amount of actual service costs that it would be capable of funding through property tax revenue plus other fee revenue as determined in the annual budget. If the District disagrees as to the amount to be paid, then District No. 2 must pay District No. 1 the amount set forth in the annual budget as long as the property tax mill rate does not exceed 55.275 mills.

Maintenance and Warranty of Public Improvements

In 2010, Community Development Group of Erie, Inc. (CDG of Erie, Inc) entered into a Development Agreement with the Town of Erie. As part of the agreement, CDG of Erie, Inc. on behalf of the District, was required to enter into an Improvement Guarantee (Guarantee) for a period of time sufficient to cover the completion of the public improvements. If CDG of Erie, Inc. is unable to complete the improvements then the Town of Erie has the right to call upon the Guarantee. The Guarantee could be in the form of cash, certified check, or a letter of credit.

NOTE 7 DISTRICT FACILITIES CONSTRUCTION AND SERVICE AGREEMENT (SERVICE CONTRACT) AND OTHER AGREEMENTS (CONTINUED)

Maintenance and Warranty of Public Improvements (Continued)

The amount of the Guarantee shall be 115% of the total estimated costs including labor and material of all the public improvements to be constructed per the agreement. As of the date of the agreement, September 28, 2010, the estimated cost of the improvements were $2,730,451. As of December 31, 2018, the estimated cost to complete the remaining improvements is $560,035 and the remaining balance of the letters of credit are $644,040.

NOTE 8 RISK MANAGEMENT

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2018. 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 during the past three years.

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

NOTE 9 TAX, SPENDING AND DEBT LIMITATIONS

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

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

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

NOTE 9 TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

On November 5, 2005 and November 4, 2003, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all annual District revenue without regard to any limitations under TABOR.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualification as an enterprise, will require judicial interpretation.

NOTE 10 NET POSITION

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

Restricted net position includes net 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 legislation. The District had restricted net position at December 31, 2018 of $41,099 for TABOR.

Unrestricted net position totaled ($36,911,831). This deficit is caused by the District financing infrastructure costs and conveying the infrastructure to the Town of Erie or the HOA while retaining the debt used to finance the infrastructure assets. The District receives transfers of property tax from Erie Commons Metropolitan District No. 2, which is levied for ongoing debt service obligations.

The District currently receives funding from District No. 2 to fund its debt service payments as described in Note 6. District No. 2's property tax revenue for fiscal year 2018 was sufficient for the required debt service of the 2009 Limited Tax Supported Revenue Bonds for fiscal year 2018. The 2019 expected property tax revenue will be sufficient to meet the required debt service payments for fiscal year 2019. The District's obligation to repay the 2010 BAN came due in December 2014. The District did not restructure the 2010 BAN in 2015 and has the ability to consummate the outstanding BAN in accordance with GASB No. 62, Paragraph 39 by a entering into a financing agreement with the Developer on February 3, 2016.

Based on this ability, the District has excluded the BAN from current liabilities as of December 31, 2018.

The 2010 BAN will remain on the District's statement of net position as long-term debt until the obligation is paid. The District's obligation to the Developer and for the Promissory Note will be paid as funds become available from future growth. Depending on the future rate of growth, the District may be required to restructure its Developer debt.

REQUIRED SUPPLEMENTARY INFORMATION

ERIE COMMONS METROPOLITAN DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2018

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental - Erie Commons Metropolitan District No. 2	$ 1,369,973	$ 1,369,972	$ (1)
Investment Income	1,500	2,447	947
Total Revenues	1,371,473	1,372,419	946
EXPENDITURES			
Current:			
Intergovernmental - Erie Commons Metropolitan District No. 2	12,700	11,905	795
Audit and Accounting	29,000	26,932	2,068
Insurance	5,000	3,680	1,320
Legal	25,000	14,550	10,450
Other	11,618	7,476	4,142
Debt Service:			
Trustee Fees	1,200	600	600
Principal Payments	240,000	240,000	-
Interest	1,128,913	1,128,913	-
Capital Outlay	505,000	6,755	498,245
Total Expenditures	1,958,431	1,440,811	517,620
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(586,958)	(68,392)	518,566
OTHER FINANCING SOURCES			
Developer Advances	500,000	-	(500,000)
Total Other Financing Sources	500,000	-	(500,000)
Fund Balances - Beginning of Year	629,435	633,217	3,782
FUND BALANCES - END OF YEAR	$ 542,477	$ 564,825	$ 22,348