

**OLD RANCH METROPOLITAN DISTRICT  
El Paso County, Colorado**

**FINANCIAL STATEMENTS  
December 31, 2017**

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Office of the State Auditor

July 30, 2018

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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors  
**Old Ranch Metropolitan District**  
El Paso County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Old Ranch Metropolitan District ("District"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2017, the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*BiggsKofford, P.C.*

Colorado Springs, Colorado  
July 27, 2018

## **BASIC FINANCIAL STATEMENTS**

**OLD RANCH METROPOLITAN DISTRICT  
STATEMENT OF NET POSITION  
December 31, 2017**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 15,720
Cash and investments - Restricted	26,298
Accounts receivable - Intergovernmental	6,921
Accounts receivable	12,011
Prepaid expense	87,448
Capital assets, net	10,423,485
Total assets	10,571,883
<b>LIABILITIES</b>	
Accounts payable	42,038
Accrued interest payable	33,350
Noncurrent liabilities:	
Due in one year	47,000
Due in more than one year	83,107,668
Total liabilities	83,230,056
<b>NET POSITION</b>	
Net investment in capital assets	(1,924,506)
Restricted for:	
Emergency reserves	10,900
Indoor pool	9,975
Unrestricted	(70,754,542)
Total net position	\$ (72,658,173)

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**OLD RANCH METROPOLITAN DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Government activities:					
General government	\$ 1,224,595	\$ 56,146	\$ 303,464	\$ -	\$ (864,985)
Interest and related costs on long-term debt	3,453,713	-	432,000	-	(3,021,713)
Dedication of capital assets to other governments	8,773,075	-	-	-	(8,773,075)
	<u>\$ 13,451,383</u>	<u>\$ 56,146</u>	<u>\$ 735,464</u>	<u>\$ -</u>	<u>(12,659,773)</u>
General revenues:					
Net investment income					<u>2,363</u>
Total general revenues					<u>2,363</u>
Change in net position					(12,657,410)
Net position - Beginning					(60,000,763)
Net position - Ending					<u>\$ (72,658,173)</u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

**OLD RANCH METROPOLITAN DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2017**

	<b>General</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and investments	\$ 15,407	\$ -	\$ 313	\$ 15,720
Cash and investments - Restricted	20,875	5,423	-	26,298
Accounts receivable - Intergovernmental	2,862	4,059	-	6,921
Accounts receivable	12,011	-	-	12,011
Prepaid expense	87,448	-	-	87,448
<b>TOTAL ASSETS</b>	<b>138,603</b>	<b>9,482</b>	<b>313</b>	<b>148,398</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	41,725	-	313	42,038
Total liabilities	41,725	-	313	42,038
<b>FUND BALANCES</b>				
Nonspendable for:				
Prepaid expense	87,448	-	-	87,448
Restricted for:				
Emergencies (TABOR)	10,900	-	-	10,900
Indoor pool	9,975	-	-	9,975
Debt service	-	9,482	-	9,482
Unassigned:				
General fund	(11,445)	-	-	(11,445)
Total fund balances	96,878	9,482	-	106,360
<b>TOTAL LIABILITIES, AND FUND BALANCES</b>	<b>\$ 138,603</b>	<b>\$ 9,482</b>	<b>\$ 313</b>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,423,485
Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds:	
Accrued interest on Developer advance	(20,723,389)
Developer advance payable	(53,852,562)
Bonds payable	(7,457,000)
Bond interest payable - 2007A	(33,350)
Bond interest payable - 2007B	(1,121,717)
Net position of governmental activities	<b>\$ (72,658,173)</b>

These financial statements should be read only in connection with the accompanying notes to financial statements.

**OLD RANCH METROPOLITAN DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2017**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Intergovernmental revenue	\$ 303,464	\$ 432,000	\$ -	\$ 735,464
Net investment income	745	1,618	-	2,363
Indoor pool revenue	17,087	-	-	17,087
Recreation Center fees	24,061	-	-	24,061
Recreation Center rental fees	2,364	-	-	2,364
Recreation Center fees - HOA	12,634	-	-	12,634
Total revenues	<u>360,355</u>	<u>433,618</u>	<u>-</u>	<u>793,973</u>
<b>EXPENDITURES</b>				
Current				
Accounting	49,914	-	7,956	57,870
Audit	6,500	-	-	6,500
Dues and membership	2,366	-	-	2,366
Insurance and bonds	25,900	-	-	25,900
Landscape maintenance	467,216	-	-	467,216
Legal	26,725	-	15	26,740
Management	19,251	-	-	19,251
Miscellaneous	760	-	-	760
Recreation Center	117,817	-	-	117,817
Utilities	188,566	-	-	188,566
Debt service				
Bond interest expense	-	402,155	-	402,155
Bond principal	-	30,000	-	30,000
Capital outlay	-	-	12,252,124	12,252,124
Total expenditures	<u>905,015</u>	<u>432,155</u>	<u>12,260,095</u>	<u>13,597,265</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(544,660)</u>	<u>1,463</u>	<u>(12,260,095)</u>	<u>(12,803,292)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer advance	566,487	-	12,252,725	12,819,212
Total transfers(out) in	(7,370)	-	7,370	-
Total other financing sources (uses)	<u>559,117</u>	<u>-</u>	<u>12,260,095</u>	<u>12,819,212</u>
<b>NET CHANGE IN FUND BALANCES</b>	14,457	1,463	-	15,920
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>82,421</u>	<u>8,019</u>	<u>-</u>	<u>90,440</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 96,878</u>	<u>\$ 9,482</u>	<u>\$ -</u>	<u>\$ 106,360</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**OLD RANCH METROPOLITAN DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2017**

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

Net change in fund balances - Total governmental funds	\$	15,920
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Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.

Capital outlay		12,252,124
Dedication of capital assets to other governments		(8,773,075)
Depreciation		(311,609)

Long-term debt (e.g., issuance of bonds, the receipt of Developer advances) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Current year bonds principal payment		30,000
Developer advances		(12,819,212)

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

Accrued interest on bonds - Change in liability		(179,224)
Accrued interest on Developer advances - Change in liability		(2,872,334)

Changes in net position of governmental activities	\$	<u><u>(12,657,410)</u></u>
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These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**OLD RANCH METROPOLITAN DISTRICT  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended December 31, 2017**

	<u>Budgets</u>		<u>Actual Amounts</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>REVENUES</b>				
Intergovernmental revenue	\$ 298,432	\$ 303,785	\$ 303,464	\$ (321)
Net investment income	25	950	745	(205)
Recreation Center fees	25,875	30,000	24,061	(5,939)
Recreation Center rental fees	24,000	5,000	2,364	(2,636)
Recreation Center fees - HOA	14,125	10,000	12,634	2,634
Indoor pool revenue	20,000	16,000	17,087	1,087
Other income	100	-	-	-
Total revenues	<u>382,557</u>	<u>365,735</u>	<u>360,355</u>	<u>(5,380)</u>
<b>EXPENDITURES</b>				
Current				
Accounting	43,000	55,000	49,914	5,086
Audit	6,500	6,500	6,500	-
Dues and membership	2,500	2,366	2,366	-
Gateway Park	3,150	3,150	-	3,150
Insurance and bonds	25,000	24,941	25,900	(959)
Landscape maintenance	320,000	650,000	467,216	182,784
Legal	40,000	20,000	26,725	(6,725)
Management	30,000	22,000	19,251	2,749
Miscellaneous	1,000	1,000	760	240
Recreation Center	188,500	148,000	117,817	30,183
Stormwater fees	500	500	-	500
Utilities	265,000	260,000	188,566	71,434
Contingency	9,850	18,543	-	18,543
Total expenditures	<u>935,000</u>	<u>1,212,000</u>	<u>905,015</u>	<u>306,985</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	<u>(552,443)</u>	<u>(846,265)</u>	<u>(544,660)</u>	<u>301,605</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer advance	555,000	795,000	566,487	(228,513)
Total transfers out	-	(8,000)	(7,370)	630
Total other financing sources (uses)	<u>555,000</u>	<u>787,000</u>	<u>559,117</u>	<u>(227,883)</u>
<b>NET CHANGE IN FUND BALANCES</b>				
	2,557	(59,265)	14,457	73,722
<b>FUND BALANCES - BEGINNING OF YEAR</b>				
	<u>28,098</u>	<u>82,421</u>	<u>82,421</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>				
	<u>\$ 30,655</u>	<u>\$ 23,156</u>	<u>\$ 96,878</u>	<u>\$ 73,722</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**OLD RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

Old Ranch Metropolitan District (the District), a quasi-municipal corporation and political subdivision of the State of Colorado was organized by order and decree of the District Court of El Paso County on August 27, 2002, concurrently with Upper Cottonwood Creek Metropolitan District (collectively, the Districts). The Districts were formed under a Joint Service Plan approved by the City of Colorado Springs (the City) and as modified on February 6, 2006, and are governed pursuant to provisions of the Colorado Special Districts Act (Title 32, Article 1, Colorado Revised Statutes). The Districts' Amended Service Plan allowed for the creation of Upper Cottonwood Creek Metropolitan District Nos. 2 – 5 within the original boundaries of Upper Cottonwood Creek Metropolitan District. The Districts' service area is located entirely within the City. The District is responsible for managing the construction of certain public facilities and improvements and for operation and maintenance of the limited list of public improvements which are not conveyed to the City. Upper Cottonwood Creek and Upper Cottonwood Creek Nos. 2 – 5 (collectively, the Financing Districts) are responsible for providing the funding and tax base needed to support the financing plan for capital improvements and to fund limited ongoing operations. Under the Service Plan, the Districts provide the following services: parks and recreation, sanitary sewer, storm drainage, streets, traffic safety protection, water and mosquito control.

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

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Government-wide and Fund Financial Statements**

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

**OLD RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

The District reports the following major governmental funds:

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

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

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

**OLD RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**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 and other financing uses level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The District amended its annual budget for the year ended December 31, 2017.

**Pooled Cash and Investments**

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

**Capital Assets**

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

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

It is the policy of the City to accept maintenance responsibility for all capital improvements within the City, except for certain landscaping improvements specified in the District's Service Plan, upon the District's completion and conveyance of such improvements provided they meet the City's specifications.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Parks and recreation facilities	30 years
Storm drainage	30 years

**OLD RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Equity**

***Net Position***

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

***Fund Balance***

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

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

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

**OLD RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 3 - CASH AND INVESTMENTS**

Cash and investments as of December 31, 2017, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments - Unrestricted	\$ 15,720
Cash and investments - Restricted	<u>26,298</u>
Total cash and investments	<u>\$ 42,018</u>

Cash and investments as of December 31, 2017, consists of the following:

Deposits with financial institutions	\$ 35,109
Investments	<u>6,909</u>
Total cash and investments	<u>\$ 42,018</u>

**Deposits with Financial Institutions**

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

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

As of December 31, 2017, the District's cash deposits had a bank balance and a carrying balance of \$35,109.

**Investments**

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

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

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

**OLD RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 3 - CASH AND 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 securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- \* Local government investment pools

As of December 31, 2017, the District had the following investments:

<b>Investment</b>	<b>Maturity</b>	<b>Amount</b>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 6,909</u>

**COLOTRUST**

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**OLD RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 4 - CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2017, follows:

	<u>Balance at December 31, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2017</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 8,773,075	\$ (8,773,075)	\$ -
Capital assets, being depreciated:				
Parks and recreation facilities	6,790,104	1,236,580	-	8,026,684
Storm drainage	2,243,524	2,242,469		4,485,993
Total capital assets, being depreciated	<u>9,033,628</u>	<u>12,252,124</u>	<u>(8,773,075)</u>	<u>12,512,677</u>
Less accumulated depreciation for:				
Parks and recreation facilities	(1,738,248)	(230,596)	-	(1,968,844)
Storm drainage	(39,335)	(81,013)	-	(120,348)
Total accumulated depreciation	<u>(1,777,583)</u>	<u>(311,609)</u>	<u>-</u>	<u>(2,089,192)</u>
Total capital assets, being depreciated, net	<u>\$ 7,256,045</u>	<u>\$ 11,940,515</u>	<u>\$ (8,773,075)</u>	<u>\$ 10,423,485</u>

Depreciation expense was charged to the general government function/program of the District as follows:

Governmental activities:	
General government	<u>\$ 311,609</u>

**OLD RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 5 - LONG-TERM OBLIGATIONS**

The following is an analysis of changes in District's long-term obligations for the year ended December 31, 2017:

	<u>Balance at December 31, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at December 31, 2017</u>	<u>Due Within One Year</u>
Series 2007A Convertible					
Capital Appreciation Bonds	\$ 6,187,000	\$ -	\$ 30,000	\$ 6,157,000	\$ 47,000
Series 2007B Taxable Subordinate					
Special Revenue Bonds	1,300,000	-	-	1,300,000	-
Interest on Subordinate Bonds	942,330	179,387	-	1,121,717	-
Developer advances	41,033,350	12,819,212	-	53,852,562	-
Interest on Developer advances	17,851,055	2,872,334	-	20,723,389	-
	<u>\$ 67,313,735</u>	<u>\$ 15,870,933</u>	<u>\$ 30,000</u>	<u>\$ 83,154,668</u>	<u>\$ 47,000</u>

The details of the District's long-term obligations are as follows:

**Bonds Payable**

On March 15, 2007, the District issued the following bonds (collectively, the Bonds): 1) \$5,696,114 Special Revenue Convertible Capital Appreciation Bonds, Series 2007A, with a value of \$6,355,000 at conversion date, and 2) \$1,300,000 Taxable Subordinate Special Revenue Bonds, Series 2007B. The Bonds were issued to reimburse the Developer for infrastructure acquired by the District.

The Bonds are secured and payable from the Pledged Revenue, consisting of monies derived by: 1) the Taxing Districts from the following sources, net of collection costs: the Taxing Districts Mill Levy, 2) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Mill Levy, and 3) any other legally available monies of the District credited to the Bond Fund.

The principal payment on the Series 2007A Bonds was not fully funded in 2017 and is not anticipated to be fully funded in 2018. The partial payment of principal does not constitute an event of default to the certified record of proceedings.

The Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000 in any order of maturity and in whole or partial maturities on December 1, 2016, for the Series 2007A and on December 2, 2010, for the Series 2007B, and on any date thereafter, upon payment of par and accrued interest, without redemption premium.

Further, the Series 2007A Bonds are also subject to mandatory sinking fund redemption, in part, by lot, on December 1, 2010, and on each December 1 thereafter, prior to the maturity date, upon payment of part and accrued interest, without redemption premium.

**OLD RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)**

As of December 2, 2015, the interest on the 2007B Bonds was unable to be funded. Pursuant to the Bond Resolution, to the extent interest is not paid when due, such interest shall compound annually on each interest payment date. The amount of accrued unpaid interest on the 2007B Bonds is \$1,121,717 as of December 31, 2017.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 47,000	\$ 400,205	\$ 447,205
2019	420,000	397,150	817,150
2020	190,000	367,900	557,900
2021	205,000	355,550	560,550
2022	220,000	342,225	562,225
2023-2027	1,320,000	1,479,400	2,799,400
2028-2032	1,815,000	989,300	2,804,300
2033-2036	1,940,000	319,475	2,259,475
	<u>\$ 6,157,000</u>	<u>\$ 4,651,205</u>	<u>\$ 10,808,205</u>

\* This debt maturity schedule only represents the senior general obligations of the District.

**Authorized Debt**

On November 5, 2002, the District's electorate authorized the issuance of indebtedness in an amount not to exceed \$52,280,000 for infrastructure improvements and operations and maintenance at an interest rate not to exceed 12% and \$52,280,000 for refunding the District's debt or other obligations.

	<u>Authorized November 5, 2002 Election</u>	<u>Authorization Used 2007 Bonds</u>	<u>Remaining at December 31, 2017</u>
Streets	\$ 24,790,200	\$ 4,161,114	\$ 20,629,086
Water	4,393,200	2,029,000	2,364,200
Sanitary sewer and storm drainage	8,034,200	697,000	7,337,200
Parks and recreation	15,062,400	109,000	14,953,400
Refunding of debt	52,280,000	-	52,280,000
	<u>\$ 104,560,000</u>	<u>\$ 6,996,114</u>	<u>\$ 97,563,886</u>

**OLD RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)**

Pursuant to the Joint Service Plan as amended on February 6, 2006, the Districts can issue bond indebtedness of up to \$7,000,000. In addition, the maximum debt service mill levy for the Districts is 16.500 mills, as adjusted for changes in the ratio of actual value to assessed value property within the Districts. As of December 31, 2017, the calculated adjusted debt service mill levy was 18.970 mills. For collection during 2017, Upper Cottonwood Creek Metropolitan District levied 18.970 mills and remitted the net property taxes to the District per agreement (see below).

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 within the limitations of the District's Service Plan.

**Developer Advances**

For the year ended December 31, 2017, the District recognized a total of \$12,819,212 in Developer advances for operations and capital improvements.

The District has entered into a Financing and Reimbursement Agreement with the Developer to repay advances made by the Developer for operation and maintenance and capital improvement costs. The District agrees to repay the Developer along with accrued interest of 7% from the first day of the following year in which the advances were made. The District's repayment obligation pursuant to this agreement is subject to annual appropriation. As of December 31, 2017, outstanding Developer advances totaled \$53,852,562 and accrued interest totaled \$20,723,389.

**NOTE 6 - NET POSITION**

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

Net investment in capital assets component of net position consists of capital assets that are owned by the District, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

As of December 31, 2017, the District had net investment in capital assets calculated as follows:

	<b>Governmental Activities</b>
Net investment in capital assets:	
Capital assets, net	\$ 10,423,485
Current portion of outstanding long-term obligations	(10,295)
Noncurrent portion of outstanding long-term obligations	(12,337,696)
Net investment in capital assets	\$ (1,924,506)

**OLD RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 6 - NET POSITION (CONTINUED)**

The restricted component of net position consists of 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 as of December 31, 2017, as follows:

	<u>Governmental Activities</u>
Restricted net position:	
Emergencies (see Note 11)	\$ 10,900
Indoor Pool (see Note 9)	9,975
Total restricted net position	<u>\$ 20,875</u>

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

**NOTE 7 - RELATED PARTIES**

The Developer of the property which constitutes the District is Nor'wood Development Group. The members of the Board of Directors are officers of, employees of, or associated with the Developer and may have conflicts of interest in dealing with the District. See Note 5 concerning advances made by the Developer.

**NOTE 8 - ECONOMIC DEPENDENCY**

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

**NOTE 9 - AGREEMENTS**

On January 14, 2003, the District entered into a District Facilities Construction and Service Agreement (IGA) with Upper Cottonwood Creek Metropolitan District. The IGA was amended on June 1, 2006, to include Upper Cottonwood Creek Metropolitan District Nos. 2 – 5. The IGA provides that the District is to construct, own, maintain and operate the facilities benefiting the aforementioned Districts. Upper Cottonwood Creek Metropolitan District and Upper Cottonwood Creek Metropolitan District Nos. 2 – 5 have agreed to finance such activities by either issuing bonds and/or pledging certain revenues collected within the boundaries of the Financing Districts.

**OLD RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 9 - AGREEMENTS (CONTINUED)**

On February 10, 2010, the District entered into an agreement with AFA Falfins, Inc. (Falfins) that allows Falfins to use the pool during the Off Season for swim lessons, water aerobics and other related activities. The District is responsible for maintaining a reserve fund that both the District and Falfins will make contributions into that will be used to pay for future repairs and maintenance to the pool. At December 31, 2017, the District had \$9,975 of restricted net assets for Indoor Pool Reserves.

**NOTE 10 - INTERFUND AND OPERATING TRANSFERS**

The transfer of \$7,370 from the General Fund to the Capital Projects Funds was to help fund accounting and legal costs in the Capital Projects Fund.

**NOTE 11 - RISK MANAGEMENT**

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

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

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

**NOTE 12 - TAX, SPENDING AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, 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.

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.

**OLD RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 12 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)**

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.

On November 5, 2002, the District's voters authorized the District to increase property taxes \$1,700,000 annually, without limitation of rate and without regard to any spending, revenue raising or other limitations contained within Article X, Section 20 of the Colorado Constitutions (TABOR) or Section 29-1-301, C.R.S., to pay the District's operations, maintenance and other expenses. Additionally, the District's electors authorized the District to collect, spend or retain all 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 will require judicial interpretation.

This information is an integral part of the accompanying financial statements.

## **SUPPLEMENTARY INFORMATION**

**OLD RANCH METROPOLITAN DISTRICT  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended December 31, 2017**

	<u>Budgets</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
Intergovernmental revenue	\$ 409,337	\$ 425,443	\$ 432,000	\$ 6,557
Net investment income	500	1,500	1,618	118
Total revenues	<u>409,837</u>	<u>426,943</u>	<u>433,618</u>	<u>6,675</u>
<b>EXPENDITURES</b>				
Bond interest expense	403,780	402,155	402,155	-
Bond principal	12,000	30,000	30,000	-
Contingency	<u>220</u>	<u>845</u>	<u>-</u>	<u>845</u>
Total expenditures	<u>416,000</u>	<u>433,000</u>	<u>432,155</u>	<u>845</u>
<b>NET CHANGE IN FUND BALANCES</b>	(6,163)	(6,057)	1,463	7,520
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>7,121</u>	<u>8,019</u>	<u>8,019</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 958</u>	<u>\$ 1,962</u>	<u>\$ 9,482</u>	<u>\$ 7,520</u>

**OLD RANCH METROPOLITAN DISTRICT  
CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended December 31, 2017**

	<u>Budgets</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Total revenues	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>				
Current				
Accounting	-	10,000	7,956	2,044
Legal	-	-	15	(15)
Capital outlay				
Park and recreation	-	-	1,236,580	(1,236,580)
Sewer	-	-	4,484,939	(4,484,939)
Streets	10,000,000	12,490,000	4,235,022	8,254,978
Water	-	-	2,295,583	(2,295,583)
Total expenditures	<u>10,000,000</u>	<u>12,500,000</u>	<u>12,260,095</u>	<u>239,905</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(10,000,000)</u>	<u>(12,500,000)</u>	<u>(12,260,095)</u>	<u>239,905</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer advance	10,000,000	12,492,000	12,252,725	(239,275)
Transfers in	-	8,000	7,370	(630)
Total other financing sources (uses)	<u>10,000,000</u>	<u>12,500,000</u>	<u>12,260,095</u>	<u>(239,905)</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	-	-
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**OLD RANCH METROPOLITAN DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
December 31, 2017**

**\$5,696,114 Special Revenue  
Convertible Capital Appreciation Bonds  
Series 2007A  
Dated March 15, 2007  
Interest Rate 6.5%  
Principal Due December 1  
Interest Payable June 1 and December 1**

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018*	\$ 47,000	\$ 400,205	\$ 447,205
2019*	420,000	397,150	817,150
2020	190,000	367,900	557,900
2021	205,000	355,550	560,550
2022	220,000	342,225	562,225
2023	230,000	327,925	557,925
2024	245,000	312,975	557,975
2025	265,000	297,050	562,050
2026	280,000	279,825	559,825
2027	300,000	261,625	561,625
2028	320,000	242,125	562,125
2029	340,000	221,325	561,325
2030	360,000	199,225	559,225
2031	385,000	175,825	560,825
2032	410,000	150,800	560,800
2033	440,000	124,150	564,150
2034	470,000	95,875	565,875
2035	500,000	65,650	565,650
2036	530,000	33,800	563,800
	<u>\$ 6,157,000</u>	<u>\$ 4,651,205</u>	<u>\$ 10,808,205</u>

\* This debt to maturity schedule only represents the senior general obligation of the District. Principal amount for 2018 represents anticipated budgeted amount as compared to actual amount due of \$140,000. It is assumed unpaid principal from prior years will be paid in 2019. See Note 5 for more information regarding long-term obligations of the District.