

**LIBERTY RANCH METROPOLITAN DISTRICT
Weld County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2018

**LIBERTY RANCH METROPOLITAN DISTRICT
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YEAR ENDED DECEMBER 31, 2018**

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Board of Directors
Liberty Ranch Metropolitan District
Weld County, Colorado

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Liberty Ranch Metropolitan District (the "District") as of and for the year ended December 31, 2018, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards general 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Liberty Ranch Metropolitan District as of December 31, 2018, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted the management's discussion and analysis that accounting principles general 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.

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

Stratagem PC
Certified Public Accountants
Lakewood, Colorado

August 20, 2019

BASIC FINANCIAL STATEMENTS

**LIBERTY RANCH METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2018**

	Governmental Activities
ASSETS	
Cash and Investments	\$ 84,009
Cash and Investments - Restricted	235,971
Cost of Refunding	39,442
Receivable - County Treasurer	3,878
Prepaid Expense	2,858
Property Taxes Receivable	566,645
Total Assets	932,803
LIABILITIES	
Accounts Payable	3,098
Accrued Bond Interest	29,377
Noncurrent Liabilities:	
Due Within One Year	25,000
Due in More Than One Year	11,844,084
Total Liabilities	11,901,559
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	566,645
Total Deferred Inflows of Resources	566,645
NET POSITION	
Restricted for:	
Emergency Reserve	2,800
Capital Projects	44
Unrestricted	(11,538,245)
Total Net Position	\$ (11,535,401)

See accompanying Notes to Basic Financial Statements.

**LIBERTY RANCH METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<u>FUNCTIONS/PROGRAMS</u>					
Primary Government:					
Governmental Activities:					
General Government	\$ 40,902	\$ -	\$ -	\$ -	\$ (40,902)
Interest and Related Costs on Long-Term Debt	793,347	-	-	-	(793,347)
Total Governmental Activities	\$ 834,249	\$ -	\$ -	\$ -	(834,249)
GENERAL REVENUES					
Property Taxes					585,645
Property Taxes - URA					74,441
Specific Ownership Taxes					50,404
Net Investment Income					10,674
Total General Revenues					721,164
CHANGES IN NET POSITION					(113,085)
Net Position - Beginning of Year - Restated					(11,422,316)
NET POSITION - END OF YEAR					\$ (11,535,401)

See accompanying Notes to Basic Financial Statements.

**LIBERTY RANCH METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018**

ASSETS	General	Debt Service	Capital Projects	Total Governmental Funds
Cash and Investments	\$ 84,009	\$ -	\$ -	\$ 84,009
Cash and Investments - Restricted	2,800	231,774	1,397	235,971
Receivable - County Treasurer	490	3,388	-	3,878
Prepaid Expense	2,858	-	-	2,858
Property Taxes Receivable	71,640	495,005	-	566,645
Total Assets	\$ 161,797	\$ 730,167	\$ 1,397	\$ 893,361
LIABILITIES, DEFERRED INFLOWS OF OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 3,098	\$ -	\$ -	\$ 3,098
Total Liabilities	3,098	-	-	3,098
DEFERRED INFLOWS OF RESOURCES				
Property Tax Revenue	71,640	495,005	-	566,645
Total Deferred Inflows of Resources	71,640	495,005	-	566,645
FUND BALANCES				
Nonspendable:				
Prepaid Expenditures	2,858	-	-	2,858
Restricted for:				
Debt Service	-	235,162	-	235,162
Capital Projects	-	-	44	44
Emergency Reserves	2,800	-	-	2,800
Committed for:				
Capital Projects	-	-	1,353	1,353
Assigned for:				
Subsequent year expenditures	11,249	-	-	11,249
Unrestricted	70,152	-	-	70,152
Total Fund Balances	87,059	235,162	1,397	323,618
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 161,797	\$ 730,167	\$ 1,397	

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

Long-term liabilities, including bonds payable and Developer advances, are not due and payable in the current period and, therefore, are not reported in the funds.

Developer Advance Payable	(215,211)
Accrued Interest on Developer Advances	(137,374)
Accrued Bond Interest Payable	(577,876)
Bonds Payable	(10,968,000)
Cost of Refunding	39,442
	(11,535,401)

Net Position of Governmental Activities

\$ (11,535,401)

See accompanying Notes to Basic Financial Statements.

**LIBERTY RANCH METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018**

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property taxes	\$ 74,042	\$ 511,603	\$ -	\$ 585,645
Property tax - URA	9,409	65,032	-	74,441
Specific ownership tax	6,372	44,032	-	50,404
Net investment income	2,009	8,665	-	10,674
Total Revenues	<u>91,832</u>	<u>629,332</u>	<u>-</u>	<u>721,164</u>
EXPENDITURES				
Accounting	15,547	-	-	15,547
Auditing	3,850	-	-	3,850
County Treasurer's fee	1,111	7,674	-	8,785
Dues and licenses	330	-	-	330
Insurance and bonds	2,731	-	-	2,731
District management	8,648	-	-	8,648
Legal services	5,317	-	-	5,317
Miscellaneous	209	-	-	209
Election expense	1,056	-	-	1,056
Paying agent fees	-	4,081	-	4,081
Bond interest - Series 2017A	-	260,000	-	260,000
Bond interest - Series 2017B	-	197,194	-	197,194
Bond principal - Series 2017A	-	25,000	-	25,000
Bond principal - Series 2017B	-	119,000	-	119,000
Total Expenditures	<u>38,799</u>	<u>612,949</u>	<u>-</u>	<u>651,748</u>
EXCESS OF REVENUES OVER EXPENDITURES	53,033	16,383	-	69,416
OTHER FINANCING SOURCES (USES)				
Repay Developer Advance	(40,000)	-	-	(40,000)
Total Other Financing Uses	<u>(40,000)</u>	<u>-</u>	<u>-</u>	<u>(40,000)</u>
NET CHANGE IN FUND BALANCES	13,033	16,383	-	29,416
Fund Balances - Beginning of Year	<u>74,026</u>	<u>218,779</u>	<u>1,397</u>	<u>294,202</u>
FUND BALANCES - END OF YEAR	<u>\$ 87,059</u>	<u>\$ 235,162</u>	<u>\$ 1,397</u>	<u>\$ 323,618</u>

See accompanying Notes to Basic Financial Statements.

**LIBERTY 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, 2018**

Net Change in Fund Balances - Total Governmental Funds \$ 29,416

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

The issuance of long-term debt (e.g., bonds, 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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Bond Principal Payment	144,000
Amortization of Cost of Refunding	(2,103)

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	(307,147)
Accrued Interest on Developer Advance - Change in Liability	<u>22,749</u>

Changes in Net Position of Governmental Activities \$ (113,085)

**LIBERTY RANCH METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$ 73,930	\$ 74,042	\$ 112
Property tax - URA	9,411	9,409	(2)
Specific ownership tax	5,000	6,372	1,372
Net investment income	385	2,009	1,624
Total Revenues	<u>88,726</u>	<u>91,832</u>	<u>3,106</u>
EXPENDITURES			
Accounting	25,000	15,547	9,453
Auditing	4,000	3,850	150
County Treasurer's fee	1,109	1,111	(2)
Dues and licenses	500	330	170
Insurance and bonds	2,900	2,731	169
District management	20,000	8,648	11,352
Legal services	30,000	5,317	24,683
Miscellaneous	1,485	209	1,276
Election expense	1,000	1,056	(56)
Total Expenditures	<u>85,994</u>	<u>38,799</u>	<u>47,195</u>
EXCESS OF REVENUES OVER EXPENDITURES	2,732	53,033	50,301
OTHER FINANCING SOURCES (USES)			
Repay developer advance	-	(40,000)	(40,000)
Total Other Financing Uses	<u>-</u>	<u>(40,000)</u>	<u>(40,000)</u>
NET CHANGE IN FUND BALANCE	2,732	13,033	10,301
Fund Balance - Beginning of Year	<u>54,538</u>	<u>74,026</u>	<u>19,488</u>
FUND BALANCE - END OF YEAR	<u>\$ 57,270</u>	<u>\$ 87,059</u>	<u>\$ 29,789</u>

See accompanying Notes to Basic Financial Statements.

**LIBERTY RANCH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 DEFINITION OF REPORTING ENTITY

Liberty Ranch Metropolitan District (District), a quasi-municipal corporation located entirely in Weld County, Colorado, was organized by order and decree of the District Court for Weld County on December 23, 2005, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District was established to provide for construction and financing for street, safety protection, water, sanitation and mosquito control facilities and improvements. The street and safety control improvements have been dedicated to and are maintained by the Town of Mead. Water and sanitation improvements have been dedicated to and are maintained by the Longs Peak Water District and St. Vrain Sanitation District, respectively.

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

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

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

**LIBERTY RANCH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Expenditures for property, plant, and equipment are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

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

The District reports the following major governmental funds:

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

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

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

**LIBERTY RANCH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The District has amended its annual budget for the year ended December 31, 2018.

Pooled Cash and Investments

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

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

Facility Fees

On July 26, 2006, the Board of Directors of the District adopted resolutions imposing certain Facilities Fees upon the property in the District. Pursuant to the Resolutions, the District imposes a Residential Facilities Fee in the amount of \$2,000 per unit for each single-family detached or attached residential unit, and a Commercial Facilities Fee per building in the amount of \$0.50 per square foot of commercial space within the District, both payable upon the issuance of a building permit for the subject property. Any unpaid Facilities Fees constitute a statutory and perpetual lien upon the property until paid.

**LIBERTY RANCH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflow/Outflow of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Equity

Net Position

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

Fund Balance

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

Nonspendable Fund Balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

Restricted Fund Balance – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

Committed Fund Balance – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

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.

**LIBERTY RANCH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2018 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 84,009
Cash and Investments - Restricted	235,971
Total	\$ 319,980

Cash and investments as of December 31, 2018 consist of the following:

Deposits with Financial Institutions	\$ 13,420
Investments	306,560
Total Cash and Investments	\$ 319,980

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 102% of the aggregate uninsured deposits.

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

At December 31, 2018, the District's cash deposits had a bank balance of \$15,134 and a carrying balance of \$13,420.

Investments

The District's formal investment policy is to follow 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.

**LIBERTY RANCH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 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, 2018, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted Average Under 60 Days	\$ 306,560

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), 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, certain money market funds, 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 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. CSAFE records its investments at amortized cost and the District records its investments in CSAFE at net asset value as determined by amortized cost. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

**LIBERTY RANCH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations as of December 31, 2018:

	Balance at December 31, 2017	Additions	Reductions	Balance at December 31, 2018	Due Within One Year
Governmental Activities:					
G.O. Refunding and Improvement 2017A Bonds	\$ 5,200,000	\$ -	\$ 25,000	\$ 5,175,000	\$ 25,000
G.O. Subordinate Limited Tax 2017B Bonds - Restated	2,427,000	-	119,000	2,308,000	-
Junior Subordinate Cash Flow 2017C Bonds	3,485,000	-	-	3,485,000	-
Accrued and Unpaid Interest - Cash Flow 2017C Bonds - Restated	232,817	315,682	-	548,499	-
Developer Advance	215,211	-	-	215,211	-
Developer Advance Interest	160,123	17,251	40,000	137,374	-
Total Payable	<u>\$ 11,720,151</u>	<u>\$ 332,933</u>	<u>\$ 184,000</u>	<u>\$ 11,869,084</u>	<u>\$ 25,000</u>

**\$5,225,000 General Obligation Refunding and Improvement Bonds, Series 2017A,
\$2,517,000 Subordinate Limited Tax General Obligation Improvement Bonds, Series
2017B and \$3,485,000 Junior Subordinate Cash Flow Bonds, Series 2017C**

On February 22, 2017, the District issued its \$5,225,000 General Obligation Refunding and Improvement Bonds, Series 2017A (2017A Bonds), its \$2,517,000 Subordinate Limited Tax General Obligation Improvement Bonds, Series 2017B (2017B Bonds) and its \$3,485,000 Junior Subordinate Cash Flow Bonds (2017C Bonds, and collectively with the 2017A Bonds and 2017B Bonds, the 2017 Bonds). The proceeds from the sale of the 2017A Bonds were used to refund the District's 2006 General Obligation Bonds, reimburse Developer advances related to public improvements for the District, and to pay the costs of issuing the 2017 Bonds. The proceeds from the sale of the 2017B Bonds will be applied to reimburse Developer advances related to public improvements for the District and to pay certain costs of issuing the 2017B Bonds. The proceeds from the sale of the 2017C Bonds were used to reimburse Developer advances related to public improvements for the District and to pay certain costs of issuing the 2017C Bonds.

The 2017A Bonds bear interest at 5.00%, payable semi-annually on June 1 and December 1, beginning on June 1, 2017. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2017. The 2017A Bonds mature on December 1, 2046.

**LIBERTY RANCH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

**\$5,225,000 General Obligation Refunding and Improvement Bonds, Series 2017A,
\$2,517,000 Subordinate Limited Tax General Obligation Improvement Bonds, Series
2017B and \$3,485,000 Junior Subordinate Cash Flow Bonds, Series 2017C
(Continued)**

The 2017B Bonds bear interest at 8.125% per annum, are payable annually from Subordinate Pledged Revenue, if any, on December 15, beginning on December 15, 2017, and mature on December 15, 2046. The 2017B Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal prior to the final maturity date. Unpaid interest on the 2017B Bonds compounds annually on each December 15. All of the 2017B Bonds and interest thereon will be deemed to be paid, satisfied, and discharged on December 16, 2054, regardless of the amount of principal and interest paid on the 2017B Bonds prior to such Subordinate Termination Date.

The 2017C Bonds bear interest at the rate of 8.125% per annum, and are payable annually from Junior Subordinate Pledged Revenue, if any available, on each December 15, commencing on the first December 15 occurring after the 2017B Bonds have been paid in full or are no longer outstanding, and mature on December 15, 2056. The 2017C Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal prior to the final maturity date. Unpaid interest on the 2017C Bonds compounds annually on each December 15. All of the 2017C Bonds and interest thereon will be deemed to be paid, satisfied, and discharged on December 16, 2057, regardless of the amount of principal and interest paid on the 2017C Bonds prior to such Termination Date.

The District's general obligation bonds mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 25,000	\$ 258,750	\$ 283,750
2020	60,000	257,500	317,500
2021	65,000	254,500	319,500
2022	75,000	251,250	326,250
2023	80,000	247,500	327,500
2024-2028	520,000	1,169,250	1,689,250
2029-2033	745,000	1,018,500	1,763,500
2034-2038	1,050,000	803,000	1,853,000
2039-2043	1,450,000	502,500	1,952,500
2044-2046	1,105,000	112,500	1,217,500
Total	<u>\$ 5,175,000</u>	<u>\$ 4,875,250</u>	<u>\$ 10,050,250</u>

**LIBERTY RANCH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

On November 1, 2005, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$108,800,000 at an interest rate not to exceed 18% per annum. At December 31, 2018, the District had the following remaining authorized but unissued indebtedness:

	Authorized November 1, 2005 Election	Authorization Used	Remaining at December 31, 2018
Streets	\$ 9,900,000	\$ 5,106,218	\$ 4,793,782
Water Facilities	14,800,000	4,125,538	10,674,462
Sanitation Facilities	10,300,000	2,676,465	7,623,535
Mosquito Control	100,000	-	100,000
Safety Protection	1,000,000	-	1,000,000
Operations and Maintenance	500,000	-	500,000
Debt Refunding	36,100,000	-	36,100,000
Intergovernmental Agreement	36,100,000	-	36,100,000
Total	<u>\$ 108,800,000</u>	<u>\$ 11,908,221</u>	<u>\$ 96,891,779</u>

Pursuant to the District's Service Plan, the District is limited to issuing a total of \$18,500,000 in bonds. The District is also limited to a maximum debt service mill levy of 50 mills, as adjusted for changes in the ratio of actual value to assessed value of property within the District, pursuant to the Service Plan. In 2017, the residential assessment rate changed from 7.96% to 7.20%; therefore, the maximum mill levy for debt service is 55.278 mills as of December 31, 2017. In December 2018, the District certified an adjusted mill levy of 55.277 mills for collection in budget year 2019.

In the future, the District may issue a portion or all of the remaining authorized but unissued debt for purposes of providing public improvements to support development as it occurs within the District's service area.

Developer Advances

Facilities Acquisition Agreement(s)

The District entered into a Facilities Acquisition Agreement on March 1, 2006, with Centex Homes (Centex) whereby the Developer will design, construct, complete, and convey to the District, and the District will accept, certain public infrastructure improvements benefiting the development within the District. The District agrees to make payment to Centex for costs of the improvements, including but not limited to, all costs of design, testing, engineering, acquisition, construction, related consultant fees and construction management up to a maximum amount of \$18,500,000, together with interest thereon, at an annual rate of 8%. The Facilities Acquisition Agreement was amended on November 29, 2006, to decrease the maximum amount to be advanced by Centex to \$9,000,000. Repayment of the advances is subject to annual appropriation by the District's Board of Directors.

**LIBERTY RANCH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Developer Advances (Continued)

Facilities Acquisition Agreement(s) (Continued)

On December 1, 2010, the District terminated its Facilities Acquisition Agreement with Centex and entered into a Facilities Funding and Acquisition Agreement with LR Investments, LLC (LR), subject to the closing of the sale of property within the District's boundaries from Centex to LR. Previous advances made by Centex and the accrued interest on those advances were transferred to LR through the simultaneous execution of the Termination of Facilities Acquisition Agreement with Centex and the Facilities Funding and Acquisition Agreement with LR. During 2017, the District repaid the outstanding principal and interest balance and had no outstanding obligations as of December 31, 2018.

On July 8, 2014, the District entered into a Facilities Acquisition Agreement with Lorson South Land Corporation (LSLC) whereby the Developer will design, construct, complete, and convey to the District, and the District will accept, certain public infrastructure improvements benefitting the development within the District. The District agrees to make payment to LSLC for costs of the improvements, including but not limited to, all costs of design, testing, engineering, acquisition, construction, related consultant fees and construction management, together with interest thereon, at an annual rate of 8%. Repayment of the advances is subject to annual appropriation by the District's Board of Directors. During 2014, the District accepted \$2,879,630 in improvements. During 2017, the district repaid the outstanding principal and interest due and had no outstanding obligation at December 31, 2018.

Operations Funding Agreements

On March 1, 2006, the District and Centex entered into an Operations Funding Agreement (2006 OFA) in which Centex agreed to advance amounts to a maximum stated amount to fund operations and maintenance expenditures of the District in the event District revenues are not sufficient. The District agreed to repay Centex for such advances plus accrued interest at the rate of 8%. Additionally, the District entered into Operation Funding Agreements (hereinafter referred to as 2007 OFA, 2008 OFA, 2009 OFA and 2010 OFA and, collectively with the 2006 OFA, the 2006-2010 OFAs) with similar terms and provisions for 2007, 2008, 2009 and 2010.

On December 1, 2010, the District terminated the 2006-2010 OFAs with Centex and entered into a 2010-2011 Operation Funding Agreement (2010-2011 OFA) with LR. Pursuant to the 2010-2011 OFA, LR agrees to advance up to \$30,000 for operations and maintenance for the period beginning December 1, 2010, through December 31, 2011. Previous advances made by Centex and the accrued interest on those advances have been transferred to LR through the simultaneous execution of the Termination of 2006-2010 OFAs with Centex and the 2010-2011 OFA with LR.

**LIBERTY RANCH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Developer Advances (Continued)

Operations Funding Agreements (Continued)

On November 2, 2011, the District entered into a 2012 Operation Funding Agreement with LR (2012 OFA). Under the 2012 OFA, LR agreed to advance up to \$14,000. No amounts were advanced under the 2012 OFA.

As of December 31, 2018, the District had outstanding advances of \$215,211 and accrued interest of \$137,374.

NOTE 5 NET POSITION

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

Restricted assets include net position 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, 2018 as follows:

Restricted Net Position:

TABOR Emergency Reserve	\$	2,800
Capital Projects		44
Total Restricted Net Position	\$	<u>2,844</u>

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

NOTE 6 RELATED PARTY

Certain owners of the majority of the undeveloped property within the District are LR and LSLC. All of the members of the Board of Directors are associated with LR and/or LSLC and/or may have conflicts of interest in dealing with the District.

**LIBERTY RANCH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 7 AGREEMENTS

St. Vrain Intergovernmental Agreement

The District and the St. Vrain Sanitation District (SVSD) entered into an Intergovernmental Agreement (the St. Vrain IGA) on February 15, 2006, pursuant to which SVSD consented to the formation of the District and authority of the District to construct and finance certain on site sanitary sewer system improvements as necessary within the development. Upon completion and acceptance of the sewer improvements by SVSD, the District dedicated and conveyed such sewer improvements to SVSD, at which time SVSD was assigned the responsibility for the operation and maintenance of the sewer improvements. The District agrees to request a meeting of SVSD to discuss and implement steps to dissolve the District when all of the financial obligations issued by the District have been repaid or when adequate provisions for payment in full have been made and there are not further operational requirements for District improvements which the District is responsible for.

Longs Peak Intergovernmental Agreement

The District and Longs Peak Water District (LPWD) entered into an Intergovernmental Agreement (the Longs Peak IGA) on April 20, 2006, pursuant to which LPWD consented to the formation of the District and authority of the District to construct and finance certain limited water system improvements as may be necessary within the Development. Upon completion and acceptance of the water improvements by LPWD, the District dedicated and conveyed such water improvements to LPWD, at which time LPWD assumed the responsibility for the operation and maintenance of the water improvements.

The District is required to obtain the consent of LPWD prior to including any property into the boundaries of the District or amending its Service Plan. In addition, the District also agrees to notify LPWD to request a meeting to discuss and implement steps to dissolve the District when all of the financial obligations issued by the District have been repaid or when adequate provisions for payment have been made and there are no further operational requirements for District improvements for which the District is responsible.

Town of Mead, Colorado and Mead Urban Renewal Authority Intergovernmental Agreement

The District entered into a Cooperation Agreement on January 30, 2017 with the town of Mead, Colorado and the Mead Urban Renewal Authority whereby additional property taxes, in the form of Tax Increment Funds (TIF), will be levied and collected by the District. A portion of the funds will be allocated to and paid into a special fund of the Mead Urban Renewal Authority to pay their debt obligations. The three Parties agreed to include parcels of taxable properties described in the Mead Urban Renewal Plan.

**LIBERTY RANCH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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). 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, public officials' liability, and workers' compensation 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, 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.

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 1, 2005, District voters passed an election question to increase property taxes \$500,000 annually, without limitation of rate, to pay the District's operational and maintenance costs. The voters also authorized the District to retain and spend all revenue from sources other than property taxes 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.

**LIBERTY RANCH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 10 RESTATEMENT OF PRIOR YEAR ITEMS

Certain items have been adjusted in the prior year, impacting beginning Net Position. In the government-wide financial statements, a principal payment on the bonds had been mistakenly classified as an interest payment. Additionally, accrued and unpaid interest on the 2017C Bonds had not been recognized.

Net Position Adjustment

Ending Net Position as Previously Stated	\$ (11,279,499)
Reclassification of Principal Payment	90,000
Restatement of Accrued Interest Payable	<u>(232,817)</u>
Ending Net Position as Restated	<u><u>\$ (11,422,316)</u></u>

SUPPLEMENTARY INFORMATION

**LIBERTY RANCH METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 510,827	\$ 510,827	\$ 511,603	\$ 776
Property tax - URA	65,029	65,029	65,032	3
Specific ownership tax	34,551	34,551	44,032	9,481
Net investment income	4,000	4,000	8,665	4,665
Total Revenues	<u>614,407</u>	<u>614,407</u>	<u>629,332</u>	<u>14,925</u>
EXPENDITURES				
County Treasurer's fee	7,662	11,865	7,674	4,191
Paying agent fees	3,000	25,000	4,081	20,919
Bond interest - Series 2017A	260,000	260,000	260,000	-
Bond interest - Series 2017B	123,135	123,135	197,194	(74,059)
Bond principal - Series 2017A	25,000	25,000	25,000	-
Bond principal - Series 2017B	195,000	195,000	119,000	76,000
Total Expenditures	<u>613,797</u>	<u>640,000</u>	<u>612,949</u>	<u>27,051</u>
NET CHANGE IN FUND BALANCE	610	(25,593)	16,383	41,976
Fund Balance - Beginning of year	<u>204,750</u>	<u>218,779</u>	<u>218,779</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 205,360</u>	<u>\$ 193,186</u>	<u>\$ 235,162</u>	<u>\$ 41,976</u>

**LIBERTY RANCH METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Total Revenues	-	-	-
EXPENDITURES			
Total Expenditures	-	-	-
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance - Beginning of Year	-	1,397	1,397
FUND BALANCE - END OF YEAR	\$ -	\$ 1,397	\$ 1,397

**LIBERTY RANCH METROPOLITAN DISTRICT
SUMMARY OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2018**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied for			Total Property Taxes		Percent Collected to Levied
		General	Debt Service	Refunds and Abatements	Levied	Collected	
2014	\$ 7,175,849	8.000	50.000	0.000	\$ 416,199	\$ 416,182	100.00 %
2015	5,119,570	8.000	50.000	4.195	318,413	318,393	99.99
2016	16,610,240	8.000	50.000	0.000	963,394	963,378	100.00
2017	11,134,732	8.000	50.000	0.000	645,815	645,881	100.01
2018	9,241,217	8.000	55.277	0.000	584,757	-	-

Estimated for
Calendar Year
Ending
December 31,
2019

\$ 8,954,995	8.000	55.277	0.000	\$ 566,645 *
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* Beginning in collection year 2017, a portion of the District is located in the Mead Urban Renewal Authority and the assessed valuation is reflective of the net assessed valuation of the District.

NOTE: Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from County Treasurer does not permit identification of specific year of assessment.