

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2018

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 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 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, 2018, the changes in its 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 29, 2019

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and Investments - Restricted	\$ 17,759
Accounts Receivable - Intergovernmental	8,995
Accounts Receivable	37,367
Prepaid Expenses	102,878
Capital Assets, Net	10,017,765
Total Assets	10,184,764
LIABILITIES	
Accounts Payable - Intergovernmental	1,590
Accounts Payable	109,959
Accrued Interest Payable	33,172
Noncurrent Liabilities:	
Due Within One Year	45,000
Due in More Than One Year	80,137,481
Total Liabilities	80,327,202
NET POSITION	
Net Investment in Capital Assets	(628,931)
Restricted For:	
Emergency Reserves	17,900
Indoor Pool	12,225
Unrestricted	(69,543,632)
Total Net Position	\$ (70,142,438)

See accompanying Notes to Basic Financial Statements.

**OLD RANCH METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments - Restricted	\$ 10,618	\$ 7,141	\$ -	\$ 17,759
Accounts Receivable - Intergovernmental	4,559	4,436	-	8,995
Accounts Receivable	37,367	-	-	37,367
Prepaid Expenses	102,878	-	-	102,878
	<u>\$ 155,422</u>	<u>\$ 11,577</u>	<u>\$ -</u>	<u>\$ 166,999</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable - Intergovernmental	\$ -	\$ 1,590	\$ -	\$ 1,590
Accounts Payable	109,959	-	-	109,959
Total Liabilities	109,959	1,590	-	111,549
FUND BALANCES				
Nonspendable:				
Prepaid Expenses	102,878	-	-	102,878
Restricted For:				
Emergencies (TABOR)	17,900	-	-	17,900
Indoor Pool	12,225	-	-	12,225
Debt Service	-	9,987	-	9,987
Unassigned:				
General Fund	(87,540)	-	-	(87,540)
Total Fund Balances	45,463	9,987	-	55,450
	<u>\$ 155,422</u>	<u>\$ 11,577</u>	<u>\$ -</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets, net	10,017,765
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Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds:

Accrued Interest on Developer Advance	(24,493,068)
Developer Advance Payable	(46,949,959)
Bonds Payable	(7,424,000)
Bond Interest Payable - 2007A	(33,172)
Bond Interest Payable - 2007B	(1,315,454)
Accrued Interest Payable	-

Net Position of Governmental Activities	<u>\$ (70,142,438)</u>
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See accompanying Notes to Basic Financial Statements.

**OLD 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				
Intergovernmental Revenue	\$ 467,443	\$ 444,588	\$ 7,767,500	\$ 8,679,531
Net Investment Income	1,502	4,923	-	6,425
Indoor Pool Revenue	14,433	-	-	14,433
Recreation Center Fees	26,739	-	-	26,739
Recreation Center Fees - HOA	85,120	-	-	85,120
Total Revenues	<u>595,237</u>	<u>449,511</u>	<u>7,767,500</u>	<u>8,812,248</u>
EXPENDITURES				
Current:				
Accounting	55,603	-	158	55,761
Audit	6,600	-	-	6,600
Dues and Membership	2,811	-	-	2,811
Insurance and Bonds	25,513	-	-	25,513
Intergovernmental Expenditure	-	15,801	39,391	55,192
District Management	24,653	-	-	24,653
Legal	20,610	-	-	20,610
Miscellaneous	37,640	-	-	37,640
Election Expense	5,149	-	-	5,149
Landscape Maintenance	627,358	-	-	627,358
Recreation Center	135,946	-	-	135,946
Cable/Telecom/WIFI	5,910	-	-	5,910
Storm water fees	6,748	-	-	6,748
Utilities	505,023	-	-	505,023
Debt Service:				
Bond Interest	-	400,205	-	400,205
Bond Principal	-	33,000	-	33,000
Capital Outlay	-	-	12,436	12,436
Total Expenditures	<u>1,459,564</u>	<u>449,006</u>	<u>51,985</u>	<u>1,960,555</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(864,327)	505	7,715,515	6,851,693
OTHER FINANCING SOURCES (USES)				
Developer Advance	435,000	-	-	435,000
Developer Advance - Non-cash	429,897	-	-	429,897
Repay Developer Advance	-	-	(7,767,500)	(7,767,500)
Total Transfers (Out) In	(51,985)	-	51,985	-
Total Other Financing Sources (Uses)	<u>812,912</u>	<u>-</u>	<u>(7,715,515)</u>	<u>(6,902,603)</u>
NET CHANGE IN FUND BALANCES	(51,415)	505	-	(50,910)
Fund Balance - Beginning of Year	<u>96,878</u>	<u>9,482</u>	<u>-</u>	<u>106,360</u>
FUND BALANCE - END OF YEAR	<u>\$ 45,463</u>	<u>\$ 9,987</u>	<u>\$ -</u>	<u>\$ 55,450</u>

See accompanying Notes to Basic Financial Statements.

**OLD RANCH METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

Net Change in Fund Balances - Governmental Funds \$ (50,910)

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

Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.

Capital Outlay	12,436
Depreciation	(418,156)

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	33,000
Developer Advances	(864,897)
Repayment of Developer Advances	7,767,500

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	(193,559)
Accrued Interest on Developer Advances - Change in Liability	(3,769,679)

Change in Net Position of Governmental Activities	\$ 2,515,735
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**OLD RANCH METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

	Budgets		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	458,380	\$ 468,000	467,443	\$ (557)
Net Investment Income	300	2,000	1,502	(498)
Indoor Pool Revenue	20,000	15,000	14,433	(567)
Recreation Center Fees	23,000	27,000	26,739	(261)
Recreation Center Rental Fees	7,500	-	-	-
Recreation Center Fees - HOA	142,200	77,000	85,120	8,120
Total Revenues	651,380	589,000	595,237	6,237
EXPENDITURES				
Current:				
Accounting	55,000	56,000	55,603	397
Audit	6,500	7,000	6,600	400
Dues and Membership	2,500	3,000	2,811	189
Insurance and Bonds	30,000	26,000	25,513	487
District Management	25,000	25,000	24,653	347
Legal	25,000	21,000	20,610	390
Miscellaneous	1,000	38,000	37,640	360
Gateway Park	3,150	-	-	-
Election Expense	20,000	5,500	5,149	351
Landscape Maintenance	710,000	627,500	627,358	142
Recreation Center - Pool	80,000	56,500	56,403	97
Recreation Center - Utility - Water	20,000	12,500	12,079	421
Recreation Center - Other	25,000	23,000	31,777	(8,777)
Recreation Center - Utility - Electricity	12,000	11,000	10,625	375
Recreation Center - Utility - Gas	18,000	13,000	12,949	51
Recreation Center - Utility - Wastewater	5,000	5,500	5,293	207
Recreation Center - Trash Removal	4,000	1,500	1,480	20
Recreation Center - Furniture / Equipment	18,000	-	-	-
Recreation Center - Repairs and Maintenance	5,000	5,500	5,340	160
Recreation Center - Cleaning Services	13,200	-	-	-
Recreation Center - Reserve Study	4,000	-	-	-
Cable/Telecom/WIFI	8,500	6,000	5,910	90
Storm Water Fees	500	7,000	6,748	252
Utilities	265,000	505,500	505,023	477
Contingency	18,650	42,000	-	42,000
Total Expenditures	1,375,000	1,498,000	1,459,564	38,436
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(723,620)	(909,000)	(864,327)	44,673
OTHER FINANCING SOURCES (USES)				
Developer Advance	25,000	435,000	435,000	-
Developer Advance - Non-cash	710,000	430,000	429,897	(103)
Total Transfers (Out) In	-	(52,000)	(51,985)	15
Total Other Financing Sources (Uses)	735,000	813,000	812,912	(88)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	11,380	(96,000)	(51,415)	44,585
Fund Balance - Beginning of Year	23,156	96,878	96,878	-
FUND BALANCE - END OF YEAR	\$ 34,536	\$ 878	\$ 45,463	\$ 44,585

See accompanying Notes to Basic Financial Statements.

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

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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The statement of net position reports all financial and capital resources of the District. The difference between the assets, deferred outflow of resources, liabilities, and deferred inflow of resources of the District 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 collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are intergovernmental revenues, recreation center fees, and indoor pool revenues. All other revenue items are considered to be measurable and available only when cash is received by the District. The District has 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 due.

The District reports the following major governmental funds:

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

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

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

**OLD 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 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, 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 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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 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 - Restricted	\$ 17,759
Total Cash and Investments	\$ 17,759

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

Deposits with Financial Institutions	\$ 10,618
Investments	7,141
Total Cash and Investments	\$ 17,759

Deposits with Financial Institutions

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

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

At December 31, 2018, the District's cash deposits had a bank balance of \$10,618 and a carrying balance of \$10,618.

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 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 Local Government Liquid Asset Trust (COLOTRUST)	Weighted Average Under 60 Days	\$ 7,141

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 at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

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

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2018 follows:

	Balance - December 31, 2017	Increases	Decreases	Balance - December 31, 2018
Capital Assets, Being Depreciated:				
Parks and Recreation Facilities	\$ 8,026,684	\$ 12,436	\$ -	\$ 8,039,120
Storm Drainage	4,485,993	-	-	4,485,993
Total Capital Assets, Being Depreciated	12,512,677	12,436	-	12,525,113
Less Accumulated Depreciation For:				
Parks and Recreation Facilities	(1,968,844)	(268,623)	-	(2,237,467)
Storm Drainage	(120,348)	(149,533)	-	(269,881)
Total Accumulated Depreciation	(2,089,192)	(418,156)	-	(2,507,348)
Capital Assets, Net	<u>\$ 10,423,485</u>	<u>\$ (405,720)</u>	<u>\$ -</u>	<u>\$ 10,017,765</u>

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

Governmental Activities:	
General Government	<u>\$ 418,156</u>

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2018:

	Balance - December 31, 2017	Additions	Retirements	Balance - December 31, 2018	Due Within One Year
Series 2007A Convertible Capital Appreciation Bonds	\$ 6,157,000	\$ -	\$ 33,000	\$ 6,124,000	\$ 45,000
Series 2007B Taxable Subordinate Special Revenue Bonds	1,300,000	-	-	1,300,000	-
Interest on Subordinate Bonds	1,121,717	193,737	-	1,315,454	-
Developer Advances	53,852,562	864,897	7,767,500	46,949,959	-
Interest on Developer Advances	20,723,389	3,769,679	-	24,493,068	-
	<u>\$ 83,154,668</u>	<u>\$ 4,828,313</u>	<u>\$ 7,800,500</u>	<u>\$ 80,182,481</u>	<u>\$ 45,000</u>

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

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

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 2018 and is not anticipated to be fully funded in 2019. 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.

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 \$1,315,454 as of December 31, 2018.

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 45,000	\$ 396,110	\$ 441,110
2020	579,000	393,185	972,185
2021	205,000	355,550	560,550
2022	220,000	342,225	562,225
2023	230,000	327,925	557,925
2024-2028	1,410,000	1,393,600	2,803,600
2029-2033	1,935,000	871,325	2,806,325
2034-2036	1,500,000	195,325	1,695,325
Total	<u>\$ 6,124,000</u>	<u>\$ 4,275,245</u>	<u>\$ 10,399,245</u>

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

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

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

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.

	Authorized November 5, 2002 Election	Authorization Used 2007 Bonds	Remaining at December 31, 2018
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
Total	<u>\$ 104,560,000</u>	<u>\$ 6,996,114</u>	<u>\$ 97,563,886</u>

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, 2018, the calculated adjusted debt service mill levy was 20.972 mills. For collection during 2018, Upper Cottonwood Creek Metropolitan District levied 20.972 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, 2018, the District recognized a total of \$864,897 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, 2018, outstanding Developer advances under the agreement totaled \$46,949,959 and accrued interest totaled \$24,493,068.

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

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, 2018, the District had net investment in capital assets calculated as follows:

Net Investment in Capital Assets:	
Capital Assets, Net	\$ 10,017,765
Current Portion of Long-Term Obligations	(9,865)
Noncurrent Portion of Long-Term Obligations	<u>(10,636,831)</u>
Net Investment in Capital Assets	<u><u>\$ (628,931)</u></u>

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, 2018, as follows:

Restricted Net Position:	
Emergencies (see Note 12)	\$ 17,900
Indoor Pool (see Note 9)	<u>12,225</u>
Total Restricted Net Position	<u><u>\$ 30,125</u></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.

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

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.

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, 2018, the District had \$12,225 of restricted net assets for Indoor Pool Reserves.

NOTE 10 INTERFUND AND OPERATING TRANSFERS

The transfer of \$51,985 from the General Fund to the Capital Projects Funds was to help fund accounting and other 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 (the 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.

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

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.

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. As of December 31, 2018, the District had provided but did not fund an Emergency Reserve, which may be a violation of the Constitutional Amendment.

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 Constitution (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.

SUPPLEMENTARY INFORMATION

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

	Budgets		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 446,070	\$ 445,000	\$ 444,588	\$ (412)
Net Investment Income	900	45,518	4,923	(40,595)
Total Revenues	<u>446,970</u>	<u>490,518</u>	<u>449,511</u>	<u>(41,007)</u>
EXPENDITURES				
Capital Outlay:				
Intergovernmental Expenditure	-	16,000	15,801	199
Bond Interest	400,205	400,205	400,205	-
Bond Principal	47,000	33,000	33,000	-
Contingency	795	50,795	-	50,795
Total Expenditures	<u>448,000</u>	<u>500,000</u>	<u>449,006</u>	<u>50,994</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES				
	(1,030)	(9,482)	505	9,987
Fund Balance - Beginning of Year	<u>1,962</u>	<u>9,482</u>	<u>9,482</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 932</u>	<u>\$ -</u>	<u>\$ 9,987</u>	<u>\$ 9,987</u>

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

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental Revenue	\$ 7,750,000	\$ 7,767,500	\$ 17,500
Total Revenues	<u>7,750,000</u>	<u>7,767,500</u>	<u>7,767,500</u>
EXPENDITURES			
Accounting	-	158	(158)
Intergovernmental Expenditures	-	39,391	(39,391)
Capital Outlay	10,000,000	12,436	(12,436)
Total Expenditures	<u>10,000,000</u>	<u>51,985</u>	<u>(51,985)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,250,000)	7,715,515	7,715,515
OTHER FINANCING SOURCES (USES)			
Developer Advance	2,250,000	-	-
Repay Developer Advance	-	(7,767,500)	(7,767,500)
Transfers In	-	51,985	51,985
Total Other Financing Sources (Uses)	<u>2,250,000</u>	<u>(7,715,515)</u>	<u>(7,715,515)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	-	-
Fund Balance - Beginning of Year	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**OLD RANCH METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2018**

\$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 Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019*	\$ 45,000	\$ 396,110	\$ 441,110
2020*	579,000	393,185	972,185
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>\$ 6,124,000</u>	<u>\$ 4,275,245</u>	<u>\$ 10,399,245</u>

* This debt to maturity schedule only represents the senior general obligation of the District. Principal amount for 2019 represents anticipated budgeted amount as compared to actual amount due of \$150,000. It is assumed unpaid principal from prior years will be paid in 2020. See Note 5 for more information regarding long-term obligations of the District.