

OLDE TOWN METROPOLITAN DISTRICT
Douglas County, Colorado

FINANCIAL STATEMENTS
December 31, 2018

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Independent Auditor's Report

Board of Directors
Olde Town Metropolitan District
Douglas County, Colorado

Report for the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Olde Town 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 Olde Town 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

Required Supplementary Information

Management has omitted the management's discussion and analysis that governmental 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, 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.

Other Information

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

The supplemental information is the responsibility of management and was derived from and relate 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 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
September 17, 2019

BASIC FINANCIAL STATEMENTS

OLDE TOWN METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2018

| | Governmental Activities |
|---|------------------------------------|
| ASSETS | |
| Cash and investments - unrestricted | \$ 134,897 |
| Cash and investments - restricted | 71,769 |
| Receivable - county treasurer | 1,763 |
| Property taxes receivable | 164,220 |
| Total assets | 372,649 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred loss on refunding, net of amortization | 109,286 |
| Total deferred outflows of resources | 109,286 |
| LIABILITIES | |
| Accounts payable | 2,577 |
| Accrued interest on loan payable | 4,843 |
| Noncurrent liabilities: | |
| Due within one year | 20,000 |
| Due in more than one year | 970,000 |
| Total liabilities | 997,420 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred property tax revenue | 164,220 |
| Total deferred inflows of resources | 164,220 |
| NET POSITION | |
| Restricted for: | |
| Emergency reserves | 2,800 |
| Debt service | 66,926 |
| Unrestricted | (749,431) |
| Total net position | \$ (679,705) |

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

OLDE TOWN METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2018

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expense)</u> <u>Revenue and</u> <u>Change in Net</u> <u>Position</u> |
|---|-------------------|---------------------------------------|---|---|---|
| | | <u>Charges for</u> <u>Services</u> | <u>Operating</u> <u>Grants and</u> <u>Contributions</u> | <u>Capital</u> <u>Grants and</u> <u>Contributions</u> | <u>Governmental</u> <u>Activities</u> |
| Primary government: | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 79,531 | \$ - | \$ - | \$ - | \$ (79,531) |
| Interest and expenses on long-term debt | 123,016 | - | - | - | (123,016) |
| | <u>\$ 202,547</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>(202,547)</u> |
| General revenues: | | | | | |
| Property taxes | | | | | 174,215 |
| Specific ownership taxes | | | | | 18,423 |
| Interest | | | | | 4,599 |
| Total general revenues | | | | | <u>197,237</u> |
| Change in net position | | | | | (5,310) |
| Net position - beginning | | | | | <u>(674,395)</u> |
| Net position - ending | | | | | <u>\$ (679,705)</u> |

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

**OLDE TOWN METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2018**

| | General | Debt Service | Total Governmental Funds |
|---|----------------|-------------------------|---|
| ASSETS | | | |
| Cash and investments - unrestricted | \$ 134,897 | \$ - | \$ 134,897 |
| Cash and investments - restricted | - | 71,769 | 71,769 |
| Receivable from county treasurer | 1,763 | - | 1,763 |
| Property taxes receivable | 67,330 | 96,890 | 164,220 |
| Total assets | \$ 203,990 | \$ 168,659 | \$ 372,649 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 2,577 | \$ - | \$ 2,577 |
| Total liabilities | 2,577 | - | 2,577 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred property tax revenue | 67,330 | 96,890 | 164,220 |
| Total deferred inflows of resources | 67,330 | 96,890 | 164,220 |
| FUND BALANCES | | | |
| Restricted: | | | |
| Emergency reserves | 2,800 | - | 2,800 |
| Debt service | - | 71,769 | 71,769 |
| Unassigned | 131,283 | - | 131,283 |
| Total fund balances | 134,083 | 71,769 | 205,852 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | |
| | \$ 203,990 | \$ 168,659 | |

Deferred outflows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds:

| | |
|------------------------|---------|
| Loss on refunding, net | 109,286 |
|------------------------|---------|

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

| | |
|----------------------------------|-----------|
| Loan payable | (990,000) |
| Accrued interest on loan payable | (4,843) |
| | (994,843) |

| | |
|---|--------------|
| Net position of governmental activities | \$ (679,705) |
|---|--------------|

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

OLDE TOWN METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2018

| | <u>General</u> | <u>Debt Service</u> | <u>Total Governmental Funds</u> |
|---|-------------------|---------------------|---------------------------------|
| REVENUES | | | |
| Property taxes | \$ 71,428 | \$ 102,787 | \$ 174,215 |
| Specific ownership taxes | 18,423 | - | 18,423 |
| Interest | 3,451 | 1,148 | 4,599 |
| Total revenues | <u>93,302</u> | <u>103,935</u> | <u>197,237</u> |
| EXPENDITURES | | | |
| <u>General</u> | | | |
| Audit fees | 8,196 | - | 8,196 |
| County treasurer fees | 1,074 | 1,546 | 2,620 |
| Directors' fees | 1,100 | - | 1,100 |
| District management and accounting | 24,766 | - | 24,766 |
| Dues and subscriptions | 230 | - | 230 |
| Insurance and bonds | 2,488 | - | 2,488 |
| Legal | 15,815 | - | 15,815 |
| License expense | 24,000 | - | 24,000 |
| Miscellaneous | 316 | - | 316 |
| <u>Debt Service</u> | | | |
| Loan principal | - | 15,000 | 15,000 |
| Bond and loan interest | - | 62,759 | 62,759 |
| Loan issuance costs | - | 57,577 | 57,577 |
| Paying agent fees | - | 300 | 300 |
| Total expenditures | <u>77,985</u> | <u>137,182</u> | <u>215,167</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>15,317</u> | <u>(33,247)</u> | <u>(17,930)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Refunding loan proceeds | - | 1,005,000 | 1,005,000 |
| Payment to refunded bond escrow agent | - | (987,656) | (987,656) |
| Total other financing sources (uses) | <u>-</u> | <u>17,344</u> | <u>17,344</u> |
| NET CHANGE IN FUND BALANCE | 15,317 | (15,903) | (586) |
| FUND BALANCE - BEGINNING OF YEAR | <u>118,766</u> | <u>87,672</u> | <u>206,438</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 134,083</u> | <u>\$ 71,769</u> | <u>\$ 205,852</u> |

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

**OLDE TOWN 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**

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

Net changes in fund balances - Total governmental funds \$ (586)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. 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.

The net effect of these differences are as follows:

| | | |
|--|----------------|---------|
| Refunding loan proceeds | (1,005,000) | |
| Loan principal payment | 15,000 | |
| Payment to refunded bond escrow agent | 987,656 | |
| Amortization of loss on deferred refunding | <u>(3,370)</u> | (5,714) |

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

| | | |
|--|--|------------|
| Net change in accrued interest on bonds and loan | | <u>990</u> |
|--|--|------------|

| | | |
|---|--|--------------------------|
| Change in net position of governmental activities | | <u><u>\$ (5,310)</u></u> |
|---|--|--------------------------|

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

OLDE TOWN METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2018

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|-----------------------|-------------------|---------------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Property taxes | \$ 71,428 | \$ 71,428 | \$ 71,428 | \$ - |
| Specific ownership taxes | 14,000 | 14,000 | 18,423 | 4,423 |
| Interest | 1,300 | 1,300 | 3,451 | 2,151 |
| Total revenues | <u>86,728</u> | <u>86,728</u> | <u>93,302</u> | <u>6,574</u> |
| EXPENDITURES | | | | |
| Audit fees | 8,500 | 8,500 | 8,196 | 304 |
| County treasurer fees | 1,071 | 1,074 | 1,074 | - |
| Directors' fees | 1,000 | 1,100 | 1,100 | - |
| District management and accounting | 14,000 | 25,000 | 24,766 | 234 |
| Dues and subscriptions | 500 | 500 | 230 | 270 |
| Elections | 1,000 | - | - | - |
| Insurance and bonds | 2,500 | 2,500 | 2,488 | 12 |
| Legal | 8,000 | 16,000 | 15,815 | 185 |
| License expense | - | 24,000 | 24,000 | - |
| Miscellaneous | 400 | 400 | 316 | 84 |
| Emergency reserve | 2,700 | - | - | - |
| Total expenditures | <u>39,671</u> | <u>79,074</u> | <u>77,985</u> | <u>1,089</u> |
| NET CHANGE IN FUND BALANCE | 47,057 | 7,654 | 15,317 | 7,663 |
| FUND BALANCE - BEGINNING OF YEAR | <u>117,279</u> | <u>118,766</u> | <u>118,766</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 164,336</u> | <u>\$ 126,420</u> | <u>\$ 134,083</u> | <u>\$ 7,663</u> |

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

OLDE TOWN METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 - DEFINITION OF REPORTING ENTITY

Olde Town Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree on November 13, 2004, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Douglas County, Colorado, entirely within the Town of Parker (Town).

The District was organized to provide financing and acquire and construct public improvements within and without its boundaries, including street and traffic controls, water and sanitary sewer facilities, and storm sewer services and facilities.

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

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which governmental activities, organizations, and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, 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 District 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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

OLDE TOWN METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Expenditures for redemption of bonds 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 fiscal period. The major sources of revenue susceptible to accrual are property and specific ownership taxes. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation paid. All other revenue items are considered to be measurable and available only when cash is received by the District.

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 other funds.

The Debt Service Fund accounts for the resources accumulated and payments made for principal, interest, and related expenses on long-term general obligation debt.

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

OLDE TOWN METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the Local Government Budget Law of Colorado, 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.

For the year ended December 31, 2018, supplementary appropriations approved by the District's Board of Directors modified the appropriation from \$39,671 to \$79,074 in the General Fund and from \$86,842 to \$1,130,849 in the Debt Service Fund.

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 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 30 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 inflows of resources in the year they are levied and measurable. The deferred inflows of resources related to property tax revenues are recorded as revenue in the year they are available or collected.

Bond Issuance Costs and Deferred Loss on Refunding

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

OLDE TOWN METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In the government-wide financial statements, the deferred loss on refunding is being amortized over the term of the loan using the straight-line method. At December 31, 2018, the accumulated amortization of the deferred loss on refunding was \$3,370.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred loss on refunding*, is deferred and recognized as an outflow of resources in the period that the amount is incurred.

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.

Fund Balances – Governmental Funds

The District's governmental fund balances may consist of five classifications based on the relative strength of the spending constraints:

Nonspendable fund balance – the amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact.

Restricted fund balance – the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level of action to remove or change the constraint.

**OLDE TOWN METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board of Directors or by an official or body to which the District Board of Directors delegates the authority.

Unassigned fund balance – amounts that are available for any purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Board of Directors has provided otherwise in its commitment or assignment actions.

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 - unrestricted | \$ 134,897 |
| Cash and investments – restricted | <u>71,769</u> |
| | <u>\$ 206,666</u> |

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

| | |
|--------------------------------------|-------------------|
| Deposits with financial institutions | \$ 48,176 |
| Investments | <u>158,490</u> |
| Total cash and investments | <u>\$ 206,666</u> |

Cash Deposits

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

**OLDE TOWN METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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 \$53,693 and a carrying balance of \$48,176.

Investments

Credit Risk

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

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States and certain U.S. government agency securities and the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Certain reverse repurchase agreements
- . Certain securities lending agreements
- . Certain corporate bonds
- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

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.

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

| Investment | Maturity | Carrying Value |
|--|--------------------------------|-----------------------|
| Colorado Local Government Liquid Asset Trust | Weighted average under 60 days | \$ 158,490 |
| | | <u>\$ 158,490</u> |

OLDE TOWN METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

COLOTRUST

During 2018, the District invested in the Colorado Local Government Liquid Asset Trust (Colostrust) 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 Colostrust. Colostrust operates similarly to a money market fund and each share is equal in value to \$1.00. Colostrust 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 repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for Colostrust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for Colostrust'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 Colostrust. As of December 31, 2018, the District had \$158,490 invested in COLOTRUST PLUS+ in the name of the District. Colostrust is rated AAAM by S&P Global Ratings.

Cash and investments of \$71,769 are restricted in the Debt Service Fund for servicing the District's bond debt (Note 4).

Investment Valuation

Certain investments are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District's investments are not required to be categorized within the fair value hierarchy. These investments are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments. The District held investments in Colostrust at yearend for which the investment valuations were determined as follows.

Colostrust determines the NAV of the shares of each portfolio as of the close of business on each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of Colostrust, are accrued daily. The NAV is calculated at fair value using various inputs in determine value in accordance with FASB guidance. It is the goal of Colostrust to maintain a NAV of \$1.00 per share, however changes in interest rates may affect the fair value of the securities held by Colostrust and there can be no assurance that the NAV will not vary from \$1.00 per share.

**OLDE TOWN METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

NOTE 4 - LONG-TERM OBLIGATIONS

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

| | Balance at December 31, 2017 | Additions | Refunded/ Payments | Balance at December 31, 2018 | Due Within One Year |
|--|---|---------------------|-------------------------------|---|--------------------------------|
| 2011 General Obligation Bonds | \$ 875,000 | \$ - | \$875,000 | \$ - | \$ - |
| 2018 General Obligation Refunding Loan | - | 1,005,000 | 15,000 | 990,000 | 20,000 |
| | <u>\$ 875,000</u> | <u>\$ 1,005,000</u> | <u>\$890,000</u> | <u>\$ 990,000</u> | <u>\$ 20,000</u> |

General Obligation Bonds, Series 2011

On January 19, 2011, the District issued \$910,000 General Obligation Bonds, Series 2011. Interest on the bonds is payable semiannually on June 1 and December 1, at an interest rate of 8%. The bonds are subject to mandatory sinking fund redemption beginning December 1, 2014, and each December 1 thereafter until final maturity on December 1, 2039. The bonds are secured by and payable from pledged revenue which consists of the moneys derived by the District from the levy of taxes without limit as to rate or amount to pay principal of, premium, if any, and interest on the bonds when due. The District's Service Plan stipulates, until such time as the Debt to Assessed Value is equal to or less than 50%, the ad valorem property tax mill levy shall be such amount as may be necessary to pay the debt service on such debt, without limitation of rate.

On June 1, 2018, the District issued a General Obligation Unlimited Tax Refunding and Improvement Refunding Loan, Series 2018 (as discussed below). Proceeds in the amount of \$899,984 and \$87,672 of accumulated bond reserve funds from the 2011 Government Obligation Bonds were placed into escrow in order to redeem the General Obligation Bonds, Series 2011. As a result of the issuance of the Series 2018 Loan, the General Obligation Bonds, Series 2011, are considered to be defeased and the liabilities have been removed from the statement of net position. As of December 31, 2018, the defeased bonds outstanding were \$860,000.

General Obligation Unlimited Tax Refunding and Improvement Refunding Loan, Series 2018

On June 12, 2018, the District entered into a loan agreement (Series 2018 Loan) in the amount of \$1,005,000. The Series 2018 Loan bears taxable interest at an annual rate of 5.87% prior to the date the Series 2018 Loan is reissued as a tax-exempt note for federal income tax purposes. The Series 2018 Loan is eligible for tax-exemption on December 1, 2020. The interest rate after the tax-exempt reissuance date will be 4.75% per annum. Interest on the Series 2018 Loan is payable semiannually on June 1 and December 1 with the annual principal amount due on December 1. The Series 2018 Loan matures on December 1, 2037. The Series 2018 Loan was issued for the purpose of providing funds to advance refund the District's General Obligation Bonds, Series 2011 and to pay costs in connection with the issuance of the Series 2018 Loan. The District incurred bond issuance costs of \$57,577.

OLDE TOWN METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

Prior to June 1, 2028, the District may prepay all or part of the principal of the Series 2018 Loan coming due on any one or more principal payment dates, upon two business days' prior written notice of the amount of such prepayment, plus payment of the applicable prepayment fee, if any, in minimum increments of \$500,000. A prepayment fee may be due as a condition of such prepayment, which prepayment fee shall be calculated as follows: the prepayment fee shall be equal to (1) the present value of the difference between (a) the amount that would have been realized by the lender on the prepaid amount for the remaining term of the Series 2018 Loan at the then-applicable base rate and (b) the amount that would be realized by the lender by reinvesting such prepaid funds for the remaining term of the Series 2018 Loan at the (i) then-current market swap rate in effect at the time of prepayment as determined by the lender, plus (ii) a spread of 1.90% with respect to prepayments of the Series 2018 Loan, with both (a) and (b) being discounted at the then-current market swap rate excluding the applicable spread; plus (2) interest accrued from the beginning of the last payment date to the date of prepayment. Should the present value have no value or a negative value, the District may repay with no additional fee. Any partial prepayment shall be applied to installments of principal of the Series 2018 Loan being repaid in the inverse order of maturity, and shall not postpone the due dates of, or relieve the amounts of, any scheduled installment payments due. Any amounts repaid may not be re-borrowed under the loan agreement. In the event any such prepayment fee exceeds the amount permitted by law, the Series 2018 Loan shall be deemed non-prepayable to that extent. Beginning June 1, 2028, the Series 2018 Loan will be callable in whole, at par, on any scheduled payment date.

The Series 2018 Loan is secured by and payable solely from pledged revenue, which includes property taxes derived from the required mill levy, specific ownership taxes which is collected as a result of the imposition of the required mill levy, and any other legally available moneys of the District. The loan agreement required the establishment of a reserve fund of \$45,000. At December 31, 2018, the reserve fund balance was \$45,062.

The refunding resulted in a loss of \$112,656. However, the District lowered the interest rate from 8.0% on the refunded debt to 5.87% (convertible to 4.75%) on the new debt, reduced the final maturity by two years and reduced the anticipated total debt service payments from June 12, 2019 through the respective maturities by \$289,599. No present value calculations were available.

**OLDE TOWN METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

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

| | 2018 General Obligation Refunding Loan | | |
|-----------|---|-------------------|---------------------|
| | Principal | Interest | Total |
| 2019 | \$ 20,000 | \$ 58,113 | \$ 78,113 |
| 2020 | 25,000 | 56,939 | 81,939 |
| 2021 | 35,000 | 44,888 | 79,888 |
| 2022 | 40,000 | 43,225 | 83,225 |
| 2023 | 40,000 | 41,325 | 81,325 |
| 2024-2028 | 225,000 | 177,176 | 402,176 |
| 2029-2023 | 280,000 | 118,277 | 398,277 |
| 2024-2037 | 325,000 | 42,513 | 367,513 |
| | <u>\$ 990,000</u> | <u>\$ 582,456</u> | <u>\$ 1,572,456</u> |

Advance and Reimbursement Agreement

In an Advance and Reimbursement Agreement dated May 17, 2010, the District and SPASCO of Colorado LLC (Developer) agreed that the District would recognize advances made by the Developer and would accept additional cash advances from the Developer for reimbursement by the District. The reimbursement would include interest at a rate of 7.0%. The payment of the reimbursement is subject to the District's annual appropriation. On October 24, 2011, the District approved the assignment of rights to seek reimbursement from the District for advances from SPASCO of Colorado LLC to International Bank of Commerce. The District did not receive any advances from the Developer during 2018 and there are no outstanding advances payable at December 31, 2018.

Authorized Debt

The following table depicts the borrowing authority authorized by the District's voters at the November 3, 2009 District Election and the amount remaining as of December 31, 2018, after application of debt issued by the District.

| | Total Authorized | Authorization Used | Remaining at December 31, 2018 |
|---------------------------|-----------------------------|-------------------------------|---|
| Water supply improvements | \$ 165,000 | \$ 149,000 | \$ 16,000 |
| Sanitation | 429,000 | 350,000 | 79,000 |
| Streets | 506,000 | 506,000 | - |
| Operations | 100,000 | - | 100,000 |
| Debt refunding | 1,100,000 | - | 1,100,000 |
| | <u>\$ 2,300,000</u> | <u>\$ 1,005,000</u> | <u>\$ 1,295,000</u> |

**OLDE TOWN METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

NOTE 5 - FUND EQUITY

At December 31, 2018, the District reported the following classifications of fund equity.

Restricted Fund Balance

The restricted fund balance in the General Fund in the amount of \$2,800 is comprised of the Emergency Reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (See Note 10).

The restricted fund balance in the Debt Service Fund in the amount of \$71,769 is to be used exclusively for debt service requirements (See Note 4).

NOTE 6 - NET POSITION

The District's net position consists of two components – restricted and unrestricted.

The restricted portion of the net position includes amounts that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District's restricted net position at December 31, 2018 is as follows:

| | Governmental Activities |
|-----------------------------------|------------------------------------|
| Restricted net position: | |
| TABOR emergency reserve (Note 10) | \$ 2,800 |
| Debt service (Note 4) | 66,926 |
| | \$ 69,726 |

In the government-wide financial statements, the District's unrestricted net deficit as of December 31, 2018 totaled \$749,431 primarily due to capital improvements that were funded with long-term debt that have been dedicated to other entities, while the long-term debt remains an obligation of the District.

NOTE 7 – RELATED PARTY

The members of the Board of Directors of the District are owners of vacant land contracts to purchase property within the District and may have conflicts of interest in dealing with the District.

OLDE TOWN METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 8 - RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District may be 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 - AGREEMENTS

On January 31, 2013, the District entered into a License Agreement (Agreement) with Robinson Ranch Metropolitan District for a perpetual term for the installation, operation and maintenance of certain signage and monumentation. The Agreement requires the District to pay \$2,000 per month for a total of \$24,000 annually. The District remitted \$24,000 to Robinson Ranch Metropolitan District in 2018 as required by the Agreement.

NOTE 10 - 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, except Enterprises.

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.

OLDE TOWN METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

On November 2, 2004, the District's electors authorized the District to collect and spend, or retain annually any and all amounts from any revenue sources without regard to any limitation imposed by TABOR.

On November 2, 2004, the District's voters approved an increase in District taxes to \$100,000 annually for coverage of operations, maintenance and other expenses without regard to any spending, revenue-raising or other limitation contained within TABOR or Section 29-1-301, Colorado Revised Statutes.

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

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

SUPPLEMENTAL INFORMATION

OLDE TOWN METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended December 31, 2018

| | <u>Budget Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-----------------------|------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Property taxes | \$ 102,787 | \$ 102,787 | \$ 102,787 | \$ - |
| Interest | 1,100 | 1,100 | 1,148 | 48 |
| Miscellaneous | - | 2,766 | - | (2,766) |
| Total revenues | <u>103,887</u> | <u>106,653</u> | <u>103,935</u> | <u>(2,718)</u> |
| EXPENDITURES | | | | |
| <u>General</u> | | | | |
| County treasurer fees | 1,542 | 1,545 | 1,546 | (1) |
| <u>Debt Service</u> | | | | |
| Loan principal | 15,000 | 15,000 | 15,000 | - |
| Bond and loan interest | 70,000 | 66,005 | 62,759 | 3,246 |
| Loan issuance costs | - | 60,343 | 57,577 | 2,766 |
| Paying agent fees | 300 | 300 | 300 | - |
| Total expenditures | <u>86,842</u> | <u>143,193</u> | <u>137,182</u> | <u>6,011</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>17,045</u> | <u>(36,540)</u> | <u>(33,247)</u> | <u>3,293</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from refunding loan | - | 1,005,000 | 1,005,000 | - |
| Transfer to refunding escrow agent | - | (987,656) | (987,656) | - |
| Total other financing sources (uses) | <u>-</u> | <u>17,344</u> | <u>17,344</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | 17,045 | (19,196) | (15,903) | 3,293 |
| FUND BALANCE - BEGINNING OF YEAR | <u>87,629</u> | <u>87,672</u> | <u>87,672</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 104,674</u> | <u>\$ 68,476</u> | <u>\$ 71,769</u> | <u>\$ 3,293</u> |

OTHER INFORMATION

**OLDE TOWN METROPOLITAN DISTRICT
SCHEDULE OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
December 31, 2018**

| <u>Year Ended December 31,</u> | <u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u> | <u>Mills Levied</u> | <u>Total Property Taxes</u> | | <u>Percentage Collected to Levied</u> |
|--|---|---------------------|-----------------------------|------------------|---|
| | | | <u>Levied</u> | <u>Collected</u> | |
| 2011 | \$ 1,823,130 | 50.000 | \$ 91,157 | \$ 84,386 | 92.57% |
| 2012 | \$ 2,649,630 | 50.000 | \$ 132,481 | \$ 128,925 | 97.32% |
| 2013 | \$ 2,763,491 | 50.000 | \$ 138,175 | \$ 138,175 | 100.00% |
| 2014 | \$ 2,793,209 | 50.000 | \$ 139,660 | \$ 139,427 | 99.83% |
| 2015 | \$ 2,729,860 | 50.000 | \$ 136,493 | \$ 136,493 | 100.00% |
| 2016 | \$ 2,711,050 | 50.000 | \$ 135,553 | \$ 135,553 | 100.00% |
| 2017 | \$ 2,732,430 | 50.000 | \$ 136,622 | \$ 136,622 | 100.00% |
| 2018 | \$ 3,848,290 | 50.000 | \$ 174,215 | \$ 174,215 | 100.00% |
| Estimated for the year ending December 31, 2019 | \$ 3,284,400 | 50.000 | \$ 164,220 | | |

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 the County Treasurer does not permit identification of specific year of assessment.

**OLDE TOWN METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2018**

\$1,005,000

General Obligation Unlimited Tax Refunding and Improvement Loan, Series 2018

Interest Rate of 5.87% 2018 - 2020, Convertible to 4.75% in 2021

Interest Payable on June 1 and December 1

Principal Due on December 1

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------|-------------------|-------------------|---------------------|
| | <u> </u> | <u> </u> | <u>Debt Service</u> |
| 2019 | \$ 20,000 | \$ 58,113 | \$ 78,113 |
| 2020 | 25,000 | 56,939 | 81,939 |
| 2021 | 35,000 | 44,888 | 79,888 |
| 2022 | 40,000 | 43,225 | 83,225 |
| 2023 | 40,000 | 41,325 | 81,325 |
| 2024 | 40,000 | 39,425 | 79,425 |
| 2025 | 40,000 | 37,525 | 77,525 |
| 2026 | 45,000 | 35,625 | 80,625 |
| 2027 | 50,000 | 33,488 | 83,488 |
| 2028 | 50,000 | 31,113 | 81,113 |
| 2029 | 50,000 | 28,738 | 78,738 |
| 2030 | 55,000 | 26,363 | 81,363 |
| 2031 | 55,000 | 23,750 | 78,750 |
| 2032 | 60,000 | 21,138 | 81,138 |
| 2033 | 60,000 | 18,288 | 78,288 |
| 2034 | 65,000 | 15,438 | 80,438 |
| 2035 | 70,000 | 12,350 | 82,350 |
| 2036 | 70,000 | 9,025 | 79,025 |
| 2037 | 120,000 | 5,700 | 125,700 |
| | <u>\$ 990,000</u> | <u>\$ 582,456</u> | <u>\$ 1,572,456</u> |