

**Marabou Ranch Metropolitan District
Financial Statements**

December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors Marabou Ranch Metropolitan District

We have audited the accompanying financial statements of the governmental activities and each major fund of the Marabou Ranch Metropolitan District (the "District"), as of and for the year ended December 31, 2019, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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 of 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 Marabou Ranch Metropolitan District as of December 31, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

The District has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. Our opinions on the basic financial statements are not affected by the missing information.

The budgetary comparison for the General Fund in section D is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The budgetary comparison 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 statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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 individual fund budgetary comparisons found in Section E presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund budgetary comparisons found in Section E are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
June 29, 2020

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Marabou Ranch Metropolitan District
Statement of Net Position
December 31, 2019

Assets:

Cash and cash equivalents	27,654
Cash and cash equivalents - Restricted	216,650
Due from County Treasurer	193
Property taxes receivable	47,865
Capital assets net of accumulated depreciation of \$6,794	222,913
Total Assets	515,275

Liabilities:

Accounts payable	31,815
Accrued interest payable	8,669
Note payable:	
Due within one year	25,000
Due in more than one year	775,000
Total Liabilities	840,484

Deferred Inflow of Resources:

Property taxes revenue	47,865
Total Deferred Inflow of Resources	47,865

Net Position:

Net investment in capital assets	(577,087)
Restricted for debt service	73,751
Restricted for capital improvement	142,899
Restricted for emergencies	4,809
Unrestricted	(17,446)
Total Net Position	(373,074)

The accompanying notes are an integral part of these financial statements.

Marabou Ranch Metropolitan District
Statement of Activities
For the Year Ended December 31, 2019

Governmental Expenses:	
General government	86,034
Organizational costs	93,267
Debt service	61,650
Public works	292,416
Total Governmental Expenses	<u>533,367</u>
General Revenues and Transfers:	
Maintenance fee	125,550
Property and specific ownership taxes	34,450
Miscellaneous income	293
Total General Revenues and Transfers	<u>160,293</u>
Change in Net Position	(373,074)
Net Position - Beginning	<u>-</u>
Net Position - Ending	<u>(373,074)</u>

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

**Marabou Ranch Metropolitan District
Balance Sheet
Governmental Funds
December 31, 2019**

	General	Debt Service	Capital Project	Total Governmental Funds
Assets:				
Cash and cash equivalents	27,654	-	-	27,654
Cash and cash equivalents - Restricted	-	73,751	142,899	216,650
Due from County Treasurer	193	-	-	193
Property taxes receivable	33,787	14,078	-	47,865
Total Assets	61,634	87,829	142,899	292,362
Liabilities, Deferred Inflow of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	31,815	-	-	31,815
Total Liabilities	31,815	-	-	31,815
Deferred Inflow of Resources:				
Property taxes revenue	33,787	14,078	-	47,865
Total Deferred Inflow of Resources	33,787	14,078	-	47,865
Fund Balances:				
Restricted	4,809	73,751	142,899	221,459
Unassigned	(8,777)	-	-	(8,777)
Total Fund Balances	(3,968)	73,751	142,899	212,682
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	61,634	87,829	142,899	
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.				222,913
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				(808,669)
Net Position of Governmental Activities				(373,074)

The accompanying notes are an integral part of these financial statements.

**Marabou Ranch Metropolitan District
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2019**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total Governmental Funds</u>
Revenues:				
Maintenance fee	125,550	-	-	125,550
Property and specific ownership taxes	34,450	-	-	34,450
Miscellaneous income	293	-	-	293
Total Revenues	<u>160,293</u>	<u>-</u>	<u>-</u>	<u>160,293</u>
Expenditures:				
General government	79,240	-	-	79,240
Organizational costs	-	-	93,267	93,267
Debt service	-	52,981	-	52,981
Public works	85,021	-	437,102	522,123
Total Expenditures	<u>164,261</u>	<u>52,981</u>	<u>530,369</u>	<u>747,611</u>
Other Financial Sources (Uses):				
Transfers in	-	-	673,268	673,268
Transfers out	-	(673,268)	-	(673,268)
Note proceeds - Series A	-	800,000	-	800,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>126,732</u>	<u>673,268</u>	<u>800,000</u>
Net Change in Fund Balances	(3,968)	73,751	142,899	212,682
Fund Balances - Beginning	-	-	-	-
Fund Balances - Ending	<u>(3,968)</u>	<u>73,751</u>	<u>142,899</u>	<u>212,682</u>

Amounts reported in the Statement of Activities are different because:

Net change in fund balances for total governmental funds 212,682

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation during the year.

222,913

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

(808,669)

Change in Net Position of Governmental Activities

(373,074)

NOTES TO THE FINANCIAL STATEMENTS

Marabou Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2019

I. Summary of Significant Accounting Policies

Marabou Ranch Metropolitan District (the "District") was organized on November 16, 2018, as a quasi-municipal corporation and political subdivision of the State of Colorado. The primary purpose of the District is to provide for the acquisition and/or the operation and maintenance of certain existing improvements previously constructed for Marabou Ranch and owned and operated by the Marabou Ranch Owners Association (the "Association"). The improvements include, but are not limited to, internal roads, perimeter fencing and riparian improvements.

The District's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is responsible for establishing accounting principles generally accepted in the United States of America for the State and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by accounting principles generally accepted in the United States of America used by the District are discussed below.

A. Reporting Entity

The District is governed by an elected Board which is responsible for setting policy, appointing administrative personnel and adopting an annual budget in accordance with the provisions of the Colorado Special District Act.

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits, to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria discussed above, the District is not financially accountable for any other entity, nor is the District a component unit of any other government.

B. Government-wide and Fund Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as governmental type.

1. Government-wide Financial Statements

In the government-wide Statement of Net Position, all balances are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

Marabou Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2019
(Continued)

I. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

1. Government-wide Financial Statements (continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

2. Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

The District reports the following governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, 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 Project Fund* accounts for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition, construction or maintenance of capital facilities and other capital assets.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

1. Long-term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

2. Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

Marabou Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2019
(Continued)

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

3. Financial Statement Presentation

Amounts reported as program revenues include capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

D. Financial Statement Accounts

1. Cash, Cash Equivalents and Investments

Cash and cash equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with maturities of three months or less.

Investments are stated at fair value. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

The District follows Colorado statutes specifying specific investment instruments meeting defined rating criteria in which local governments may invest, which include:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Banker's acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market mutual funds
- Guaranteed investment contract
- Local government investment pools

2. Restricted Cash and Cash Equivalents

Certain deposits held by the District are classified as restricted assets on the balance sheet because the deposits are held in a separate bank account for debt repayments and capital improvement payments.

3. Receivables

Receivables are reported net of an allowance for uncollectible accounts.

4. Property Taxes

Property taxes are assessed in one year as a lien on the property, but not collected by governmental units until the subsequent year. In accordance with accounting principles generally accepted in the United States of America, the assessed but uncollected property taxes have been recorded as a receivable and as deferred inflow of resources.

Marabou Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2019
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

5. Capital Assets

Capital assets, which include fencing and fencing improvements, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost and depreciated over the useful lives using straight line depreciation method. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital expenditures for projects are capitalized as projects are constructed. Interest incurred during the construction phase is capitalized as part of the value of the asset

6. Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Premiums and discounts are deferred and amortized over the respective life of the respective debt using the straight-line method. Notes payable are reported net of the applicable premium or discount. Debt issuance costs are expensed in the period incurred.

7. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report 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(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District doesn't have any items that qualify for reporting in this category at December 31, 2019.

In addition to liabilities, the statement of net position will sometimes report 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item that qualifies for reporting in this category. Accordingly, the item, unavailable property tax revenue, is deferred and recognized as an inflow of resources in the period that the amounts become available and earned.

Marabou Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2019
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

8. Fund Balance

The District classifies governmental fund balances as follows:

Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority which is the Board of Directors.

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board of Directors or its management designee.

Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The District uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy. However, the District's budget includes a calculation of targeted reserve positions and management reports the targeted amounts annually to Board of Directors.

9. Restricted and Unrestricted Resources

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

10. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

Marabou Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2019
(Continued)

II. Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of certain differences between the governmental fund Balance Sheet and the government-wide Statement of Net Position

The governmental fund Balance Sheet includes a reconciliation between *fund balance – governmental funds* and *net position of governmental activities* as reported in the government-wide Statement of Net Position.

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds. The adjustment of \$222,913 represents the net book value of capital assets of \$229,707 and accumulated depreciation of \$6,794 at December 31, 2019.

Another element of that reconciliation explains, “Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this negative \$808,669 difference are as follows:

Note payable	800,000
Accrued interest payable	8,669
Adjustment to governmental activities net position	808,669

B. Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances and the government-wide Statement of Activities

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes reconciliation between *net changes in fund balance – governmental funds* and *changes in net position of governmental activities* as reported in the government-wide Statement of Activities.

One element of that reconciliation states, “Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation during the year.” The adjustment of \$222,913 represents the capitalized expenditures of \$229,707 and depreciation expense of \$6,794 at December 31, 2019.

Another element of that reconciliation explains, “The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$808,669 difference are as follows:

Note proceeds	800,000
Increase in accrued interest payable	8,669
Net adjustment to reduce governmental activities net position	808,669

Marabou Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2019
(Continued)

III. Stewardship, Compliance and Accountability

A. Budgetary Information

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Local Government Budget Law of Colorado. The budgets for the funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

As required by Colorado statutes, the District followed the following timetable in approving and enacting a budget for 2019:

- (1) A public hearing on the proposed budget and capital program was held by the Board no later than 45 days prior to the close of the fiscal year.
- (2) For the 2019 budget, prior to December 15, 2018, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.
- (3) For the 2019 budget, the final budget and appropriating resolution was adopted prior to December 31, 2018.

After adoption of the budget resolution, the District may make the following changes: a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; b) it may approve supplemental appropriations to the extent of revenues in excess of the estimated in the budget; c) it may approve emergency appropriations; and d) it may reduce appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2018 were collected in 2019 and taxes certified in 2019 will be collected in 2020. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes which are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 15th.

The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year end.

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**Marabou Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2019
(Continued)**

III. Stewardship, Compliance and Accountability (continued)

B. TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government. Any revenues earned in excess of the fiscal year spending limit must be refunded in the next fiscal year, unless voters approve retention of such excess revenue.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending. The District has reserved \$4,809, which is the approximate required reserve, at December 31, 2019.

On November 6, 2018, the voters of the District approved to increase the taxes by \$200,000 annually and by the same amount as adjusted for inflation plus local growth in each subsequent fiscal year thereafter, by the imposition of ad valorem property taxes. The voters also approved to increase the taxes by \$200,000 annually or by such lesser amount as necessary to pay the District's administration, covenant enforcement, design review, operations, and maintenance expenses by the imposition of a fee or fees imposed. The voters also authorized the District to collect, retain, and spend the full amount of all revenues collected or received by the District in fiscal year 2018 and in each fiscal year thereafter.

On November 6, 2018, the voters of the District authorized the issuance of following debt:

Ballot Item	Date	Purpose	Authorization	Maximum Repayment
Ballot Issue D	11/6/2018	Street Improvements	\$2,800,000	\$5,700,000
Ballot Issue E	11/6/2018	Parks and Recreation Facilities	2,800,000	5,700,000
Ballot Issue F	11/6/2018	Potable and Non-Potable Water Supply	1,500,000	2,760,000
Ballot Issue G	11/6/2018	Operating and Maintenance Expenses	100,000	270,000
Ballot Issue H	11/6/2018	Refunding, Refinancing, or Defeasing Debt	7,200,000	14,430,000
Total			<u>\$14,400,000</u>	<u>\$28,860,000</u>

As of November 6, 2018, all debt and tax increases constitute voter-approved revenue changes and are to be collected and spent by the District without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution and without limiting in any year the amount of other revenues that may be collected and spent by the District.

The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

Marabou Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2019
(Continued)

IV. Detailed Notes on all Funds

A. Deposits and Investments

The District's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the District's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA. The carrying amount of the District's demand deposits was \$244,304 at year end.

The Investment Pool represents investments in COLOTRUST. The fair value of the pool is determined by the pool's share price. The District has no regulatory oversight for the pool. At December 31, 2019, the District's investments in COLOTRUST were 100% of the District's investment portfolio.

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the District has invested primarily in COLOTRUST. Funds in COLOTRUST can be withdrawn without notice or penalty.

Credit Risk. The District's investment policy limits investments to those authorized by State statutes as listed in note I.D.1. The District's general investment policy is to apply the prudent-person rule: investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Concentration of Credit Risk. The District diversifies its investments by security type and institution. Financial institutions holding District funds must provide the District a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository. At December 31, 2019, the District held no investments.

At December 31, 2019, the District had no unrealized gains or losses. The District had the following cash and investments with the following maturities:

	Standard & Poor's Rating	Carrying Amounts	Term to Maturity	
			Less than one year	One to five years
<i>Deposits:</i>				
Checking	Not rated	244,304	244,304	-
<i>Investments:</i>				
Investment pool	AAAm	-	-	-
		\$ 244,304	\$ 244,304	\$ -

The District had an account with Colorado Local Government Liquid Asset Trust (the "Trust"). The account had no balance at December 31, 2019. The Trust is 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, measured at net asset value, and each share is equal in value to \$1.00. Investments consist of U.S. Treasury bills, notes strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank.

Marabou Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2019
(Continued)

IV. Detailed Notes on all Funds (continued)

B. Receivables

Receivables as of year-end for the District's funds, including applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total</u>
Receivables:				
Property tax	\$ 33,787	\$ 14,078	\$ -	\$ 47,865
Accounts	-	-	-	-
Other	193	-	-	193
Gross receivables	<u>33,980</u>	<u>14,078</u>	<u>-</u>	<u>48,058</u>
Less: allowance for uncollectible	-	-	-	-
Net Receivables	<u>\$ 33,980</u>	<u>\$ 14,078</u>	<u>\$ -</u>	<u>\$ 48,058</u>

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The \$47,865 of unavailable revenue is property taxes levied in 2019 but not available until 2020.

C. Capital Assets

Capital assets activity for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Fencing	\$ -	\$ 229,707	\$ -	\$ 229,707
Accumulated Depreciation	-	(6,794)	-	(6,794)
Total	<u>\$ -</u>	<u>\$ 222,913</u>	<u>\$ -</u>	<u>\$ 222,913</u>

D. Interfund Transfers

During 2019, the Capital project fund received a transfer of \$673,268 from the Debt Service fund.

E. Long-term Debt

On September 24, 2019, the board of directors of Marabou Ranch Metropolitan District approved a loan from the NBH Bank (the "Bank") with principal amount not to exceed \$4,250,000. The loan is comprised of Note A issued in an original principal amount of not to exceed \$920,000 and Note B issued in an original principal amount of not to exceed \$3,330,000 to finance the capital projects. As of December 31, 2019, the District has withdrawn \$800,000 from Note A. The Notes bear interest rates at a fixed rate equal to 4.15% per annum and interest on Note A are payable June 1 and December 1 of each year, commencing on June 1, 2020. No interest is due on Note B until the next succeeding June 1 or December 1 after an advance is made on Note B. The interest rate will change to the LIBOR + 2.5% on the interest reset date which is December 1, 2024 and each five-year anniversary thereafter through maturity.

Marabou Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2019
(Continued)

IV. Detailed Notes on all Funds (continued)

E. Long-term Debt (continued)

Principal payments on Note A is due and payable on December 1 of each year, commencing December 1, 2020. No principal payment is due on Note B until December 1, 2025.

As of December 31, 2019, annual debt service requirements to maturity for Note A are as follows:

	Principal	Interest	Total
2020	25,000	33,114	58,114
2021	30,000	32,059	62,059
2022	31,000	30,810	61,810
2023	32,000	29,520	61,520
2024	33,000	28,189	61,189
2025 - 2029	189,000	118,949	307,949
2030 - 2034	231,000	76,225	307,225
2035 - 2039	229,000	24,191	253,191
Total	800,000	373,057	1,173,057

The District had the following changes in debt for the year ended December 31, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable:					
2019 Series A	-	800,000	-	800,000	25,000
	-	800,000	-	800,000	25,000

V. Other Information

A. Colorado Special Districts Property and Liability Pool

Except as provided within 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; or injuries to employees. The District is insured for such risks as a member of the Colorado Special Districts Property and Liability Pool ("Pool"). The Pool is an organization created by intergovernmental agreement to provide property and general liability, automobile physical damage and liability, public officials liability and boiler and machinery coverage to its members. The Pool provides coverage for property claims up to the values declared and liability coverage for claims up to \$1,000,000. 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 official's 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.

Marabou Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2019
(Continued)

V. Other Information (continued)

A. Colorado Special Districts Property and Liability Pool (continued)

A summary of audited statutory basis financial information for the Pool as of and for the year ended December 31, 2018 (the latest audited information available) is as follows:

Assets	\$ 63,918,422
Liabilities	\$ 39,345,647
Capital and surplus	24,572,775
Total	\$ 63,918,422
Revenue	\$ 20,983,559
Underwriting expenses	22,973,705
Underwriting gain	\$ (1,990,146)
Other income	898,330
Net Income (Loss)	\$ (1,091,816)

B. Related Party Transactions

On January 1, 2019 the District entered into an agreement with Marabou Owners Association (the "Association") to provide management services. The agreement provides for compensation of \$12,000 per year for the management services. Other services, such as plowing, maintenance, and agricultural services, are billed on an hourly basis. The agreement was amended on May 14, 2019 to include work related water system management. The Association is compensated \$400 bi-weekly for the routine work related to water system management. Any non routine services provided will be compensated at an hourly rate of \$35 per hour.

During the year ended December 31, 2019, the following amounts were paid to the Association in respect of services provided to the District.

District Management	\$ 12,000
Insurance	2,587
Maintenance - Trail	1,500
Maintenance - Water system	11,953
Snow removal	36,193
Organizational cost	93,268
Total	\$ 157,501

At December 31, 2019, the District had a payable to the Association of \$15,212.

C. Funding and Reimbursement Agreement

On September 24, 2019 the Marabou Owners Association (the "Association") agreed to loan the District one or more sums of money, not to exceed the aggregate of \$50,000 per annum for five years, up to \$250,000 total, for the purpose of funding any shortfalls anticipated by the District for operation and maintenance costs. Any loaned amounts advanced shall be repaid by the District to the Association 10 years from the date of the agreement. There was no outstanding advance as of December 31, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

Marabou Ranch Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - General Fund
For the Year Ended December 31, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Final Budget Variance Positive (Negative)
Revenues:				
Property tax	32,086	32,086	32,086	-
Maintenance fee	125,550	125,550	125,550	-
Specific ownership tax	3,000	3,000	2,364	(636)
Miscellaneous revenue	50	50	293	243
Total Revenues	<u>160,686</u>	<u>160,686</u>	<u>160,293</u>	<u>(393)</u>
Expenditures:				
General government:				
Administration				
Accounting and auditing	8,000	17,000	17,854	(854)
Insurance	5,000	5,000	2,853	2,147
Legal	30,000	45,000	41,849	3,151
District management	12,000	12,000	12,000	-
Treasurer fees	963	963	795	168
Credit card fees	-	-	2,167	(2,167)
Water rights	-	-	759	(759)
Office supplies	-	-	963	(963)
Total Administration	<u>55,963</u>	<u>79,963</u>	<u>79,240</u>	<u>723</u>
Operation				
Riparian improvement maintenance	30,000	30,000	26,237	3,763
Trail maintenance	3,000	3,000	1,500	1,500
Water system maintenance	16,800	16,800	15,516	1,284
Snow removal	15,000	35,000	41,768	(6,768)
Ranch Truck	13,480	13,480	-	13,480
Other maintenance	21,300	21,300	-	21,300
Total Operation	<u>99,580</u>	<u>119,580</u>	<u>85,021</u>	<u>34,559</u>
Total General Government Expenditures	<u>155,543</u>	<u>199,543</u>	<u>164,261</u>	<u>35,282</u>
Other Financing Sources:				
Association advance	-	44,000	-	(44,000)
Total Other Financing Sources	<u>-</u>	<u>44,000</u>	<u>-</u>	<u>(44,000)</u>
Net Change in Fund Balance	5,143	5,143	(3,968)	(9,111)
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>5,143</u>	<u>5,143</u>	<u>(3,968)</u>	<u>(9,111)</u>

SUPPLEMENTARY INFORMATION

Marabou Ranch Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - Debt Service Fund
For the Year Ended December 31, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>
Other Financing Sources (Uses):				
Note proceeds - Series A	-	800,000	800,000	-
Debt issuance costs	-	(53,000)	(52,981)	19
Transfers to capital fund	-	(679,000)	(673,268)	5,732
Total Other Financing (Uses)	<u>-</u>	<u>68,000</u>	<u>73,751</u>	<u>5,751</u>
Net Change in Fund Balance	-	68,000	73,751	5,751
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>-</u>	<u>68,000</u>	<u>73,751</u>	<u>5,751</u>

Marabou Ranch Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - Capital Project Fund
For the Year Ended December 31, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>
Expenditures:				
Organizational costs	-	93,000	93,267	(267)
Fence replacement	-	280,000	229,707	50,293
Road sealing	-	300,000	207,395	92,605
Capital contingency	-	6,000	-	6,000
Total Expenditures	<u>-</u>	<u>679,000</u>	<u>530,369</u>	<u>148,631</u>
Other Financing Sources (Uses):				
Transfers from debt service fund	-	679,000	673,268	(5,732)
Total Other Financing (Uses)	<u>-</u>	<u>679,000</u>	<u>673,268</u>	<u>(5,732)</u>
Net Change in Fund Balance	-	-	142,899	142,899
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Ending	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>142,899</u></u>	<u><u>142,899</u></u>