SORREL RANCH METROPOLITAN DISTRICT
Arapahoe County, Colorado

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2019

SORREL RANCH METROPOLITAN DISTRICT
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Independent Auditor's Report

Board of Directors
Sorrel Ranch Metropolitan District
Arapahoe County, Colorado

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Sorrel Ranch Metropolitan District as of December 31, 2019, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

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

The other information, as listed in the table of contents, has not been subject 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 them.

Wipfli LLP
Lakewood, Colorado

July 27, 2020

BASIC FINANCIAL STATEMENTS

SORREL RANCH METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Governmental Activities
ASSETS	
Cash and Investments	$ 117,973
Cash and Investments - Restricted	12,396
Accounts Receivable - Other	18,000
Receivable - County Treasurer	6,332
Property Taxes Receivable	1,219,762
Prepaid Expenses	400
Total Assets	1,374,863
LIABILITIES	
Accounts Payable	6,044
Due to TOUSA	17,100
Accrued Interest Payable	2,084,351
Noncurrent Liabilities:	
Due Within One Year	465,000
Due in More Than One Year	14,694,840
Total Liabilities	17,267,335
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenues	1,219,762
Total Deferred Inflows of Resources	1,219,762
NET POSITION	
Restricted for:	
Emergency Reserves	3,300
Unrestricted	(17,115,534)
Total Net Position	$ (17,112,234)

See accompanying Notes to Basic Financial Statements.

SORREL RANCH METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS					
Primary Government:					
Governmental Activities:					
General Government	$ 69,992	$ -	$ -	$ -	$ (69,992)
Interest and Related Costs on Long-Term Debt	993,139	-	-	-	(993,139)
Total Governmental Activities	$ 1,063,131	$ -	$ -	$ -	(1,063,131)
	GENERAL REVENUES				
	Property Taxes				949,930
	Specific Ownership Taxes				75,816
	Interest Income				11,590
	Administration Fee				4,000
	Reimbursed Expenditures				8,253
	ARI Revenue				17,130
	Total General Revenues				1,066,719
	CHANGE IN NET POSITION				3,588
	Net Position - Beginning of Year				(17,115,822)
	NET POSITION - END OF YEAR				$ (17,112,234)

See accompanying Notes to Basic Financial Statements.

SORREL RANCH METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments	$ 117,973	$ -	$ -	$ 117,973
Cash and Investments - Restricted	3,300	9,096	-	12,396
Receivable - County Treasurer	620	5,712	-	6,332
Accounts Receivable	18,000	-	-	18,000
Property Taxes Receivable	116,584	1,081,571	21,607	1,219,762
Prepaid Expenses	400	-	-	400
Total Assets	$ 256,877	$ 1,096,379	$ 21,607	$ 1,374,863
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	4,794	1,250	-	6,044
Due to TOUSA	17,100	-	-	17,100
Total Liabilities	21,894	1,250	-	23,144
DEFERRED INFLOWS OF RESOURCES				
Property Tax Revenues	116,584	1,081,571	21,607	1,219,762
Total Deferred Inflows of Resources	116,584	1,081,571	21,607	1,219,762
FUND BALANCES				
Nonspendable:				
Prepaid Expense	400	-	-	400
Restricted for:				
Emergency Reserves	3,300	-	-	3,300
Debt Service	-	13,558	-	13,558
Unassigned	114,699	-	-	114,699
Total Fund Balances	118,399	13,558	-	131,957
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 256,877	$ 1,096,379	$ 21,607	
Amounts reported for governmental activities in the statement of net position are different because:				
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.				
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.				
Bonds Payable				(12,835,000)
Accrued Bond Interest				(2,084,351)
Developer Advance Payable				(1,290,861)
Accrued Interest on Developer Advance				(1,033,979)
Net Position of Governmental Activities				$ (17,112,234)

See accompanying Notes to Basic Financial Statements.

SORREL RANCH METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property Taxes	$ 93,013	$ 856,917	$ -	$ 949,930
Specific Ownership Taxes	7,425	68,391	-	75,816
Interest Income	4,080	7,510	-	11,590
Administration Fee	4,000	-	-	4,000
Reimbursed Expenditures	8,253	-	-	8,253
ARI Revenue from Property Taxes	-	-	17,130	17,130
Total Revenues	116,771	932,818	17,130	1,066,719
EXPENDITURES				
Accounting	19,091	-	-	19,091
Audit	3,500	-	-	3,500
County Treasurer's Fees	1,396	12,855	257	14,508
Director Fees	1,100	-	-	1,100
District Management	13,308	-	-	13,308
Dues and Membership	421	-	-	421
Insurance and Bonds	3,347	-	-	3,347
Legal	10,452	-	-	10,452
Miscellaneous	247	-	-	247
Bond Interest - Senior Bonds	-	604,038	-	604,038
Bond Principal - Senior Bonds	-	390,000	-	390,000
Paying Agent/Trustee Fees	-	2,500	-	2,500
SARIA Payment	-	-	16,873	16,873
Total Expenditures	52,862	1,009,393	17,130	1,079,385
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	63,909	(76,575)	-	(12,666)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	72,000	-	72,000
Transfers Out	(72,000)	-	-	(72,000)
Total Other Financing Sources (Uses)	(72,000)	72,000	-	-
NET CHANGE IN FUND BALANCES	(8,091)	(4,575)	-	(12,666)
Fund Balances - Beginning of Year	126,490	18,133	-	144,623
FUND BALANCES - END OF YEAR	$ 118,399	$ 13,558	$ -	$ 131,957

See accompanying Notes to Basic Financial Statements.

SORREL RANCH METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

Net Change in Fund Balances - Total Governmental Funds		$ (12,666)
Amounts reported for governmental activities in the statement of activities are different because:		
The issuance of long-term debt (e.g., bonds, Developer advances) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds record the effect of premiums, discounts, and similar items when debt is first issued as expenditures, whereas these amounts are deferred and amortized in the statement of activities.		
Bond Principal Payment		390,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Accrued Interest on Developer Advances - Change in Liability	(75,375)	
Accrued Interest on Bonds - Change in Liability	(298,371)	(373,746)
Change in Net Position of Governmental Activities		$ 3,588

See accompanying Notes to Basic Financial Statements.

SORREL RANCH METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Property Taxes	$ 93,013	$ 93,013	$ 93,013	$ -
Specific Ownership Taxes	5,580	7,425	7,425	-
Interest Income	2,300	4,000	4,080	80
Administration Fee	-	3,100	4,000	900
Reimbursed Expenditures	-	-	8,253	8,253
Total Revenues	100,893	107,538	116,771	15,878
EXPENDITURES				
Accounting	19,000	19,000	19,091	(91)
Audit	3,500	3,500	3,500	-
County Treasurer's Fees	1,395	1,396	1,396	-
Director Fees	1,200	1,200	1,100	100
District Management	17,000	17,000	13,308	3,692
Dues and Membership	450	421	421	-
Insurance and Bonds	3,100	3,097	3,347	(250)
Legal Services	17,000	17,000	10,452	6,548
Miscellaneous	800	500	247	253
Contingency	3,555	4,886	-	4,886
Total Expenditures	67,000	68,000	52,862	15,138
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	33,893	39,538	63,909	31,016
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(72,000)	(72,000)	-
Total Other Financing Sources (Uses)	-	(72,000)	(72,000)	-
NET CHANGE IN FUND BALANCE	33,893	(32,462)	(8,091)	24,371
Fund Balance - Beginning of Year	123,330	126,490	126,490	-
FUND BALANCE - END OF YEAR	$ 157,223	$ 94,028	$ 118,399	$ 24,371

See accompanying Notes to Basic Financial Statements.

NOTE 1 DEFINITION OF REPORTING ENTITY

Sorrel Ranch Metropolitan District (the District), a quasi-municipal corporation and political subdivision of the State of Colorado, located entirely in the City of Aurora, Arapahoe County, Colorado, was organized on December 31, 2002, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District was established to provide for the design, construction, acquisition, and financing of certain public improvements including street, safety protection, water, sanitation, storm drainage, mosquito control, and park and recreation facilities and improvements. The District operates pursuant to a Modified Amended and Restated Service Plan, as approved on August 30, 2004 and modified on August 14, 2006 by the City Council of the City of Aurora.

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

The District reports the following major governmental funds:

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

The District amended the General and Debt Service Fund for the year ending December 31, 2019.

Pooled Cash and Investments

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

Property Taxes

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

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

Deferred Inflows of Resources

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity

Net Position

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

Fund Balance

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

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

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

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

Assigned Fund Balance – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above.

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

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2019, are classified in the accompanying financial statements as follows:

Statement of Net Position:		
Cash and Investments	$	117,973
Cash and Investments - Restricted		12,396
Total Cash and Investments	$	130,369

Cash and investments as of December 31, 2019, consist of the following:

Deposits with Financial Institutions	$	21,620
Investments		108,749
Total Cash and Investments	$	130,369

Cash Deposits

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

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

At December 31, 2019, the District’s cash deposits had a bank balance of $23,023 and a carrying balance of $21,620.

Investments

The District’s formal investment policy is to follow state statutes regarding investments.

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

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

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

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

As of December 31, 2019, the District had the following investments:

Investment	Maturity	Amount
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted Average Under 60 Days	$ 108,749

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at $1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds, and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAm by Standard & Poor's. CSAFE records its investments at amortized cost and the District records its investments in CSAFE at net asset value as determined by amortized cost. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

NOTE 4 LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2019:

	Balance - December 31, 2018	Additions	Reductions	Balance - December 31, 2019	Due Within One Year
Governmental Activities:					
G.O. Limited Tax Bonds:					
Series 2006 - Senior	$ 10,505,000	$ -	$ 390,000	$ 10,115,000	$ 465,000
Series 2006 - Subordinate	2,720,000	-	-	2,720,000	-
Developer Advances					
Operating	289,574	-	-	289,574	-
Capital	1,001,287	-	-	1,001,287	-
Accrued Interest on Developer Advances					
Operating	216,058	16,909	-	232,967	-
Capital	742,546	58,466	-	801,012	-
Total	$ 15,474,465	$ 75,375	$ 390,000	$ 15,159,840	$ 465,000

$11,675,000 Senior General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds, Series 2006, dated September 22, 2006, with interest of 5.75% (Senior 2006 Bonds). The District issued the Senior 2006 Bonds to pay project costs and costs of issuance. Interest is payable semiannually on June 1 and December 1. The bonds are term bonds due December 1, 2036, with mandatory sinking fund redemptions beginning December 1, 2010, and on every December 1 thereafter. All of the bonds are subject to redemption prior to maturity at the option of the District on December 1, 2016, and on any date thereafter without call premium.

$2,735,000 Subordinate General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds, Series 2006, dated September 22, 2006, with interest of 6.75% (Subordinate 2006 Bonds). The District issued the Subordinate 2006 Bonds to pay project costs and costs of issuance. Interest is payable annually on December 15. The bonds are term bonds due December 15, 2036, with mandatory sinking fund redemptions beginning December 15, 2010, and on every December 15 thereafter. All of the bonds are subject to redemption prior to maturity at the option of the District on December 15, 2016, and on any date thereafter without call premium.

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

The Senior 2006 Bonds and Subordinate 2006 Bonds (collectively the 2006 Bonds) are secured by the Pledged Revenues and all monies and earnings thereon held in the Funds or accounts created under the terms of separate Indenture of Trusts, each dated September 1, 2006, between the District and American National Bank (ANB), as trustee. The Senior 2006 Bonds Pledged Revenue consist of revenues derived from the imposition of the Required Mill Levy remitted to the District, Capital Fees including Facility Fees, Specific Ownership Taxes attributable to the Required Mill Levy, and any other legally available monies of the District credited to the Bond Fund (Senior Pledged Revenue). The Subordinate 2006 Bonds pledged revenue consists of the Required Mill levy, Capital Fees including Facility Fees, Specific Ownership Taxes attributable to the Required Mill Levy, any monies credited to the Senior 2006 Surplus Fund on the date the Senior 2006 Surplus Fund is terminated pursuant to the terms of the Series 2006 Senior Indenture; and any other legally available funds which the District determines to credit to the Subordinate 2006 Bond Fund.

The District is required to impose a mill levy up to a limit of 50.000 mills (as adjusted, based upon any changes to the method of calculating assessed valuation), on all taxable property of the District, in an amount sufficient to pay when due the principal and interest and to build up the Surplus Fund of each of the Senior 2006 Bonds and Subordinate 2006 Bonds to their Maximum Surplus Amount, which must be maintained once reached until the Debt to Assessed Ratio is 50% or less. The Maximum Surplus amount is $1,167,500 for the Senior 2006 Bonds and $273,500 for the Subordinate 2006 Bonds. As of December 31, 2019, the Surplus Fund related to the Senior 2006 Bonds and Subordinate 2006 Bonds totaled $-0-. During 2019, the District paid in full the $270,000 principal due on the Senior 2006 Bonds as well as $120,000 of shortfall from prior years. Additionally, the District did not have sufficient funds to pay the principal or compounded interest due on the Subordinate 2006 Bonds. The District does not anticipate making its principal and interest payments on its Subordinate 2006 Bonds in 2020. The balance of compounded and accrued interest on the Subordinate 2006 Bonds at December 31, 2019, is $2,028,233. At this time, the schedule of repayments on the Subordinate 2006 Bonds is unknown and will be made when cash flow is available.

The District's long-term obligations relating to the Senior 2006 Bonds will mature as follows:

Year Ending December 31,	Principal	Interest	Total
2020	$ 465,000	$ 581,612	$ 1,046,612
2021	320,000	554,875	874,875
2022	355,000	536,475	891,475
2023	380,000	516,063	896,063
2024	420,000	494,212	914,212
2025-2029	2,595,000	2,074,025	4,669,025
2030-2034	3,710,000	1,206,925	4,916,925
2035-2036	1,870,000	163,300	2,033,300
Total	$ 10,115,000	$ 6,127,487	$ 16,242,487

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

On November 5, 2002, a majority of the qualified electors of the District who voted in the election authorized the issuance of indebtedness in an amount not to exceed $34,644,000 at an interest rate not to exceed 18% per annum. In the November 2, 2004 election, a majority of the qualified electors of the District voted for a phased tax increase up to $35,000,000 and to authorize the District to enter into one or more multiple fiscal year obligations evidenced by an intergovernmental agreement for the provisions of regional improvements. Remaining authorized but unissued debt at December 31, 2019, is as follows:

	Authorized November 5, 2002 Election	Authorization Used	Remaining at December 31, 2019
Streets	$ 5,161,000	$ 4,655,870	$ 505,130
Safety Protection	711,000	708,972	2,028
Park and Recreation	6,278,000	4,413,783	1,864,217
Water	619,000	534,611	84,389
Sanitation	4,453,000	4,096,764	356,236
Operations	200,000	-	200,000
Refunding	17,222,000	-	17,222,000
Total	$ 34,644,000	$ 14,410,000	$ 20,234,000

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to $35,000,000.

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area; however, as of the date of this audit, the amount and timing of any debt issuances is not determinable.

Operation Funding Agreements

The District entered into various Operation Funding Agreements with Engle Homes Colorado, a division of TOUSA Homes, Inc. (Developer), whereby the Developer agreed to fund any shortfall in operating costs from 2003 to 2007. In accordance with the Operation Funding Agreements, payments made to repay these operating advances are subject to annual budget and appropriation with interest rates at 3% above the 20-year AAA Municipal Market Data rate. The interest rate is set each January 1 for the upcoming year. The interest rate for 2019 was 5.840%. The term of the Agreement extends until December 31, 2027 unless terminated earlier by mutual agreement of the parties. The balance owed to the Developer pursuant to the Operation Funding Agreements was $289,574 for principal and $232,967 for accrued interest as of December 31, 2019. All budgeted repayments shall be made on December 1st of each year.

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Facilities Funding and Acquisition Agreement

Effective January 1, 2007, the District entered into the Facilities Funding and Acquisition Agreement - 2007 (2007 FFAA) with the Developer, whereby the Developer agreed to design and construct public improvements within the District. The District agreed to purchase these improvements from the Developer for the costs incurred to construct them. The 2007 FFAA includes interest of 3.98% for 2007 and adjusted each January 1 to be 300 basis points above the 20-year AAA Municipal Market Data rate to be paid to the Developer for the acquisition of these improvements. The balance owed to the Developer for advances as of December 31, 2019, was $1,001,287 for principal and $801,012 for accrued interest. No payment is required under the 2007 FFAA unless and until such time the District issues bonds for this purpose and in an amount sufficient to acquire a part or all of such improvements, or to reimburse Developer for part or all of the Developer advances

NOTE 5 NET POSITION

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

The restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2019, as follows:

	Governmental Activities
Restricted Net Position:	
Emergency Reserves	$ 3,300
Total Restricted Net Position	$ 3,300

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

NOTE 6 AGREEMENTS

Intergovernmental Agreement with the City of Aurora

In November 2004, the District entered into the Amended and Restated Intergovernmental Agreement (IGA) between the City of Aurora (the City) and the District (the Amended City IGA). The Amended City IGA completely replaces the original Intergovernmental Agreement entered into by the District and the City on October 10, 2003. The IGA defines and clarifies the services which the District may provide, as well as those services which the District is prohibited from providing. Pursuant to the Service Plan, the District is required to impose the Aurora Regional Improvement (ARI) Mill Levy upon the District's residents. This mill levy is 1.000 mill for 20 years, which for this purpose begins the first year that the District certifies a debt service mill levy. The levy increases to 5.000 mills for years 21 through 40 or the date of repayment of the debt incurred for public improvements, other than regional improvements, whichever occurs first. For the 10 years subsequent to the period where the 5.000 mills is imposed, the ARI mill levy is the average of the debt service mill levy for the previous 10 years.

Aurora Regional Transportation Authority

In 2006, the District, along with other metropolitan districts within the City, entered into the Aurora Regional Transportation Authority (ARTA) Establishment Agreement (ARTA Agreement). The ARTA Agreement was amended on August 14, 2007, February 20, 2008, July 21, 2008, and June 11, 2009, to add additional metropolitan district members. ARTA will plan, design, acquire, construct, relocate, redevelop, and finance regional improvements within the boundaries of the metropolitan districts which are a party to the ARTA Agreement using the ARI revenue from each of the districts. In accordance with the IGA, the City has the right to appoint no less than 30% and no more than 49% of the ARTA Board. On August 1, 2017, the District resigned from ARTA, in order to join the South Aurora Regional Improvement Authority.

South Aurora Regional Improvement Authority

On December 8, 2017, the District along with other metropolitan districts within the City, entered into the South Aurora Regional Improvement Authority (SARIA) Establishment Agreement (SARIA Agreement) with the City. SARIA was formed to provide functions and services necessary to acquire, construct, finance, maintain, and manage certain regional improvements that are identified and agreed upon by the City and the member districts.

The SARIA Agreement provides that SARIA may adopt an ARI master plan, pursuant to the Code and Service Plans of the districts. SARIA will prioritize and support the completion of the regional improvements as identified in the ARI Master Plan. In order to fund these projects, SARIA may issue revenue bonds or other multi-fiscal year financial obligations, subject to its sole discretion, secured by the pledged revenues of the ARI Mill Levies by each of the districts and other funds legally available to SARIA.

NOTE 6 AGREEMENTS (CONTINUED)

South Aurora Regional Improvement Authority (Continued)

On October 2, 2018, the SARIA Agreement was amended by the First Amendment to the South Aurora Regional Improvement Authority Establishment Agreement (First Amendment) in conjunction with the issuance of SARIA's Special Revenue Bonds, Series 2018 (SARIA Bonds). SARIA issued its SARIA Bonds in the amount of $11,265,000 on December 19, 2018. The District is obligated to pledge its ARI Mill Levy Revenues to the repayment of the SARIA Bonds pursuant to the terms of the SARIA Agreement and the First Amendment.

Facilities Fees Agreement

The District adopted a Resolution regarding the imposition of facilities fees recorded on August 19, 2003 in the real property records of Arapahoe County (Fee Resolution). The Fee Resolution imposes a Facilities Fee of $2,000 on each single-family residential unit and a Facilities Fee of $500 on each multi-family residential unit. The fees are payable by homebuilders at the time of issuance of building permits. The revenue from the fees is pledged for payment of bonds or any other indebtedness of the District.

In order to guarantee timely payment of the 2006 Bonds, TOUSA and the District entered into a Facilities Fee Agreement dated September 20, 2006, to which TOUSA Homes, Inc. (TOUSA) guaranteed the payment of Facility Fees on a semi-annual schedule through May 15, 2011. Pursuant to this Facilities Fee Agreement, TOUSA has guaranteed the payment of a total $897,000 in Facilities Fees. The guaranty requires payment each May 15 and November 15 for any shortfall of the scheduled Facilities Fees for that period. As of December 31, 2019, the obligation was fulfilled and no outstanding amount remained.

Facilities Fees will be collected by the District for each residential unit that was not platted at the time TOUSA guaranteed the payment of fees. In 2019, the District did not collect any fees outside the Agreement.

Reimbursement Agreements (Facility Fees)

On November 15, 2010, the District entered into the Reimbursement Agreement (Facilities Fees) with TOUSA Recovery Acquisition, LLC (TRA). The Agreement acknowledges that all prepayments under the Facilities Fee Agreement have been made and that in conjunction with TRA's purchase of property within the District, TRA is entitled to reimbursement as a result of such prepayments. The Agreement provides that, as additional Facilities Fees are collected, the District will reimburse TRA quarterly for the prepaid fees, less a $100 administration fee and any escrow expenses, to cover the District's costs. In 2019, the District collected $4,000 of Administration Fees.

Harvest Road IGA

On September 28, 2018, the District and SARIA entered into South Aurora Regional Improvement Project Participation Agreement – Harvest Road Improvements Projects (Harvest Road IGA), whereby the District agreed to contribute $100,000 to SARIA for a portion of the costs associated with the construction, extension and completion of South Harvest Road. The District transferred the $100,000 contribution to SARIA in 2018.

NOTE 7 INTERFUND TRANSFERS

The District transferred $72,000 from the General Fund to the Debt Service Fund to provide sufficient funding for debt service payments in 2019.

NOTE 8 RISK MANAGEMENT

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

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

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

NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue, and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

On November 5, 2002, the District's voters passed an election question to increase property taxes $200,000, annually, without limitation of rate, to pay the District's operational and maintenance costs.

On November 2, 2004, a majority of the qualified electors of the District voted for a phased tax increase up to $35,000,000.

NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

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

SUPPLEMENTARY INFORMATION

SORREL RANCH METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Property Taxes	$ 856,917	$ 856,917	$ 856,917	$ -
Specific Ownership Taxes	51,400	68,391	68,391	-
Interest Income	4,000	7,500	7,510	10
Other Revenue	-	77,059	-	(77,059)
Total Revenues	912,317	1,009,867	932,818	(77,049)
EXPENDITURES				
County Treasurer's Fees	12,854	12,855	12,855	-
Bond Interest - Senior Bonds	604,038	604,038	604,038	-
Bond Principal - Senior Bonds	295,000	390,000	390,000	-
Paying Agent/Trustee Fees	2,500	2,500	2,500	-
Contingency	2,608	90,607	-	90,607
Total Expenditures	917,000	1,100,000	1,009,393	90,607
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,683)	(90,133)	(76,575)	13,558
OTHER FINANCING SOURCES (USES)				
Transfers In	-	72,000	72,000	-
Total Other Financing Sources (Uses)	-	72,000	72,000	-
NET CHANGE IN FUND BALANCE	(4,683)	(18,133)	(4,575)	13,558
Fund Balance - Beginning of Year	9,803	18,133	18,133	-
FUND BALANCE - END OF YEAR	$ 5,120	$ -	$ 13,558	$ 13,558

SORREL RANCH METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
ARI Revenues from Property Taxes	$ 17,130	$ 17,130	$ -
Total Revenues	17,130	17,130	-
EXPENDITURES			
County Treasurer's Fees	257	257	-
SARIA Payment	16,873	16,873	-
Total Expenditures	17,130	17,130	-
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance - Beginning of Year	-	-	-
FUND BALANCE - END OF YEAR	$ -	$ -	$ -

OTHER INFORMATION

SORREL RANCH METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2019

Bonds and Interest Maturing in the Year Ending December 31,	$ 11,675,000 General Obligation Limited Tax Bonds Dated September 22, 2006 Principal Payable December 1 5.75% Interest Payable June 1 and December 1		
	Principal	Interest	Total
2020	$ 465,000	$ 581,612	$ 1,046,612
2021	320,000	554,875	874,875
2022	355,000	536,475	891,475
2023	380,000	516,063	896,063
2024	420,000	494,212	914,212
2025	440,000	470,063	910,063
2026	485,000	444,762	929,762
2027	515,000	416,875	931,875
2028	560,000	387,263	947,263
2029	595,000	355,062	950,062
2030	645,000	320,850	965,850
2031	685,000	283,763	968,763
2032	745,000	244,375	989,375
2033	785,000	201,537	986,537
2034	850,000	156,400	1,006,400
2035	900,000	107,525	1,007,525
2036	970,000	55,775	1,025,775
Total	$ 10,115,000	$ 6,127,487	$ 16,242,487

SORREL RANCH METROPOLITAN DISTRICT
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2019

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied for General (1)	Mills Levied for Debt Service	Mills Levied for ARI	Total Property Taxes Levied	Total Property Taxes Collected	Percent Collected to Levied
2015	$ 11,542,823	6.000	50.000	1.000	$ 657,941	$ 644,477	97.90 %
2016	14,068,670	6.146	50.000	1.000	803,968	789,900	98.25
2017	14,095,777	6.000	50.000	1.000	803,460	803,460	100.00
2018	15,455,005	6.000	55.277	1.105	964,114	964,114	100.00
2019	15,502,230	6.000	55.277	1.105	967,060	967,060	100.00
Estimated for the Year Ending December 31, 2020	$ 19,430,691	6.000	55.663	1.112	$ 1,219,762		

(1) 2016 General Fund mill levy includes .146 mills related to refunds and abatements.

Note: Property taxes collected in any one year may include the collection of delinquent property taxes assessed in prior years. Information received from the County Treasurer does not permit identification of specific assessment.