

Godding Hollow Metropolitan District
FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS

December 31, 2017

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Office of the State Auditor

September 28, 2018

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REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS

Board of Directors
Godding Hollow Metropolitan District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the governmental funds of the Godding Hollow Metropolitan District (the "District"), as of and for the year ended December 31, 2017, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting our audit in accordance with auditing standards generally accepted in the United States of America as established by the *American Institute of Certified Public Accountants* ("US GAAS").

We conducted our audit in accordance with US GAAS. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether these financial statements are free of material misstatement.

An audit includes 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the governmental funds of the Godding Hollow Metropolitan District, as of December 31, 2017, and the respective changes in financial position thereof, and the budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted with the purpose of forming an opinion on the basic financial statements of the Heritage Ridge Metropolitan District taken as a whole. The supplementary information on pages 19 and 20 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to our auditing procedures applied in the audit of the financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Board of Directors has elected to omit the Management's Discussion and Analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of the 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 omitted information.

Marc James & Associates PC

Highlands Ranch, CO
September 28, 2018

BASIC FINANCIAL STATEMENTS

Godding Hollow Metropolitan District

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION

December 31, 2017

	Governmental Funds				Adjustments	Statement of Net Position
	General	Debt Service	Capital Projects	Total		
ASSETS						
Cash and cash equivalents	\$ 6,035	\$ -	\$ -	\$ 6,035	\$ -	\$ 6,035
Restricted cash and cash equivalents	-	2,291	-	2,291	-	2,291
Property taxes receivable	29,716	10,440	-	40,156	-	40,156
Other	125	11	-	136	-	136
Total assets	\$ 35,876	\$ 12,742	\$ -	\$ 48,618	-	48,618
LIABILITIES						
Accounts payable	\$ 2,228	\$ -	\$ -	\$ 2,228	-	2,228
Other accrued liabilities	-	1,420	-	1,420	-	1,420
Accrued interest payable	-	-	-	-	1,344	1,344
Total liabilities	2,228	1,420	-	3,648	1,344	4,992
DEFERRED INFLOWS						
Property taxes	29,716	10,440	-	40,156	-	40,156
LONG-TERM DEBT						
Due in less than one year	-	-	-	-	617,281	617,281
Due in more than one year	-	-	-	-	811,249	811,249
Total long-term debt	-	-	-	-	1,428,530	1,428,530
FUND BALANCE						
Restricted	388	-	-	388	(388)	-
Committed	-	883	-	883	(883)	-
Unassigned	3,544	-	-	3,544	(3,544)	-
Total fund balance	3,932	883	-	4,815	(4,815)	-
Total liabilities, deferred inflows and fund balance	\$ 35,876	\$ 12,743	\$ -	\$ 48,619		
NET POSITION						
Unrestricted					(1,425,060)	(1,425,060)
Total net position					\$ (1,425,060)	\$ (1,425,060)

The accompanying notes are an integral part of this financial statement

Godding Hollow Metropolitan District
 STATEMENT OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES

For the Year ended December 31, 2017

	Governmental Funds				Adjustments	Statement of Activities
	General	Debt Service	Capital Projects	Total		
EXPENDITURES						
OPERATIONS						
Accounting and audit	\$ 1,000	\$ -	\$ -	\$ 1,000	\$ -	\$ 1,000
Dues	270	-	-	270	-	270
Insurance	2,465	-	-	2,465	-	2,465
Legal	8,755	17	-	8,772	-	8,772
Miscellaneous	-	1,420	-	1,420	-	1,420
Treasurer's fees	347	30	-	377	-	377
CAPITAL OUTLAY						
Infrastructure	-	-	812,824	812,824	-	812,824
DEBT SERVICE						
Issuance of debt	-	12,500	-	12,500	-	12,500
Principal payments	-	21,952	-	21,952	(21,952)	-
Interest expense	-	2,047	-	2,047	62,354	64,401
Total expenditures	<u>12,837</u>	<u>37,966</u>	<u>812,824</u>	<u>863,627</u>	<u>40,402</u>	<u>904,029</u>
GENERAL REVENUES						
Property and other taxes	24,655	2,343	-	26,998	-	26,998
Other	590	-	-	590	-	590
Interest	75	6	-	81	-	81
Total general revenues	<u>25,320</u>	<u>2,349</u>	<u>-</u>	<u>27,669</u>	<u>-</u>	<u>27,669</u>
REVENUE OVER (UNDER) EXPENDITURES	12,483	(35,617)	(812,824)	(835,958)	(40,402)	(876,360)
OTHER SOURCES AND USES						
Proceeds from borrow ing	-	825,324	-	825,324	(825,324)	-
Transfers in (out), net	(24,000)	(788,824)	812,824	-	-	-
Total other sources and uses	<u>(24,000)</u>	<u>36,500</u>	<u>812,824</u>	<u>825,324</u>	<u>(825,324)</u>	<u>-</u>
CHANGES IN FUND BALANCE	(11,517)	883	-	(10,634)	10,634	-
CHANGE IN NET POSITION	-	-	-	-	(876,360)	(876,360)
FUND BALANCE /NET POSITION (DEFICIT)						
Beginning of the year	15,449	-	-	15,449	(564,149)	(548,700)
End of the year	<u>\$ 3,932</u>	<u>\$ 883</u>	<u>\$ -</u>	<u>\$ 4,815</u>	<u>\$ (1,429,875)</u>	<u>\$ (1,425,060)</u>

The accompanying notes are an integral part of this financial statement

Godding Hollow Metropolitan District

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year ended December 31, 2017

	Original and Final Budget	Actual	Variance
REVENUES			
Property taxes	\$ 23,048	\$ 23,048	\$ -
Specific ownership taxes	1,252	1,607	355
Interest and other	-	75	75
	<u>24,300</u>	<u>24,730</u>	<u>355</u>
EXPENDITURES			
OPERATING			
Accounting and audit	2,000	1,000	(1,000)
Dues	-	270	270
Insurance	2,300	2,465	165
Legal	14,000	8,755	(5,245)
Office	449	-	(449)
Treasurer's fees	347	347	-
	<u>19,096</u>	<u>12,837</u>	<u>(6,259)</u>
EXCESS OF REVENUES OVER EXPENDITURES	5,204	11,893	6,614
OTHER USES			
Contingency	(1,146)	-	1,146
Transfer out	(10,000)	(24,000)	(14,000)
	<u>(11,146)</u>	<u>(24,000)</u>	<u>(12,854)</u>
CHANGES IN FUND BALANCE	<u>\$ (5,942)</u>	<u>(12,107)</u>	<u>\$ (6,240)</u>
FUND BALANCE			
Beginning balance		<u>16,039</u>	
Ending balance		<u>\$ 3,932</u>	

The accompanying notes are an integral part of this financial statement

Godding Hollow Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Godding Hollow Metropolitan District (the "District") conform to the accounting principles generally accepted in the United States of America ("US GAAP") as applicable to governmental entities. The following is a summary of the more significant policies consistently applied in the preparation of the basic financial statements of the District.

1. Reporting Entity

The District was organized in November 2009, under State of Colorado statutory authority, as a quasi-municipal corporation and is governed by a five-member Board of Directors pursuant to the provisions of the Colorado Special District Act (Title 32, Article I, Colorado Revised Statutes) for the overall purpose of the development of the Eagle Business Park.

The District's service area, which consists of approximately 114 acres of land, is located in the Town of Frederick, Colorado. Under the Service Plan, the District was formed to provide for the planning, design, financing, acquisition, construction and installation of public improvements as defined in the Service Plan.

As required by US GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local government entities. The District has no component units as defined by Governmental Accounting Standards Board ("GASB"), Statement No. 14, *The Reporting Entity* and GASB No. 39, *Determining Whether Certain Organizations are Component Units*.

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

2. Measurement Focus and Financial Accounting Framework

The accompanying financial statements are presented in accordance with GASB Statement No 34, *Special Purpose Governments*.

Government-Wide Financial Statements

The government-wide financial statements, the Statement of Net Position and the Statement of Activities, report information on all of the governmental activities of the District.

The statement of net activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program or general revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Revenues and expenditures are recorded on the accrual basis of accounting.

Governmental Fund Financial Statements

The governmental fund financial statements are prepared 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 if the revenues are collectible within the current period, or soon thereafter, to pay liabilities of the current period. For that purpose, the District considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period.

Godding Hollow Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2. *Measurement Focus and Financial Accounting Framework - continued*

Governmental Funds

For 2017, the District has three Governmental Funds:

- *General Fund* – The General Fund is the general operating fund of the District. It is used to account for all of the financial resources not accounted for and reported in another fund,
- *Debt Service Fund* – The Debt Service Fund is used to account for all financial resources that are restricted, committed, or assigned to expenditures for principal, interest, and other debt-related costs,
- *Capital Projects Fund* - The Capital Project Fund is used to account for all financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition of capital facilities and other assets.

3. *Deposits*

District management considers cash and cash equivalents to include cash on hand, demand deposits, and money market accounts. Investments, as applicable, of the District are reported at fair value.

District management may at times follow the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by regulations or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements may be pooled for deposit and investment flexibility. As applicable, investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

4. *Capital Assets*

The District's capital assets, as applicable, are recorded at cost, if purchased or constructed. Donated capital assets are valued at the estimated fair value at the time of donation. The District has a capitalization policy of \$5,000. The District's Board of Directors has the option to capitalize certain items costing less than \$5,000 in certain circumstances. It is the intent of the District to convey all of the completed capital assets to the Town of Frederick, Colorado or other related local governments. As of December 31, 2017, the District had no capital assets.

The cost of normal maintenance and repairs that do not add value to, or materially extend the life of, the related capital asset, are charged to expense as incurred.

5. *Fair Value of Financial Instruments*

The District's financial instruments include, as applicable, cash and cash equivalents, various receivables, and accounts payable. The District estimates that the fair value of these financial instruments, as of December 31, 2017, does not differ materially from the aggregate carrying values used in the accompanying financial statements. The carrying amount of these financial instruments approximates the fair value due to the short maturity of these financial instruments.

Godding Hollow Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

6. *Use of Estimates*

The preparation of financial statements in conformity with US GAAP involves the use of management's estimates which affect the reported amounts of assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period. These estimates are based upon management's best judgment, after considering past events and assumptions about future events. Actual results could differ from those estimates.

7. *Property Taxes*

Property taxes are levied by the District's Board of Directors. When applicable, the levy is based upon 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 taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable, since they normally are not available nor are they budgeted as a resource until the subsequent year. Property taxes are recorded as revenue in the subsequent year when they are available or collected.

Under the Service Plan, the maximum Mill Levy for the District shall be 50 mills, subject to statutory adjustment.

NOTE B – BUDGET INFORMATION

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with State Budget Law, the District's Board of Directors holds a public hearing in the fall of each year to approve the budget and appropriate funds for the ensuing year. The appropriation is at the total fund expenditure 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 total appropriation can only be modified upon completion of a budget amendment approved following a public hearing on the same. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year-end.

The State of Colorado requires a balanced budget. For 2017, the District's General Fund budgeted expenditures and other uses exceeded budgeted revenues. For 2017, it was anticipated that the prior year's surplus would be used to offset the excess budgeted expenditures and other uses.

On October 5, 2017; the District amended its total appropriations in the Debt Service Fund from 12,004 to \$25,467, due to an increased principal payment on the Shadetree Eagle, LLC Promissory Note 2017A, further discussed in NOTE D.

Godding Hollow Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE C – CASH

Deposits and Custodial Credit Risk

The Colorado Public Deposit Protection Act (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine the eligibility. Amounts on deposit in excess of the Federal Deposit Insurance Corporation (“FDIC”) insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows institutions to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits. The market value of the collateral must be equal to 102% of the aggregate uninsured public deposits.

The Colorado Division of Banking for banks and savings associations is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

As of December 31, 2017, none of the District’s deposits were exposed to custodial credit risk.

Restricted Cash and Cash Equivalents

The District’s restricted cash and cash equivalents pertain to the amount of cash and cash equivalents equal to the emergency reserve in the general fund and cash held within the Debt Service Fund.

NOTE D - LONG-TERM DEBT

Limited Tax General Obligation Note, Series 2011

In August 2011, the District issued the Limited Tax General Obligation Note, Series 2011 (“2011 Note”) in the amount of \$403,361. The 2011 Note is to be paid from, to the extent available, Pledged Revenue, as defined in the 2011 Note no later than the Maturity Date of November 20, 2048. Interest shall be paid, at 8%, on the balance outstanding from time to time until the later of (a) the date that the 2011 Note has been fully paid and satisfied, or (b) the Maturity Date, November 30, 2048. The interest shall be computed on the basis of a year of 360 days and the actual days elapsed. The unpaid interest shall compound on December 1 of each year. On December 1, 2017, accrued interest totaling 46,732 was transferred to principal.

For the year ended December 31, 2017, no principal or interest payments were made.

Shadetree Eagle, LLC Promissory Note 2017A

In January 2017, the District issued a promissory note (“2017A Note”) in the amount of \$103,518 to reimburse the Town of Frederick, Colorado for 50% of the construction cost of water improvements within the District. Under the terms of the 2017A Note, the 2017A Note has priority, and shall be paid before all other outstanding debt issued by the District and is to be paid from, to the extent available, Pledged Revenue, as defined in the 2017A Note.

Interest on the outstanding principal amount shall begin to accrue retroactive to December 5, 2016 at a rate of 2% per annum and shall compound on December 1, of each year. A principal and interest payment shall be paid on or before December of each year, beginning in 2017 and continuing until the 2017A Note is paid in full. Shadetree Eagle, LLC shall credit to the District’s payment obligation under the 2017A Note any monetary contribution it receives for connections to the water improvements constructed by the Town of Frederick on behalf of the District and located within the District boundary.

The 2017A Note has a final maturity date of December 1, 2056.

Godding Hollow Metropolitan District
 NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE D - LONG-TERM DEBT - *continued*

Town of Frederick Subordinate Promissory Note 2017B

In January 2017, the District issued a promissory note ("2017B Note") in the amount of \$721,805 to reimburse the Town of Frederick, Colorado for 50% of the construction cost of water improvements and 100% of the sanitary sewer improvements and road improvements within the District. Under the terms of the 2017A Note, the 2017B Note is subordinate to the 2017A Note. However, the 2017B Note has priority over, and shall be paid before all outstanding debt of the District. The 2017B Note is to be paid from, to the extent available, Pledged Revenue, as defined in the 2017B Note.

Interest on the outstanding principal amount shall accrue retroactive to December 5, 2016 at a rate of 2% per annum and shall compound on December 1, of each year. Upon payment in full of the 2017A Note A, principal and interest payment shall be paid on or before December of each year and continuing until the 2017B Note is paid in full. To the extent the District cannot pay the 2017B Note in full on or before December 31, 2020, Shadetree Eagle, LLC will pay the Town of Frederick the outstanding balance on the 2017B Note and the Town of Frederick will assign the 2017B Note to Shadetree Eagle, LLC, pursuant to the Addendum to the Contract to Buy and Sell Real Estate between Shadetree Eagle, LLC and the Town of Frederick, dated January 31, 2021, and the District will pay Shadetree Eagle, LLC under the terms of the 2017B Note. The Town of Frederick shall credit to the District's payment obligation under the 2017B Note any monetary contribution it receives for connections to the water improvements constructed by the Town of Frederick on behalf of the District and located within the District boundary.

The 2017B Note has a final maturity date of December 1, 2056.

For the year ended December 31, 2017, there were no principal or interest payments and interest totaling \$14,277 was transferred to principal on December 1, 2017 and included in borrowings below.

The changes in the District's long-term debt for the year ended December 31, 2017 are as follows:

	Balance December 31, 2016	Borrowings	Payments	Balance December 31, 2017	Balance Due in One Year
2011 Note	\$ 564,149	\$ 46,732	\$ -	\$ 610,881	\$ 610,881
2017A Note	-	103,518	21,952	81,566	6,400
2017B Note	-	736,083	-	736,083	-
	<u>\$ 564,149</u>	<u>\$ 886,333</u>	<u>\$ 21,952</u>	<u>\$ 1,428,530</u>	<u>\$ 617,281</u>

Future Maturities

As the future minimum payments are dependent on the availability of the Pledged Revenues, the future minimum payments as of December 31, 2017 beyond one year cannot be projected.

Authorized, But Unissued Debt

As of December 31, 2017, the amount of the voter authorized, but unissued, debt for the Godding Hollow Metropolitan District was \$122,771,316. However, the District's Service Plan limits its total debt issuance to \$10,000,000. As such, the District has \$8,771,316 in remaining authorized, but unissued debt.

Godding Hollow Metropolitan District
 NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE E – FUND BALANCE/NET POSITION

Fund Balance

The District utilizes the fund balance presentation as required under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances, as applicable, are categorized as non-spendable, restricted, committed, assigned, or unassigned.

Non-spendable – represents amounts that cannot be spent because they are either in non-spendable form or legally required to remain intact;

Restricted – represents amounts with external constraints placed on the use of these resources or imposed by enabling legislation;

Committed – represents amounts that may only be used for specific purposes imposed by a formal action of the District’s highest level of decision-making authority, the District’s Board of Directors. Committed resources cannot be used for any other purpose, unless the District’s Board of Directors remove or change the specific use by the same type of action used to commit those amounts, either by resolution or by ordinance;

Assigned – represents amounts that the District intends to use for specific purposes, as expressed by the District’s Board of Directors or a District official delegated the authority to assign such amounts;

Unassigned – represents the residual classification for the general fund or deficit balances in other funds, as applicable.

Amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Unrestricted amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of these unrestricted fund balances classifications could be used.

As of December 31, 2017, the District’s fund balance consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Fund balances:				
Restricted	\$	\$	\$	\$
TABOR	388		-	388
Committed	-	883	-	883
Unassigned	3,544	-	-	3,544
Total fund balances	\$ 3,932	\$ 883	\$ -	\$ 4,815

Net Position

The District’s net position represents the difference between the District’s assets, liabilities, and deferred inflows of resources. The District reports three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

Godding Hollow Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE E – FUND BALANCE/NET POSITION - *continued*

Net Position - continued

Restricted net position – net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net positions are available, the District will use the most restrictive net position first.

NOTE F - RELATED PARTIES

Member of the Board of Directors

The sole member of the Board of Directors is the owner of the Developer, McDonald Properties LLC.

NOTE G – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, errors or omissions, and natural disasters, as well as theft of, damage to, or destruction of, property.

The District is a member of the Colorado Special Districts Property and Liability Pool (“Pool”) as of December 31, 2017. The Pool is an organization created by intergovernmental agreements to provide property, liability, public officials’ liability, boiler, and other coverage to its members.

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

Godding Hollow Metropolitan District
 NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE H – 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, and debt limitations, which apply to the State of Colorado and to all local governments.

Spending and revenue limits are determined based upon 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.

The District’s management believes it is in compliance with the provisions of TABOR. TABOR, however, is complex and subject to interpretation. Many of the provisions, including the calculation of the fiscal year spending limits, will require judicial interpretation.

NOTE I – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Governmental Funds Balance Sheet/Statement of Net Position and Statement of Governmental Funds Revenue, Expenditures and Changes in Fund Balance/Statement of Activities includes an adjustments column, which reconciles the differences between the government-wide and governmental fund financial statements, as follows:

Governmental Funds Balance Sheet/Statement of Net Position

Long-term debt, including accrued interest payable, is not due and payable in the current period and therefore is not reported in the governmental funds.

Long-term debt	\$	1,221,010
Accrued interest payable		208,324

Statement of Governmental Funds Revenue, Expenditures and Changes in Fund Balance/Statement of Activities

Interest expense is recorded in the Statement of Activities when incurred. Interest is only recorded, as paid in the debt service fund,	62,354
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Principal payments on debt are expenditures in the governmental funds; however, the principal payment is a reduction in the long-term debt as reflected in the Statement of Net Position.	21,952
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Governmental funds report the proceeds from issuance of debt as revenue. However, for the governmental-wide financial statements, the revenue is not reflected and the debt is recognized on the Statement of Net Position,	825,324
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Godding Hollow Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE J – MANAGEMENT’S EVALUATION OF SUBSEQUENT EVENTS

The preparation of the District’s financial statements and accompanying footnotes in conformity with US GAAP requires District management to evaluate transactions and events subsequent to the balance sheet date involving the District. Management has evaluated the subsequent transactions and events of the District through September 28, 2018 which is the date that the financial statements and accompanying footnotes were available for issuance.

SUPPLEMENTARY INFORMATION

Godding Hollow Metropolitan District

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND

For the Year ended December 31, 2017

	Original Budget	Amended and Final Budget	Actual	Variance
REVENUES				
Property taxes	\$ 2,004	\$ 2,004	\$ 2,004	\$ -
Specific ownership taxes	-	339	339	-
Interest	-	6	6	-
Total revenues	2,004	2,349	2,349	-
EXPENDITURES				
OPERATIONS				
Legal	-	-	17	17
Treasurer's fees	30	30	30	-
Payment to Town of Frederick	1,480	1,420	1,420	-
Other	-	16	-	(16)
DEBT SERVICE				
Cost of issuance		-	12,500	12,500
Interest	2,047	1,881	2,047	166
Principal	8,447	22,119	21,952	(167)
Total expenditures	12,004	25,466	37,966	12,500
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES				
	(10,000)	(23,117)	(35,617)	(12,500)
OTHER SOURCES AND USES				
Proceeds from borrowing	-	-	825,324	825,324
Transfers in (out), net	10,000	24,000	(788,824)	(812,824)
Total other sources and uses	10,000	24,000	36,500	12,500
CHANGE IN FUND BALANCE	\$ -	\$ 883	883	\$ -
FUND BALANCE				
Beginning balance			-	
Ending balance			\$ 883	

Godding Hollow Metropolitan District

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND

For the Year ended December 31, 2017

	Original and Final Budget	Actual	Variance
EXPENDITURES			
Capital outlay	\$ 825,324	\$ 812,824	\$ (12,500)
OTHER SOURCES			
Transfer in	825,324	812,824	12,500
CHANGES IN FUND BALANCE	<u>\$ -</u>	-	<u>\$ (25,000)</u>
FUND BALANCE			
Beginning balance		-	
Ending balance		<u>\$ -</u>	