

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

December 31, 2018

*Table of Contents*

	Page
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	3
BASIC FINANCIAL STATEMENTS	
GOVERNMENTAL FUNDS BALANCE SHEET/ STATEMENT OF NET POSITION	6
STATEMENT OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES	7
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND	8
NOTES TO FINANCIAL STATEMENTS	9
SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – DEBT SERVICE FUND	20
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – CAPITAL PROJECTS FUND	21

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, 2018, 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, 2018, 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 Godding Hollow Metropolitan District taken as a whole. The supplementary information on pages 20 and 21 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  
July 19, 2019

*BASIC FINANCIAL STATEMENTS*

Godding Hollow Metropolitan District

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION

December 31, 2018

	Governmental Funds				Adjustments	Statement of Net Position
	General	Debt Service	Capital Projects	Total		
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ 2,041	\$ 1,096,897	\$ 1,098,938	\$ -	\$ 1,098,938
Restricted cash and cash equivalents	-	27,507	-	27,507	-	27,507
Property taxes receivable	22,000	20,677	-	42,677	-	42,677
Prepaid expenses	2,013	-	-	2,013	-	2,013
Due from other funds	-	538	-	538	(538)	-
Other	176	61	-	237	-	237
<b>Total assets</b>	<b>\$ 24,189</b>	<b>\$ 50,824</b>	<b>\$ 1,096,897</b>	<b>\$ 1,171,910</b>	<b>(538)</b>	<b>1,171,372</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 1,753	\$ 19,000	\$ 3,220	\$ 23,973	-	23,973
Other accrued liabilities	15	2,541	-	2,556	-	2,556
Due to other funds	538	-	-	538	(538)	-
Accrued interest payable	-	-	-	-	6,678	6,678
<b>Total liabilities</b>	<b>2,306</b>	<b>21,541</b>	<b>3,220</b>	<b>27,067</b>	<b>6,140</b>	<b>33,207</b>
<b>DEFERRED INFLOWS</b>						
Property taxes	22,000	20,677	-	42,677	-	42,677
<b>LONG-TERM DEBT</b>						
Due in more than one year	-	-	-	-	2,845,000	2,845,000
<b>Total long-term debt</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,845,000</b>	<b>2,845,000</b>
<b>FUND BALANCE</b>						
Restricted	600	-	-	600	(600)	-
Committed	-	8,606	1,093,677	1,102,283	(1,102,283)	-
Unassigned	(717)	-	-	(717)	717	-
<b>Total fund balance</b>	<b>(117)</b>	<b>8,606</b>	<b>1,093,677</b>	<b>1,102,166</b>	<b>(1,102,166)</b>	<b>-</b>
<b>Total liabilities, deferred inflows and fund balance</b>	<b>\$ 24,189</b>	<b>\$ 50,824</b>	<b>\$ 1,096,897</b>	<b>\$ 1,171,910</b>		
<b>NET POSITION</b>						
Unrestricted					(1,749,512)	(1,749,512)
<b>Total net position</b>					<b>\$ (1,749,512)</b>	<b>\$ (1,749,512)</b>

The accompanying notes are an integral part of this financial statement

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

For the Year ended December 31, 2018

	Governmental Funds				Adjustments	Statement of Activities
	General	Debt Service	Capital Projects	Total		
<b>EXPENDITURES</b>						
<b>OPERATIONS</b>						
Accounting and audit	\$ 7,810	\$ -	\$ -	\$ 7,810	\$ -	\$ 7,810
Dues	271	-	-	271	-	271
Engineering	-	-	3,220	3,220	-	3,220
Insurance	2,013	-	-	2,013	-	2,013
Legal	9,085	-	-	9,085	-	9,085
Miscellaneous	803	2,563	-	3,366	-	3,366
Treasurer's fees	446	157	-	603	-	603
<b>DEBT SERVICE</b>						
Paying agent	-	4,000	-	4,000	-	4,000
Issuance of debt	-	265,393	-	265,393	-	265,393
Principal payments	-	1,429,875	-	1,429,875	(1,429,875)	-
Interest expense	-	65,329	-	65,329	6,678	72,007
Total expenditures	<u>20,428</u>	<u>1,767,317</u>	<u>3,220</u>	<u>1,790,965</u>	<u>(1,423,197)</u>	<u>367,768</u>
<b>GENERAL REVENUES</b>						
Property and other taxes	31,997	11,253	-	43,250	-	43,250
Interest	54	13	-	67	-	67
Total general revenues	<u>32,051</u>	<u>11,266</u>	<u>-</u>	<u>43,317</u>	<u>-</u>	<u>43,317</u>
<b>REVENUE OVER (UNDER) EXPENDITURES</b>	11,623	(1,756,051)	(3,220)	(1,747,648)	1,423,197	(324,451)
<b>OTHER SOURCES AND USES</b>						
Proceeds from borrowing	-	2,845,000	-	2,845,000	(2,845,000)	-
Transfers in (out), net	(15,672)	(1,081,225)	1,096,897	-	-	-
Total other sources and uses	<u>(15,672)</u>	<u>1,763,775</u>	<u>1,096,897</u>	<u>2,845,000</u>	<u>(2,845,000)</u>	<u>-</u>
<b>CHANGES IN FUND BALANCE</b>	(4,049)	7,724	1,093,677	1,097,352	(1,097,352)	-
<b>CHANGE IN NET POSITION</b>	-	-	-	-	(324,451)	(324,451)
<b>FUND BALANCE /NET POSITION (DEFICIT)</b>						
Beginning of the year	3,932	882	-	4,814	(1,429,875)	(1,425,061)
End of the year	<u>\$ (117)</u>	<u>\$ 8,606</u>	<u>\$ 1,093,677</u>	<u>\$ 1,102,166</u>	<u>\$ (2,851,678)</u>	<u>\$ (1,749,512)</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, 2018

	Original Budget	Amended and Final Budget	Actual	Variance
<b>REVENUES</b>				
Property taxes	\$ 29,651	\$ 29,717	\$ 29,717	\$ -
Specific ownership taxes	1,483	2,155	2,280	125
Interest and other	-	5	54	49
Total revenues	<u>31,134</u>	<u>31,877</u>	<u>32,051</u>	<u>174</u>
<b>EXPENDITURES</b>				
<b>OPERATING</b>				
Accounting and audit	2,200	7,810	7,810	-
Dues	300	271	271	-
Engineering	-	-	-	-
Insurance	2,015	2,013	2,013	-
Legal	10,000	9,085	9,085	-
Office	100	-	-	-
Miscellaneous	-	803	803	-
Treasurer's fees	445	446	446	-
Total expenditures	<u>15,060</u>	<u>20,428</u>	<u>20,428</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	16,074	11,449	11,623	174
<b>OTHER USES</b>				
Contingency	(910)	-	-	-
Transfer out	(15,000)	(15,672)	(15,672)	-
Total other uses	<u>(15,910)</u>	<u>(15,672)</u>	<u>(15,672)</u>	<u>-</u>
CHANGES IN FUND BALANCE	<u>\$ 164</u>	<u>\$ (4,223)</u>	<u>(4,049)</u>	<u>\$ 174</u>
<b>FUND BALANCE (DEFICIT)</b>				
Beginning balance			<u>3,932</u>	
Ending balance			<u>\$ (117)</u>	

The accompanying notes are an integral part of this financial statement

Godding Hollow Metropolitan District  
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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 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*.

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 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, 2018

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

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

*Governmental Funds*

For 2018, 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, 2018, the District had no capital assets.

The cost of normal maintenance and repairs, as incurred, 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, 2018, 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, 2018

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 2018, the District's General Fund amended budgeted expenditures and other uses exceeded budgeted revenues. For 2018, the District's amended General Fund budget increased total appropriations to \$20,428.

In December 2018; the District amended the total appropriation and net other sources and uses in the Debt Service Fund primarily due to activity associated with the issuance of debt and the refunding of existing debt as discussed further in NOTE D.

Godding Hollow Metropolitan District  
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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, 2018, 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 Cost of Issuance cash held within the Debt Service Fund.

NOTE D - LONG-TERM DEBT

*General Obligation Limited Tax Bonds, Series 2018*

On December 18, 2018, the District issued the General Obligation Limited Tax Bonds, Series 2018 (“2018 Series Bonds”) in the amount \$2,845,000. A portion of the net proceeds were used to pay in full the previously outstanding notes payable of the District, including accrued interest, as applicable, subsequently discussed. The remaining net proceeds are intended to be used to (a) pay the costs to complete the Public Improvements, including reimbursing the Developer under the Developer Reimbursement Agreement, (b) reimbursing Crestone Peak Resources LLC for the costs of certain completed Public Improvements, and (c) pay the costs of the issuance of the 2018 Series Bonds.

The 2018 Series Bonds shall bear interest at the rate of 6.5% per annum, calculated on the basis of a 360-day year of twelve 30-day months, payable to the extent of Pledged Revenue, as defined in the Bond Agreement annually on each December 1, commencing on December 1, 2019. The 2018 Series Bonds shall mature on December 1, 2034, and shall be subject to mandatory redemption to the extent Pledged Revenue is available.

Under the terms of the Bond Agreement, the District is to transfer the Pledged Revenue to the Trustee as soon as may be practicable after receipt thereof.

*Mandatory Redemption*

On each November 1, the Trustee shall determine the amount credited to the Bond Fund and, to the extent the amount therein is in excess of the amount required to pay interest on the 2018 Series Bonds, the Trustee shall give notice of redemption.

Godding Hollow Metropolitan District  
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE D - LONG-TERM DEBT - *continued*

*General Obligation Limited Tax Bonds, Series 2018 - continued*

Optional Redemption

The 2018 Series Bonds are subject to redemption prior to maturity, at the option of the District subject to a redemption premium as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 1, 2023 to November 30, 2024	3.00%
December 1, 2014 to November 30, 2025	2.00%
December 1, 2025 to November 30, 2026	1.00%
December 1, 2026 and thereafter	0.00%

Under the terms of the Bond Agreement, the District shall provide an audit of the District's annual financial statements no later than September 30 of the calendar year after the calendar year end.

*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.

On December 18, 2018, the 2011 Note was paid in full, principal and interest totaling \$660,872, from the proceeds of the Series 2018 Bonds previously discussed.

*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.

On June 8, 2018, a principal payment in the amount of \$24,145 was made on the 2017A Note. On December 18, 2018, the 2017A Note was paid in full, principal and interest totaling \$57,827, from the proceeds of the Series 2018 Bonds previously discussed.

Godding Hollow Metropolitan District  
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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 was 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.

On December 18, 2018, the 2017A Note was paid in full, principal and interest totaling \$751,504, from the proceeds of the Series 2018 Bonds previously discussed.

The changes in the District's long-term debt for the year ended December 31, 2018 are as follows:

	Balance December 31, 2017	Borrowings	Payments	Balance December 31, 2018	Balance Due in One Year
Series 2018 Bonds	\$ -	2,845,000	-	2,845,000	-
2011 Note	610,881	-	(610,881)	-	-
2017A Note	81,700	-	(81,700)	-	-
2017B Note	<u>737,294</u>	<u>-</u>	<u>(737,294)</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,429,875</u>	<u>\$ 2,845,000</u>	<u>\$ (1,429,875)</u>	<u>\$ 2,845,000</u>	<u>\$ -</u>

*Future Maturities*

The future minimum payments as of December 31, 2018, are as follows:

Year Ending	Principal	Interest	Total
2019	\$ -	\$ 176,192	\$ 176,192
2020	-	184,925	184,925
2021	-	184,925	184,925
2022	-	184,925	184,925
2023	-	184,925	184,925
Thereafter	<u>2,845,000</u>	<u>2,034,175</u>	<u>4,879,175</u>
Total	<u>\$ 2,845,000</u>	<u>\$ 2,950,067</u>	<u>\$ 5,795,067</u>

*Authorized, But Unissued Debt*

As of December 31, 2018, the amount of the voter authorized, but unissued, debt for the Godding Hollow Metropolitan District was \$88,262,833. However, the District's Service Plan limits its total debt issuance to \$10,000,000. As such, the District has \$7,155,000 in remaining authorized, but unissued debt.

Godding Hollow Metropolitan District  
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE E – COMMITMENTS

*Developer Reimbursement Agreement*

In December 2018, the District and Shadetree Eagle, LLC, (the “Developer”) entered into the 2018 Developer Reimbursement Agreement, (“2018 Agreement”). Pursuant to the 2018 Agreement, the Developer has previously expended funds and agrees to advance funds to the District in the future for the design, construction, and installation of certain public improvements and the District agrees to reimburse the Developer for such expended funds. Under the terms of the 2018 Agreement, the Developer has agreed to advance funds on a periodic basis for the years 2018 through 2023, up to a maximum of \$200,000. The advances shall accrue simple interest at the rate of 6.5%.

As of December 31, 2018, there were no outstanding advances.

NOTE F – 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.

Godding Hollow Metropolitan District  
 NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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

*Fund Balance*

As of December 31, 2018, the District's fund balance consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Fund balances:				
Restricted	\$ 600	\$ -	\$ -	\$ 600
TABOR	-	8,606	1,093,677	1,102,283
Committed	-	-	-	-
Unassigned	(717)	-	-	(717)
Total fund balances (deficit)	\$ (117)	\$ 8,606	\$ 1,093,677	\$ 1,102,166

In 2019, the District received property and other tax revenue which eliminated the General Fund deficit that existed as of December 31, 2018.

*Net Position*

The District's net position represents the difference between the District's assets, liabilities, and deferred inflows of resources. The District may report 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.

*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 G - RELATED PARTIES

*Member of the Board of Directors*

A member of the Board of Directors is the owner of the Developer, Shadetree Eagle, LLC.

Godding Hollow Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE H – 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, 2018. 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.

NOTE I – 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.

Godding Hollow Metropolitan District  
 NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE J – RECONCILIATION OF GOVERNMENT-WIDE AND GOVERNMENTAL 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	\$	2,845,000
Accrued interest payable		6,678

*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,	6,678
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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.	1,429,875
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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,	2,845,000
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NOTE K – 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 July 19, 2019 which is the date that the financial statements and accompanying notes 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, 2018

	Original Budget	Amended and Final Budget	Actual	Variance
<b>REVENUES</b>				
Property taxes	\$ 8,014	\$ 10,445	\$ 10,445	\$ -
Specific ownership taxes	2,404	813	808	(5)
Interest	-	13	13	-
Total revenues	10,418	11,271	11,266	(5)
<b>EXPENDITURES</b>				
<b>OPERATIONS</b>				
Treasurer's fees	156	157	157	-
Payment to Town of Frederick	2,368	2,540	2,563	(23)
Other	250	-	-	-
<b>DEBT SERVICE</b>				
Paying agent	-	-	4,000	
Cost of issuance	-	221,000	265,393	(44,393)
Principal and interest	22,644	1,495,203	1,495,204	(1)
Total expenditures	25,418	1,718,900	1,767,317	(44,417)
<b>EXCESS OF EXPENDITURES OVER REVENUE</b>	(15,000)	(1,707,629)	(1,756,051)	(48,422)
<b>OTHER SOURCES AND USES</b>				
Proceeds from borrowing	-	2,788,100	2,845,000	56,900
Transfers in (out), net	15,000	(1,081,225)	(1,081,225)	-
Total other sources and uses	15,000	1,706,875	1,763,775	56,900
<b>CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ (754)</b>	7,724	<b>\$ 8,478</b>
<b>FUND BALANCE</b>				
Beginning balance			882	
Ending balance			<u>\$ 8,606</u>	

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, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES			
OPERATIONS			
Engineering	\$ -	\$ 3,220	\$ (3,220)
Total expenditures	-	3,220	(3,220)
OTHER SOURCES			
Transfer in	-	1,096,897	1,096,897
CHANGES IN FUND BALANCE	<u>\$ -</u>	<u>1,093,677</u>	<u>\$ 1,093,677</u>
FUND BALANCE			
Beginning balance		<u>-</u>	
Ending balance		<u>\$ 1,093,677</u>	