

Westglenn Metropolitan District

Year Ended December 31, 2019
with
Independent Auditor's Report

Westglenn Metropolitan District

Year Ended December 31, 2019
with
Independent Auditor's Report

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Independent Auditor's Report

Board of Directors
Westglenn Metropolitan District
Jefferson County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Westglenn 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 the Westglenn 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 conformity 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 supplemental information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplemental 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.

Wipfli LLP

Lakewood, Colorado

March 24, 2020

Westglenn Metropolitan District

Balance Sheet/Statement of Net Position Governmental Funds December 31, 2019 (See Independent Auditor's Report)

	General	Debt Service	Total Governmental Funds
Assets:			
Cash	\$ 51,537	\$ -	\$ 51,537
Investments	347,888	697,303	1,045,191
Property taxes receivable	288,560	609,182	897,742
Total assets	<u>\$ 687,985</u>	<u>\$ 1,306,485</u>	<u>\$ 1,994,470</u>
Liabilities:			
Interest payable	\$ -	\$ -	\$ -
Long-term liabilities:			
Due within one year	-	-	-
Due after one year	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:			
Deferred property tax revenue	288,560	609,182	897,742
Fund balance:			
Restricted for:			
Debt service	-	697,303	697,303
Emergency reserve	10,500	-	10,500
Assigned for:			
Subsequent years' expenditures	23,841	-	23,841
Unassigned	365,084	-	365,084
Total fund balances	<u>399,425</u>	<u>697,303</u>	<u>1,096,728</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 687,985</u>	<u>\$ 1,306,485</u>	<u>\$ 1,994,470</u>

(continued)
(See Notes to Financial Statements)

Westglenn Metropolitan District

Balance Sheet/Statement of Net Position Governmental Funds (continued) December 31, 2019 (See Independent Auditor's Report)

	Adjustments	Statement of Net Position
Assets:		
Cash	\$ -	\$ 51,537
Investments	-	1,045,191
Deferred taxes receivable	-	897,742
Total assets	<u>\$ -</u>	<u>\$ 1,994,470</u>
Liabilities:		
Interest payable	\$ 6,015	\$ 6,015
Long-term liabilities:		
Due within one year	450,000	450,000
Due after one year	<u>1,948,000</u>	<u>1,948,000</u>
	<u>2,404,015</u>	<u>2,404,015</u>
Deferred inflows of resources:		
Deferred property tax revenue	-	897,742
Fund balance:		
Restricted for:		
Debt service	(697,303)	-
Emergency reserve	(10,500)	-
Assigned for:		
Operations	(23,841)	-
Unassigned	<u>(365,084)</u>	<u>-</u>
Total fund balances	<u>(1,096,728)</u>	<u>-</u>
Net position:		
Restricted for:		
Debt service	697,303	697,303
Emergencies	10,500	10,500
Assigned for:		
Operations	23,841	23,841
Unrestricted	<u>(2,038,931)</u>	<u>(2,038,931)</u>
Total net position	<u>\$ (1,307,287)</u>	<u>\$ (1,307,287)</u>

(See Notes to Financial Statements)

Westglenn Metropolitan District

Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities - Governmental Funds Year Ended December 31, 2019 (See Independent Auditor's Report)

	General	Debt Service	Total Governmental Funds
Expenditures:			
Accounting fees	\$ 5,000	\$ -	\$ 5,000
Administrative fees	46,200	-	46,200
Board of directors' fees	2,847	-	2,847
Bond interest	-	86,114	86,114
Bond principal	-	435,000	435,000
Insurance	6,143	-	6,143
Irrigation repairs	2,574	-	2,574
Landscape maintenance	63,419	-	63,419
Legal fees	37,674	-	37,674
Miscellaneous	8,681	-	8,681
Park maintenance	25,094	-	25,094
Site specialties	14,997	-	14,997
Snow removal	4,068	-	4,068
Treasurer's fees	-	13,371	13,371
Utilities	1,167	-	1,167
Water and sewer	59,576	-	59,576
Total expenditures	<u>277,440</u>	<u>534,485</u>	<u>811,925</u>
Revenues:			
Property tax	258,758	632,521	891,279
Specific ownership tax	77,659	-	77,659
Investment income	245	-	245
Total revenues	<u>336,662</u>	<u>632,521</u>	<u>969,183</u>
Excess of revenue over expenditures	59,222	98,036	157,258
Fund balances/net position - beginning of year	<u>340,202</u>	<u>599,268</u>	<u>939,470</u>
Fund balances/net position - end of year	<u><u>\$ 399,424</u></u>	<u><u>\$ 697,304</u></u>	<u><u>\$ 1,096,728</u></u>

(continued)
(See Notes to Financial Statements)

Westglenn Metropolitan District

Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities - Governmental Funds (continued) Year Ended December 31, 2019 (See Independent Auditor's Report)

	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures:		
Accounting fees	\$ -	\$ 5,000
Administrative fees	-	46,200
Board of directors' fees	-	2,847
Bond interest	(1,091)	85,023
Bond principal	(435,000)	-
Insurance	-	6,143
Irrigation repairs	-	2,574
Landscape maintenance	-	63,419
Legal fees	-	37,674
Miscellaneous	-	8,681
Park maintenance	-	25,094
Site specialties	-	14,997
Snow removal	-	4,068
Treasurer's fees	-	13,371
Utilities	-	1,167
Water and sewer	-	59,576
Total expenditures	<u>(436,091)</u>	<u>375,834</u>
Revenues:		
Property tax	-	891,279
Specific ownership tax	-	77,659
Investment income	-	245
Total revenues	<u>-</u>	<u>969,183</u>
Excess of revenue over expenditures	436,091	593,349
Fund balances/net position - beginning of year	<u>(2,840,107)</u>	<u>(1,900,636)</u>
Fund balances/net position - end of year	<u><u>\$ (2,404,016)</u></u>	<u><u>\$ (1,307,287)</u></u>

(See Notes to Financial Statements)

Westglenn Metropolitan District

Statement of Revenues, Expenditures and Changes in Fund Balance - Actual and Budget General Fund Year Ended December 31, 2019 (See Independent Auditor's Report)

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:			
Property tax	\$ 258,758	\$ 257,992	\$ 766
Specific ownership taxes	77,659	67,200	10,459
Investment income	245	180	65
Total revenues	<u>336,662</u>	<u>325,372</u>	<u>11,290</u>
Expenditures:			
Accounting fees	5,000	5,000	-
Administrative fees	46,200	46,200	-
Board of directors' fees	2,847	3,700	853
Insurance	6,143	6,800	657
Irrigation repairs	2,574	7,000	4,426
Landscape maintenance	63,419	58,700	(4,719)
Legal fees	37,674	50,000	12,326
Miscellaneous	8,681	12,000	3,319
Park maintenance	25,094	33,600	8,506
Site specialties	14,997	40,714	25,717
Snow removal	4,068	10,000	5,932
Utilities	1,167	2,000	833
Water and sewer	59,576	73,500	13,924
Total expenditures	<u>277,440</u>	<u>349,214</u>	<u>71,774</u>
Excess (deficiency) of revenues over expenditures	59,222	(23,842)	83,064
Fund balances - beginning of year	<u>340,202</u>	336,913	<u>3,289</u>
Fund balances - end of year	<u>\$ 399,424</u>	<u>\$ 313,071</u>	<u>\$ 86,353</u>

(See Notes to Financial Statements)

Westglenn Metropolitan District

Notes to Basic Financial Statements
Year Ended December 31, 2019
(See Independent Auditor's Report)

1. Summary of Significant Accounting Policies

The accounting policies of the Westglenn Metropolitan District (the "District"), located in Westminster, Colorado, conform to the accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of reporting entity

The District, was organized on June 7, 1985 and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Jefferson County Colorado. The District was established for the purpose of constructing and installing water, sanitation and street improvements, and traffic safety controls. The District deeded these improvements to the City of Westminster for future maintenance and operation. The District currently has responsibility for maintaining certain landscaping within the District's boundaries.

The District follows 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.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District has no component units as defined by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

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

Westglenn Metropolitan District

Notes to Basic Financial Statements
Year Ended December 31, 2019
(See Independent Auditor's Report)

1. Summary of Significant Accounting Policies (continued)

Basis of presentation

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

The government-wide financial statements (i.e. the government funds balance sheet/the statement of net position and the statement of governmental fund revenues, expenditures and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of activities demonstrates the degree to which expenditures/revenues of the governmental funds are supported by general revenues. The effect of interfund activity has been removed from these statements.

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

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 of 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 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 accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Government 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 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 period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

Westglenn Metropolitan District

Notes to Basic Financial Statements
Year Ended December 31, 2019
(See Independent Auditor's Report)

1. Summary of Significant Accounting Policies (continued)

Measurement focus, basis of accounting and financial statement presentation (continued)

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources, except those required to be accounted for in other funds.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of long-term obligation principal, interest and related costs.

Budgets and budgetary accounting

In accordance with the Colorado State Budget Law, the District's Board of Directors follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before October, the Board prepares a proposed operating budget for each fund, based on their respective basis of accounting, for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Following public notice as required by state law, a public hearing is held on the proposed budget.
3. After considering comments received, the budget is formally adopted by resolution.
4. On or before December 15, the required mill levy is adopted by resolution. The mill levy is then certified to the county commissioners.
5. Before December 31, the expenditures are appropriated for the ensuing year. The appropriation is at the total fund level and lapses at year-end.

Encumbrance accounting, under which commitments related to unperformed contracts for goods and services are recorded to reserve a portion of the current appropriation, is not used by the District.

Westglenn Metropolitan District

Notes to Basic Financial Statements Year Ended December 31, 2019 (See Independent Auditor's Report)

1. Summary of Significant Accounting Policies (continued)

Cash

The District follows the practice of pooling cash 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.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities.

Westglenn Metropolitan District

Notes to Basic Financial Statements
Year Ended December 31, 2019
(See Independent Auditor's Report)

1. Summary of Significant Accounting Policies (continued)

Fund balances

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Non-spendable fund balance: The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) or is legally or contractually required to be maintained intact

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

Committed fund balance: The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision making authority, the Board of Directors, prior to the end of the fiscal year. 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 above criteria.

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

Westglenn Metropolitan District

Notes to Basic Financial Statements
Year Ended December 31, 2019
(See Independent Auditor's Report)

1. Summary of Significant Accounting Policies (continued)

Net position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports the following categories of net position:

Restricted net position – Net position is considered restricted if their 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 positions that do not meet the definition of the above component and is available for general use by the District.

2. Revenue Recognition - Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. The County certifies the assessed valuation of the District in August of the preceding year, and the District is obligated to certify the mill levies to the County by December 15 of the preceding year. Taxes are levied on December 22 and due in either one installment on April 30, or two installments on February 28 and June 15. The County bills and collects the District's property taxes. The 2019 general property taxes, which are assessed and collected in 2020, have been accrued as receivables and deferred revenue at December 31, 2019. As taxes are collected during 2020, the accrual and deferral are reduced accordingly.

3. Cash and Investments

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

Deposits with financial institutions	\$	51,537
Deposits collateralized in single institution pools		1,045,191
	\$	<u>1,096,728</u>

Westglenn Metropolitan District

Notes to Basic Financial Statements Year Ended December 31, 2019 (See Independent Auditor's Report)

3. Cash and Investments (continued)

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

Statement of net position:	
Insured deposits	\$ 51,537
Deposits collateralized in single institution pools	<u>1,045,191</u>
Total cash and investments	<u><u>\$ 1,096,728</u></u>

Deposits with financial institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local governments deposit cash in eligible 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 and carrying balance as follows:

	<u>Carrying Balance</u>	<u>Bank Balance</u>
Insured deposits	<u>\$ 51,537</u>	<u>\$ 54,539</u>

Investments

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investment is a pooled money market savings account and is not required to be categorized within the fair value hierarchy.

Westglenn Metropolitan District

Notes to Basic Financial Statements
Year Ended December 31, 2019
(See Independent Auditor's Report)

3. Cash and Investments (continued)

Investments (continued)

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

None of the District's investments are subject to custodial or concentration of credit risk.

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

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Single Institution Pool	Less than 1 Year	<u>\$ 1,045,191</u>

4. Long Term Obligations

In May 2014, the Board of Directors of the District authorized the issuance of a tax-exempt loan bearing interest at 3.01% payable semi-annually over ten years. The loan was issued to redeem the remaining balance of the \$6,000,000 General Obligation Refunding and Improvement Bonds, Series 2010, dated March 5, 2010.

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Tax Exempt Loan	<u>\$ 2,833,000</u>	<u>\$ -</u>	<u>\$ (435,000)</u>	<u>\$ 2,398,000</u>	<u>\$ 450,000</u>

Westglenn Metropolitan District

Notes to Basic Financial Statements Year Ended December 31, 2019 (See Independent Auditor's Report)

4. Long Term Obligations (continued)

The maturing schedule and the annual requirements to amortize the tax-exempt loan outstanding at December 31, 2019, are as follows:

Year	Principal	Interest	Total
2020	\$ 450,000	\$ 72,180	\$ 522,180
2021	465,000	58,635	523,635
2022	480,000	44,638	524,638
2023	495,000	30,190	525,190
2024	508,000	15,290	523,290
	<u>\$ 2,398,000</u>	<u>\$ 220,933</u>	<u>\$ 2,618,933</u>

5. Net Position

The District has net positions consisting of three components - restricted, assigned and unrestricted.

Restricted net position includes net positions 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 legislations. The District had a restricted net position as of December 31, 2019 for emergency reserve and debt service of \$10,500 and \$697,303, respectively.

Assigned assets include assets that are 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. The District had an assigned net position of \$23,841 as of December 31, 2019.

The District's unrestricted net position as of December 31, 2019 is (\$2,038,931). This deficit amount was a result of the District being responsible for the repayment of the tax exempt loans issued to repay the bond obligation for public improvements which were conveyed to other government entities and which costs were removed from the District's financial records.

Westglenn Metropolitan District

Notes to Basic Financial Statements
Year Ended December 31, 2019
(See Independent Auditor's Report)

6. Related Party Transactions

The President of the Board is associated with an entity which provides administrative services for the District at a current cost of \$2,150 per month. For the year ended December 31, 2019, the District paid a total of \$25,800 in administrative fees to this entity.

The District, up through July 2019, was reimbursed by an entity associated with the President of the Board for use of file server services of \$250 per month. For the year ended December 31, 2019, the District was reimbursed \$1,750 by the entity. This arrangement ceased after July, 2019.

7. 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; and natural disasters. The District purchases insurance coverage from the Colorado Special Districts Property and Liability Pool (the "Pool") covering all areas in which there is a risk of loss. 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.

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.

Westglenn Metropolitan District

Notes to Basic Financial Statements
Year Ended December 31, 2019
(See Independent Auditor's Report)

8. Tax, Spending and Debt Limitations

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations, which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provision of TABOR.

The initial base for local government spending and revenue limits is 1992 Fiscal Year Spending. Future 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.

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing a tax rate, increasing a mill levy above tax policy change directly causing a net tax revenue gain to any local government.

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.

Westglenn Metropolitan District

Notes to Basic Financial Statements
Year Ended December 31, 2019
(See Independent Auditor's Report)

9. Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

Explanation of differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet and the government-wide statement of net position include a reconciling column. Explanation of the adjustments included in the reconciliation column is as follows:

Long-term debt and related accrued interest payable	<u>\$ 2,404,015</u>
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

The government fund statement of revenues, expenditures and changes in fund balance and the government-wide statement of activities include a reconciling column. Explanations of the adjustments included in the reconciling column are as follows:

Debt principal paid during the current year	<u>\$435,000</u>
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Net accrued interest expense for the current year	<u>\$ (1,091)</u>
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Governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the statement of activities.

Governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

Accompanying Supplemental Information
(See Independent Auditor's Report)

Westglenn Metropolitan District

Statement of Revenues, Expenditures and Changes in Fund Balance - Actual and Budget Debt Service Fund Year Ended December 31, 2019 (See Independent Auditor's Report)

	Actual	Original and Final Budget	Variance - Favorable (Unfavorable)
Revenues:			
Property tax	\$ 632,521	\$ 630,648	\$ 1,873
Total revenues	<u>632,521</u>	<u>630,648</u>	<u>1,873</u>
Expenditures:			
Bond interest	86,114	86,458	344
Bond principal	435,000	435,000	-
Treasurer's fees	13,371	13,330	(41)
Total expenditures	<u>534,485</u>	<u>534,788</u>	<u>303</u>
Excess of revenues over expenditures	<u>98,036</u>	<u>95,860</u>	<u>2,176</u>
Fund balances - beginning of year	<u>599,268</u>	<u>606,137</u>	<u>(6,869)</u>
Fund balances - end of year	<u>\$ 697,304</u>	<u>\$ 701,997</u>	<u>\$ (4,693)</u>