

Westridge Metropolitan District No. 1

FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT CERTIFIED  
PUBLIC ACCOUNTANTS

December 31, 2019

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REPORT OF INDEPENDENT CERTIFIED  
PUBLIC ACCOUNTANTS

Board of Directors  
Westridge Metropolitan District No. 1

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities and the governmental funds of the Westridge Metropolitan District No. 1 (the "District"), as of and for the year ended December 31, 2019, which collectively comprise the District's basic financial statements as listed in the table of contents.

***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 Westridge Metropolitan District No. 1, as of December 31, 2019, 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 Westridge Metropolitan District No. 1 taken as a whole. The supplementary information on page 18 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  
June 25, 2020

*BASIC FINANCIAL STATEMENTS*

Westridge Metropolitan District No.1

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION

December 31, 2019

	Governmental Funds			Adjustments	Statement of Net Position
	General	Capital Projects	Total		
<b>ASSETS</b>					
Cash and cash equivalents	\$ 286,334	\$ -	\$ 286,334	\$ -	\$ 286,334
Receivables					
Property taxes	9,857	-	9,857	-	9,857
Service fees	3,966		3,966	-	3,966
Other governmental entities	60		60	-	60
Prepaid expenses	500	-	500	-	500
Water rights	-	-	-	1,125,000	1,125,000
<b>Total assets</b>	<b>\$ 300,717</b>	<b>\$ -</b>	<b>\$ 300,717</b>	<b>1,125,000</b>	<b>1,425,717</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 1,333	\$ -	\$ 1,333	-	1,333
<b>Total liabilities</b>	<b>1,333</b>	<b>-</b>	<b>1,333</b>	<b>-</b>	<b>1,333</b>
<b>DEFERRED INFLOWS</b>					
Property taxes	9,857	-	9,857	-	9,857
<b>FUND BALANCE</b>					
Restricted	22,290	-	22,290	(22,290)	-
Unassigned	267,237	-	267,237	(267,237)	-
<b>Total fund balance</b>	<b>289,527</b>	<b>-</b>	<b>289,527</b>	<b>(289,527)</b>	<b>-</b>
<b>Total liabilities, deferred inflow s and fund balance</b>	<b>\$ 300,717</b>	<b>\$ -</b>	<b>\$ 300,717</b>		
<b>NET POSITION</b>					
Restricted				22,290	22,290
Unrestricted				1,392,237	1,392,237
<b>Total net position</b>				<b>\$ 1,414,527</b>	<b>\$ 1,414,527</b>

The accompanying notes are an integral part of this financial statement

Westridge Metropolitan District No. 1  
STATEMENT OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES

For the Year ended December 31, 2019

	Governmental Funds			Adjustments	Statement of Activities
	General	Capital Projects	Total		
<b>EXPENDITURES</b>					
<b>OPERATIONS</b>					
Accounting and finance	\$ 7,360	\$ -	\$ 7,360	\$ -	\$ 7,360
District management	8,395	-	8,395	-	8,395
Insurance and bonds	500	-	500	-	500
Landscape maintenance	120	-	120	-	120
Legal	5,468	-	5,468	-	5,468
Office	452	-	452	-	452
Treasurer's fees	156	-	156	-	156
<b>CAPITAL OUTLAY</b>					
Water rights	-	1,125,000	1,125,000	(1,125,000)	-
Total expenditures	<u>22,451</u>	<u>1,125,000</u>	<u>1,147,451</u>	<u>(1,125,000)</u>	<u>22,451</u>
<b>GENERAL REVENUES</b>					
Property taxes	10,420	-	10,420	-	10,420
Specific ownership taxes	700	-	700	-	700
Service fees	729,203	-	729,203	-	729,203
Total general revenues	<u>740,323</u>	<u>-</u>	<u>740,323</u>	<u>-</u>	<u>740,323</u>
REVENUE OVER (UNDER) EXPENDITURES	717,872	(1,125,000)	(407,128)	1,125,000	717,872
<b>OTHER SOURCES AND USES</b>					
Transfers in (out)	<u>(1,125,000)</u>	<u>1,125,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other sources and uses	(1,125,000)	1,125,000	-	-	-
CHANGES IN FUND BALANCE	(407,128)	-	(407,128)	407,128	-
CHANGE IN NET POSITION	-	-	-	717,872	717,872
<b>FUND BALANCE /NET POSITION</b>					
Beginning of the year	<u>696,655</u>	<u>-</u>	<u>696,655</u>	<u>-</u>	<u>696,655</u>
End of the year	<u>\$ 289,527</u>	<u>\$ -</u>	<u>\$ 289,527</u>	<u>\$ 1,125,000</u>	<u>\$ 1,414,527</u>

The accompanying notes are an integral part of this financial statement

Westridge Metropolitan District No. 1

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

For the Year ended December 31, 2019

	Original Budget	Amended and Final Budget	Actual	Variance
<b>REVENUES</b>				
Property taxes	\$ 10,420	\$ 10,420	\$ 10,420	\$ -
Specific ownership taxes	729	652	700	48
Service fees	733,114	727,957	729,203	1,246
<b>Total revenues</b>	<b>744,263</b>	<b>739,029</b>	<b>740,323</b>	<b>1,294</b>
<b>EXPENDITURES</b>				
<b>OPERATING</b>				
Accounting and finance	7,360	7,360	7,360	-
Contingency	2,701	5,000	-	5,000
District engineering	500	500	-	500
District management	8,395	8,395	8,395	-
Insurance and bonds	500	500	500	-
Landscape maintenance	-	-	120	(120)
Office	250	500	452	48
Legal	10,000	10,000	5,468	4,532
Treasurer's fees	156	156	156	-
<b>Total expenditures</b>	<b>29,862</b>	<b>32,411</b>	<b>22,451</b>	<b>9,960</b>
<b>REVENUES OVER EXPENDITURES</b>	<b>714,401</b>	<b>706,618</b>	<b>717,872</b>	<b>11,254</b>
<b>OTHER USES</b>				
Transfer out	(650,000)	(1,125,000)	(1,125,000)	-
<b>Total other uses</b>	<b>(650,000)</b>	<b>(1,125,000)</b>	<b>(1,125,000)</b>	<b>-</b>
<b>CHANGES IN FUND BALANCE</b>	<b>\$ 64,401</b>	<b>\$ (418,382)</b>	<b>(407,128)</b>	<b>\$ 11,254</b>
<b>FUND BALANCE</b>				
Beginning balance			696,655	
Ending balance			<u>\$ 289,527</u>	

The accompanying notes are an integral part of this financial statement

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Westridge Metropolitan District No. 1 (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 2014, 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).

The District's service area is located in the Town of Mead, Colorado. Under the Service Plan, the District was formed, along with Westridge Metropolitan Districts Nos. 2 through 5 (the "Districts"), for the purpose of providing parameters for the planning, design, financing, acquisition, construction, installation and administration of certain public facilities, improvements and appurtenances within the service area 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.

Westridge Metropolitan District No. 1  
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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

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

*Governmental Funds*

For 2019, the District has two 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,
- *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 Mead, Colorado or other related local governments, unless consent is granted by the respective, local government.

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, 2019, 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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 58 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 2019, the District's amended the General Fund and Capital Projects Fund budget increasing total appropriations, including other uses to \$1,157,411 and \$1,125,000, respectively. For 2019, the District's General Fund amended budgeted expenditures and other uses exceeded budgeted revenue by \$418,382. The budgeted expenditures and other uses over budgeted revenue were anticipated to be covered by the use of the prior year fund balance.

Westridge Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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.

On occasion throughout the year and as of December 31, 2019, the District’s cash on deposit with its financial services provider exceeded the Federal Deposit Insurance Corporation limit of \$250,000. The District has not experienced any losses and believes it is not exposed to any significant credit risk on its cash on deposit.

NOTE D – WATER RIGHTS

In July 2019, the District acquired five shares of the capital stock (“water stock”) in the Highland Ditch Company to acquire permanent title and ownership of sufficient water rights to provide its raw water system with non-potable water to serve the District’s service area and other property permitted to be served by the Districts for open space and landscape irrigation water within and without the Districts’ service area.

Subsequently, the District leased the water rights to an entity for the remainder of the 2019 irrigating crop year for the irrigation of farmland.

In February 2020, the District entered into a Water Lease Agreement (“Water Lease”) with an entity for the water rights for the period April 1, 2020 through October 31, 2020. Future renewal years, if applicable, will commence on November 1 and terminate on October 31 of the following year. Under the terms of the Water Lease, the entity shall pay the District \$11,250 payable in two installments on March 15, 2020 and October 15, 2020.

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;

Westridge Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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

*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.

*Fund Balance*

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, 2019, the District’s fund balance consisted of the following:

	General Fund	Capital Projects Fund	Total
Fund balances:			
Restricted	\$	\$	\$
TABOR	22,290	-	22,290
Unassigned	<u>267,237</u>	<u>-</u>	<u>267,237</u>
Total fund balances	<u>\$ 289,527</u>	<u>\$ -</u>	<u>\$ 289,527</u>

*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.

Westridge Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE F – RELATED PARTIES AND AGREEMENTS

*Members of the Board of Directors*

Members of the Board of Directors are affiliated with Rocky Mountain Assets Investment, LLC (the ‘Developer’) and Hillside Commercial Group, Inc.

*Intergovernmental Agreement – Westridge Metropolitan Districts Nos. 1 through 5*

In November 2017, the Districts entered into an Intergovernmental Agreement under which the District will serve as the Operating District and District Nos. 2 through 5 will serve as the Financing Districts. The District will be the owner and operator of any District-Owned Improvements and Districts Nos. 2 through 5 will impose and collect any ad valorem, property taxes and any other taxes and fees for the funding of the construction, operation or maintenance of the public improvements.

For the year ended December 31, 2019, District Nos. 2 through 5 collected and remitted ad valorem, property taxes and any other taxes and fees, reflected as service fees in the accompany financial statements totaling \$731,273. As of December 31, 2019, there was a balance due of \$3,966.

*Amended and Restated Improvement Acquisition Agreement*

In November 2015, the District entered into the Amended and Restated Improvement Acquisition Agreement (“Acquisition Agreement”) with the Developer for the purpose of consolidating all understandings and commitments between the District and the Developer relating to the acquisition of certain public facilities and improvements located within and without the boundaries of the District.

Under the terms of the Acquisition Agreement, the District has requested the Developer to design and construct certain improvements on behalf of the District with the understanding that the District would acquire such improvements from the Developer from available funds. It is the intent of the District to issue bonds or subordinate obligations issued to the Developer to permit the District to acquire improvements completed or contracted by the Developer.

The purchase price for all or any portion of the improvements shall be equal to the Developer’s verified costs with respect to such improvements. In no event will the purchase price exceed the lesser of the amount of indebtedness for such improvements, or \$48,000,000.

*Amended and Restated Advance and Reimbursement Agreement*

In November 2015, the District and the Developer entered into the Amended and Restated Advance and Reimbursement Agreement (“Advance Agreement”) under which the Developer is willing to advance funds to the District, from time to time, in amounts sufficient to enable the District to construct certain public improvements as described in the District’s Service Plan, provided the District agrees to repay such advanced funds out of the proceeds of tax exempt bonds issued by the District and any other revenues legally available to the District. To further induce the Developer’s advancing of additional funds, the District has determined that it is necessary to authorize the issuance of a subordinate promissory note in a principal amount not to exceed \$48,000,000 as may be limited by the District’s Service Plan.

Under the terms of the Advance Agreement, funds shall be advanced to the District in one or a series of installments through December 8, 2044. The advances made under the Advance Agreement shall bear simple interest as a rate of 8% per annum from the date any such advance is made through repayment.

As of December 31, 2019, there were no advances outstanding under the Advance Agreement.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE G – COMMITMENTS

*Management Agreement*

District Nos. 1 through 5 contract with a consultant for the day-to-day management, as defined in the Management Agreement, of the Districts. Under the terms of the Management Agreement, the Management Agreement may be terminated upon 30 days written notice by any party. The consultant is to be compensated based upon the time incurred at the prevailing hourly rates.

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, 2019. 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.

NOTE J – REVENUE CONCENTRATION

The majority of the District’s revenue consists of the service fees received from District Nos. 2 through 5. The service fees consist primarily of the levy and collection of property taxes by District Nos. 2 through 5 which are based upon on the assessed valuation of property within the respective districts. For 2020, the assessed valuation in District No. 2, largely dependent on oil and gas leases, decreased resulting in a reduction in the levied property taxes by District No. 2 for 2020 of approximately \$250,000.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE K – 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*

Water rights reflected in the Statement of Net Position are not financial resources in the governmental funds and accordingly are not reported in the governmental funds.	\$	1,125,000
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*Statement of Governmental Funds Revenues, Expenditures and Changes in Fund Balance/Statement of Activities*

The acquisition of water rights are reflected as expenditures in the governmental funds; however, for the government-wide financial statements the acquired water rights are capitalized and reflected as an asset on the statement of net position.		1,125,000
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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 June 25, 2020 which is the date that the financial statements and accompanying notes were available for issuance.

- In December 2019, an outbreak of a novel strain of coronavirus (“COVID-19”) originated in Wuhan, China and has since spread to a number of other countries, including the United States. In March 2020, the World Health Organization characterized COVID-19 as a pandemic.

COVID-19 could adversely affect the economies and financial markets of the United States, including Colorado, resulting in an economic downturn that could affect property taxes and other sources of revenue to the District. The District continues to monitor and assess the effects of the COVID-19 pandemic on the District; however, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

*SUPPLEMENTARY INFORMATION*

Westridge Metropolitan District No. 1

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

For the Year ended December 31, 2019

	<u>Original Budget</u>	<u>Amended and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES				
CAPITAL OUTLAY				
Water rights	<u>\$ 650,000</u>	<u>\$ 1,125,000</u>	<u>\$ 1,125,000</u>	<u>\$ -</u>
Total expenditures	650,000	1,125,000	1,125,000	-
OTHER SOURCES				
Transfer in	<u>650,000</u>	<u>1,125,000</u>	<u>1,125,000</u>	<u>-</u>
CHANGES IN FUND BALANCE	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	-	<u><u>\$ -</u></u>
FUND BALANCE				
Beginning balance			<u>-</u>	
Ending balance			<u><u>\$ -</u></u>	