

Godding Hollow Metropolitan District
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
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, 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 Godding Hollow Metropolitan District, 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 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
September 29, 2020

BASIC FINANCIAL STATEMENTS

Godding Hollow Metropolitan District

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION

December 31, 2019

	Governmental Funds				Adjustments	Statement of Net Position
	General	Debt Service	Capital Projects	Total		
ASSETS						
Cash and cash equivalents	\$ 899	\$ -	\$ -	\$ 899	\$ -	\$ 899
Restricted cash and cash equivalents	-	2,614	106,235	108,849	-	108,849
Property taxes receivable	51,001	2,372,978	-	2,423,979	-	2,423,979
Due from other local governments	-	152	46,563	46,715	-	46,715
Due from developer	5,085	-	-	5,085	(5,085)	-
Due from other funds	-	163	-	163	(163)	-
Total assets	\$ 56,985	\$ 2,375,907	\$ 152,798	\$ 2,585,690	(5,248)	2,580,442
LIABILITIES						
Accounts payable	\$ 9,405	\$ 2,336	\$ 238	\$ 11,979	-	11,979
Other accrued liabilities	15	-	-	15	-	15
Due to other funds	163	-	-	163	(163)	-
Accrued interest payable	-	-	-	-	175,098	175,098
Total liabilities	9,583	2,336	238	12,157	174,935	187,092
DEFERRED INFLOWS						
Property taxes	51,001	2,372,978	-	2,423,979	-	2,423,979
LONG-TERM DEBT						
Due in more than one year	-	-	-	-	2,845,000	2,845,000
Total long-term debt	-	-	-	-	2,845,000	2,845,000
FUND BALANCE						
Restricted	685	-	-	685	(685)	-
Committed	-	593	152,560	153,153	(153,153)	-
Unassigned	(4,284)	-	-	(4,284)	4,284	-
Total fund balance	(3,599)	593	152,560	149,554	(149,554)	-
Total liabilities, deferred inflows and fund balance	\$ 56,985	\$ 2,375,907	\$ 152,798	\$ 2,585,690		
NET POSITION						
Unrestricted					(2,875,629)	(2,875,629)
Total net position					\$ (2,875,629)	\$ (2,875,629)

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

For the Year ended December 31, 2019

	Governmental Funds				Adjustments	Statement of Activities
	General	Debt Service	Capital Projects	Total		
EXPENDITURES						
OPERATIONS						
Accounting and audit	\$ 9,878	\$ -	\$ -	\$ 9,878	\$ -	\$ 9,878
Bank charges	10	23	2,153	2,186	-	2,186
Dues	261	-	-	261	-	261
Engineering	-	-	15,482	15,482	-	15,482
Insurance	2,013	-	-	2,013	-	2,013
Legal	16,245	-	7,806	24,051	-	24,051
Miscellaneous	248	-	-	248	-	248
Treasurer's fees	306	288	-	594	-	594
DEBT SERVICE						
Interest expense	-	19,071	18,684	37,755	168,422	206,177
CAPITAL EXPENDITURES						
Infrastructure	-	-	926,880	926,880	-	926,880
Total expenditures	<u>28,961</u>	<u>19,382</u>	<u>971,005</u>	<u>1,019,348</u>	<u>168,422</u>	<u>1,187,770</u>
GENERAL REVENUES						
Property and other taxes	20,379	19,684	-	40,063	-	40,063
Interest	15	275	21,297	21,587	-	21,587
Total general revenues	<u>20,394</u>	<u>19,959</u>	<u>21,297</u>	<u>61,650</u>	<u>-</u>	<u>61,650</u>
REVENUE OVER (UNDER) EXPENDITURES	(8,567)	577	(949,708)	(957,698)	(168,422)	(1,126,120)
OTHER SOURCES AND USES						
Developer advance	5,085	-	-	5,085	(5,085)	-
Transfers in (out), net	-	(8,591)	8,591	-	-	-
Total other sources and uses	<u>5,085</u>	<u>(8,591)</u>	<u>8,591</u>	<u>5,085</u>	<u>(5,085)</u>	<u>-</u>
CHANGE IN FUND BALANCE	(3,482)	(8,014)	(941,117)	(952,613)	952,613	-
CHANGE IN NET POSITION	-	-	-	-	(1,126,120)	(1,126,120)
FUND BALANCE /NET POSITION (DEFICIT)						
Beginning of the year	(117)	8,607	1,093,677	1,102,167	(2,851,676)	(1,749,509)
End of the year	<u>\$ (3,599)</u>	<u>\$ 593</u>	<u>\$ 152,560</u>	<u>\$ 149,554</u>	<u>\$ (3,025,183)</u>	<u>\$ (2,875,629)</u>

Godding Hollow Metropolitan District

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

For the Year ended December 31, 2019

	Original Budget	Amended and Final Budget	Actual	Variance
REVENUES				
Property and other taxes	\$ 24,208	\$ 20,387	\$ 20,379	\$ (8)
Interest and other	-	5	15	10
Total revenues	<u>24,208</u>	<u>20,392</u>	<u>20,394</u>	<u>2</u>
EXPENDITURES				
OPERATING				
Accounting and audit	7,500	9,878	9,878	-
Dues	276	261	261	-
Insurance	2,164	2,013	2,013	-
Legal	8,500	16,245	16,245	-
Miscellaneous	4,065	256	258	(2)
Treasurer's fees	330	306	306	-
Total expenditures	<u>22,835</u>	<u>28,959</u>	<u>28,961</u>	<u>(2)</u>
REVENUES OVER (UNDER) EXPENDITURES	1,373	(8,567)	(8,567)	-
OTHER USES				
Developer advances	-	8,904	5,085	(3,819)
Reserves	(1,370)	(869)	-	869
Total other uses	<u>(1,370)</u>	<u>8,035</u>	<u>5,085</u>	<u>(2,950)</u>
CHANGE IN FUND BALANCE	<u>\$ 3</u>	<u>\$ (532)</u>	<u>(3,482)</u>	<u>\$ (2,950)</u>
FUND BALANCE				
Beginning balance			<u>(117)</u>	
Ending balance			<u>\$ (3,599)</u>	

Godding Hollow Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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, 2019

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

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

Governmental Funds

For 2019, 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 further discussed in NOTE E, as of December 31, 2019, 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, 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.

Godding Hollow Metropolitan District
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 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 2019, the District's Board of Directors approved amended budgets for the General, Debt Service and Capital Projects Funds.

Included in the original and amended budgets for the Capital Projects Fund was the use of the prior year fund balance to fund the 2019 capital expenditures in the amount of \$1,123,543 resulting in a deficit Capital Projects Fund budget.

Godding Hollow Metropolitan District

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.

As of December 31, 2019, none of the District’s deposits were exposed to custodial credit risk.

NOTE D - LONG-TERM DEBT

General Obligation Limited Tax Bonds, Series 2018

In December 2018, the District issued General Obligation Limited Tax Bonds, Series 2018 (“2018 Series Bonds”) in the amount \$2,845,000. A portion of the net proceeds was used to pay in full the previously outstanding notes payable of the District. The remaining net proceeds were 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, under the Crestone Agreement, further discussed in NOTE E, and (c) pay the costs of the issuance of the 2018 Series Bonds.

The 2018 Series Bonds are structured as “cash flow” bonds, meaning that there are no scheduled payments of principal thereon prior to the final maturity date of December 1, 2034. 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, subject to mandatory redemption.

Principal on the 2018 Series Bonds is payable on the earliest practicable date following each November 1 (anticipated to occur, if at all, annually on December 1, commencing in 2019) from, and to the extent of available moneys, if any, derived by the District from (a) the Required Mill Levy; (b) Specific Ownership taxes; and (c) any other legally available moneys the District determines, in its absolute discretion, to transfer to the Trustee for application to the 2018 Series Bonds (“Pledged Revenue”) until sufficient Pledged Revenue is available for payment or December 1, 2044, the termination date is reached.

In 2019, the 2018 Series Bonds, accrued interest of \$178,761, and interest payments of \$19,071 were made. Accrued and unpaid interest of \$159,690 has been included in the accrued interest payable as reflected on the Statement of Net Position and interest expense in the Statement of Activities.

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, 2019

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, 2024 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.

The changes in the District's long-term debt for the year ended December 31, 2019 are as follows:

	<u>Balance December 31, 2018</u>	<u>Borrowings</u>	<u>Payments</u>	<u>Balance December 31, 2019</u>	<u>Balance Due in One Year</u>
Series 2018 Bonds	\$ 2,845,000	\$ -	\$ -	\$ 2,845,000	\$ -

Future Minimum Payments

Due to the "cash flow" structure of the 2018 Series Bonds, the future minimum payments cannot be projected.

Authorized, But Unissued Debt

As of December 31, 2019, 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.

NOTE E – COMMITMENTS

Shadetree Eagle, LLC 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, 2019, there were no outstanding advances.

Godding Hollow Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE E – COMMITMENTS - *continued*

Crestone Peak Resources, LLC Facilities Acquisition and Reimbursement Agreement

Effective December 3, 2018, the District entered into a Facilities Acquisition and Reimbursement Agreement (“Crestone Agreement”) with Crestone Peak Resources, LLC (“Crestone”). Crestone is the developer of mineral resources within the Godding Hollow Metropolitan District and has expended funds (“Crestone Advances”) for the design, construction, and installation of certain public improvements as specified in the Crestone Agreement.

Under the Crestone Agreement, Crestone is to provide to the District’s engineers and contract accountants written documentation of the Crestone Advances. The District received the Engineer’s Report and Verification of Costs associated with the public improvements and the District and Crestone acknowledged and agreed that the amount certified for reimbursement was reasonable.

Within 30 days after verification of the costs, the District shall make payment for all Crestone Advances together with interest. Simple interest shall accrue on all Crestone Advances at the rate of 6.5% per annum from the effective Date of the Crestone Agreement until paid.

During 2019, the District made payments to Crestone, including interest of \$18,684, in the amount of \$645,564 for the public improvements which were subsequently conveyed to the Town of Frederick, Colorado.

As of December 31, 2019, 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.

Godding Hollow Metropolitan District
 NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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

Fund Balance - continued

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	Debt Service Fund	Capital Projects Fund	Total
Fund balances:				
Restricted				
TABOR	\$ 600	\$ -	\$ -	\$ 600
Committed	-	593	152,560	153,153
Unassigned	(4,199)	-	-	(4,199)
Total fund balances	\$ (3,599)	\$ 593	\$ 152,560	\$ 149,554

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, 2019

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.

Godding Hollow Metropolitan District
 NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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 Revenues, 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		175,098

Statement of Governmental Funds Revenues, 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 governmental funds,

168,422

At the end of 2019 an advance receivable from the Developer and the related advance revenue was recorded in the general fund. In the Statement of Net Position and the Statement of Activities, advance revenue and the related advance receivable are not reflected.

5,085

NOTE K - CONCENTRATION OF CREDIT RISK

For 2019, 99% of the assessed valuation within the District subject to property taxes is attributed to entities operating within the oil and gas industry. In addition, 98% of the property taxes receivable, to be collected in 2020, is attributed to one entity.

Godding Hollow Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE L– MANAGEMENT’S EVALUATION OF SUBSEQUENT EVENTS

The preparation of the District’s financial statements and accompanying footnotes in conformity with US GAAP requires District management to evaluate transactions and events subsequent to the balance sheet date involving the District. Management has evaluated the subsequent transactions and events of the District through September 29, 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.

The 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. We are continuing 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.

- As of the date the financial statements and the accompanying notes were available for issuance, the entity referenced in NOTE K has not remitted to the District the 2020 levied property taxes. As such, on June 22, 2020, the District submitted a request and received a property tax advance from Weld County to temporarily fund operating expenses.

SUPPLEMENTARY INFORMATION

Godding Hollow Metropolitan District

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

For the Year ended December 31, 2019

	<u>Original Budget</u>	<u>Amended and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Property taxes	\$ 21,918	\$ 23,120	\$ 19,684	\$ (3,436)
Interest	-	281	275	(6)
Total revenues	<u>21,918</u>	<u>23,401</u>	<u>19,959</u>	<u>(3,442)</u>
EXPENDITURES				
OPERATIONS				
Bank charges	-	-	23	(23)
Treasurer's fees	310	310	288	22
Payment to Town of Frederick	2,677	2,523	-	2,523
DEBT SERVICE				
Interest	<u>18,931</u>	<u>18,931</u>	<u>19,071</u>	<u>(140)</u>
Total expenditures	<u>21,918</u>	<u>21,764</u>	<u>19,382</u>	<u>2,382</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	1,637	577	(1,060)
OTHER USES				
Transfers out	-	-	(8,591)	(8,591)
Total other uses	<u>-</u>	<u>-</u>	<u>(8,591)</u>	<u>(8,591)</u>
CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 1,637</u>	<u>(8,014)</u>	<u>\$ (9,651)</u>
FUND BALANCE				
Beginning balance			<u>8,607</u>	
Ending balance			<u>\$ 593</u>	

Godding Hollow Metropolitan District

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

For the Year ended December 31, 2019

	Original Budget	Amended and Final Budget	Actual	Variance
REVENUES				
Interest	\$ -	\$ 23,861	\$ 21,297	\$ (2,564)
EXPENDITURES				
OPERATIONS				
Bank charges	-	2,586	2,153	433
Engineering	-	-	15,482	(15,482)
Legal	-	-	7,806	(7,806)
DEBT SERVICE				
Interest	-	-	18,684	(18,684)
CAPITAL EXPENDITURES				
Infrastructure	1,096,897	1,123,543	926,880	196,663
Total expenditures	1,096,897	1,126,129	971,005	155,124
EXPENDITURES OVER REVENUES	(1,096,897)	(1,102,268)	(949,708)	152,560
OTHER SOURCES				
Transfer in	-	8,591	8,591	-
CHANGE IN FUND BALANCE	<u>\$ (1,096,897)</u>	<u>\$ (1,093,677)</u>	(941,117)	<u>\$ 152,560</u>
FUND BALANCE				
Beginning balance			1,093,677	
Ending balance			<u>\$ 152,560</u>	