

Godding Hollow Metropolitan District

FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT CERTIFIED  
PUBLIC ACCOUNTANTS

December 31, 2020

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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, 2020, 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, 2020, and the respective changes in financial position thereof, and the budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

Our audit was conducted with the purpose of forming an opinion on the basic financial statements of the Godding Hollow Metropolitan District taken as a whole. The supplementary information on pages 20 and 21 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to our auditing procedures applied in the audit of the financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Board of Directors has elected to omit the Management's Discussion and Analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this omitted information.

*Marc James & Associates PC*

Highlands Ranch, CO  
July 22, 2021

*BASIC FINANCIAL STATEMENTS*

Godding Hollow Metropolitan District

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION

December 31, 2020

	Governmental Funds				Adjustments	Statement of Net Position
	General	Debt Service	Capital Projects	Total		
<b>ASSETS</b>						
Cash and cash equivalents	\$ 17,684	\$ -	\$ -	\$ 17,684	\$ -	\$ 17,684
Restricted cash and cash equivalents	-	171,708	2	171,710	-	171,710
Property taxes receivable	359,656	964,946	-	1,324,602	-	1,324,602
Due from other local governments	-	8,828	-	8,828	-	8,828
Due from developer	-	-	31,042	31,042	-	31,042
<b>Total assets</b>	<b>\$ 377,340</b>	<b>\$ 1,145,482</b>	<b>\$ 31,044</b>	<b>\$ 1,553,866</b>	<b>-</b>	<b>1,553,866</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 5,873	\$ 143,243	\$ -	\$ 149,116	-	149,116
Other accrued liabilities	15	-	-	15	-	15
Developer advance	-	-	-	-	107,739	107,739
Accrued interest payable	-	-	-	-	7,116	7,116
<b>Total liabilities</b>	<b>5,888</b>	<b>143,243</b>	<b>-</b>	<b>149,131</b>	<b>114,855</b>	<b>263,986</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Property taxes	359,656	964,946	-	1,324,602	-	1,324,602
<b>LONG-TERM DEBT</b>						
Due in more than one year	-	-	-	-	917,000	917,000
<b>Total long-term debt</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>917,000</b>	<b>917,000</b>
<b>FUND BALANCE</b>						
Restricted	900	-	-	900	(900)	-
Committed	-	37,293	31,044	68,337	(68,337)	-
Unassigned	10,896	-	-	10,896	(10,896)	-
<b>Total fund balance</b>	<b>11,796</b>	<b>37,293</b>	<b>31,044</b>	<b>80,133</b>	<b>(80,133)</b>	<b>-</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 377,340</b>	<b>\$ 1,145,482</b>	<b>\$ 31,044</b>	<b>\$ 1,553,866</b>		
<b>NET POSITION</b>						
Restricted					900	900
Unrestricted					(952,622)	(952,622)
<b>Total net position</b>					<b>\$ (951,722)</b>	<b>\$ (951,722)</b>

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

For the Year ended December 31, 2020

	Governmental Funds				Adjustments	Statement of Activities
	General	Debt Service	Capital Projects	Total		
<b>EXPENDITURES</b>						
<b>OPERATIONS</b>						
Accounting and audit	\$ 11,195	\$ -	\$ -	\$ 11,195	\$ -	\$ 11,195
Bank charges	-	57	77	134	-	134
Dues	302	-	-	302	-	302
Election	992	-	-	992	-	992
Engineering	1,080	-	-	1,080	-	1,080
Insurance	2,265	-	-	2,265	-	2,265
Legal	13,680	-	-	13,680	-	13,680
Miscellaneous	485	-	-	485	-	485
Treasurer's fees	768	33,556	-	34,324	-	34,324
<b>DEBT SERVICE</b>						
Paying agent	-	2,500	-	2,500	-	2,500
Principal	-	1,928,000	-	1,928,000	(1,928,000)	-
Interest expense	-	352,259	-	352,259	(167,985)	184,274
<b>CAPITAL EXPENDITURES</b>						
Infrastructure	-	-	229,821	229,821	-	229,821
Total expenditures	<u>30,767</u>	<u>2,316,372</u>	<u>229,898</u>	<u>2,577,037</u>	<u>(2,095,985)</u>	<u>481,052</u>
<b>GENERAL REVENUES</b>						
Property and other taxes	50,999	2,342,523	-	2,393,522	-	2,393,522
Interest	248	10,549	643	11,440	-	11,440
Total general revenues	<u>51,247</u>	<u>2,353,072</u>	<u>643</u>	<u>2,404,962</u>	<u>-</u>	<u>2,404,962</u>
<b>REVENUE OVER (UNDER) EXPENDITURES</b>	20,480	36,700	(229,255)	(172,075)	2,095,985	1,923,910
<b>OTHER SOURCES AND USES</b>						
Developer advance	-	-	107,739	107,739	(107,739)	-
Developer advance repayment	(5,085)	-	-	(5,085)	5,085	-
Total other sources and uses	<u>(5,085)</u>	<u>-</u>	<u>107,739</u>	<u>102,654</u>	<u>(102,654)</u>	<u>-</u>
<b>CHANGE IN FUND BALANCE</b>	15,395	36,700	(121,516)	(69,421)	69,421	-
<b>CHANGE IN NET POSITION</b>	-	-	-	-	1,923,910	1,923,910
<b>FUND BALANCE /NET POSITION (DEFICIT)</b>						
Beginning of the year	<u>(3,599)</u>	<u>593</u>	<u>152,560</u>	<u>149,554</u>	<u>(3,025,186)</u>	<u>(2,875,632)</u>
End of the year	<u>\$ 11,796</u>	<u>\$ 37,293</u>	<u>\$ 31,044</u>	<u>\$ 80,133</u>	<u>\$ (1,031,855)</u>	<u>\$ (951,722)</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, 2020

	Original Budget	Amended and Final Budget	Actual	Variance
<b>REVENUES</b>				
Property and other taxes	\$ 51,001	\$ 51,001	\$ 50,999	\$ (2)
Interest and other	-	225	248	23
Total revenues	51,001	51,226	51,247	21
<b>EXPENDITURES</b>				
<b>OPERATING</b>				
Accounting and audit	12,000	12,000	11,195	805
Contingency	-	9,373	-	9,373
Dues	280	302	302	-
Election	5,000	1,000	992	8
Engineering	-	-	1,080	(1,080)
Insurance	2,214	2,265	2,265	-
Legal	19,000	19,000	13,680	5,320
Miscellaneous	1,198	500	485	15
Treasurer's fees	765	768	768	-
Total expenditures	40,457	45,208	30,767	14,441
<b>REVENUES OVER EXPENDITURES</b>	10,544	6,018	20,480	14,462
<b>OTHER USES</b>				
Developer advances	(9,483)	-	(5,085)	(5,085)
Reserves	(2,416)	(2,419)	-	2,419
Total other uses	(11,899)	(2,419)	(5,085)	(2,666)
<b>CHANGE IN FUND BALANCE</b>	\$ (1,355)	\$ 3,599	15,395	\$ 11,796
<b>FUND BALANCE</b>				
Beginning balance			(3,599)	
Ending balance			\$ 11,796	

Godding Hollow Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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, 2020

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

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

*Governmental Funds*

For 2020, the District has three Governmental Funds:

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

3. *Deposits*

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

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

4. *Capital Assets*

The District's capital assets, as applicable, are recorded at cost, if purchased or constructed. Donated capital assets are valued at the estimated fair value at the time of donation. The District has a capitalization policy of \$5,000. The District's Board of Directors has the option to capitalize certain items costing less than \$5,000 in certain circumstances. It is the intent of the District to convey all of the completed capital assets to the Town of Frederick, Colorado or other related local governments. As of December 31, 2020, 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, 2020, 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, 2020

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 State of Colorado requires a balanced budget.

For 2020, the District's Board of Directors approved amended budgets for the General, Debt Service and Capital Projects Funds.

Godding Hollow Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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, 2020, 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 monies 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.

During 2020, prior year accrued and unpaid interest of \$159,690 and the required current 2020 interest of \$177,159, totaling \$352,259 were paid. As of December 31, 2020 there was accrued interest of \$4,967 which is reflected in the Statement of Net Position and included 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, 2020

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, 2020 are as follows:

	<u>Balance December 31, 2019</u>	<u>Borrowings</u>	<u>Payments</u>	<u>Balance December 31, 2020</u>	<u>Balance Due in One Year</u>
2018 Series Bonds	\$ 2,845,000	\$ -	\$ 1,928,000	\$ 917,000	\$ -

*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, 2020, 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, the developer advances totaled \$107,739 and there was accrued interest in the amount of \$2,149. The developer advance and related interest was paid in full in 2021.

Godding Hollow Metropolitan District  
NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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.

As of December 31, 2020, there were no outstanding advances.

*2019-2023 Operations Funding Agreement*

Effective January 1, 2019, the District and the Developer entered into a 2019-2023 Operation Funding Agreement (the “2019-2023 OFA”). Pursuant to the 2019-2023 OFA, the Developer committed to advance funds to the District or directly pay the District’s operations, maintenance, and administrative expenses up to a maximum amount of \$100,000, and the District is to repay the Developer for such advances at a rate of 6.5% per annum calculated from the date of deposit to the District’s account or paid by the Developer.

As of December 31, 2020, 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;

Godding Hollow Metropolitan District  
 NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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

*Fund Balance - continued*

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

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

As of December 31, 2020, the District’s fund balance consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Fund balances:				
Restricted				
TABOR	\$ 900	\$ -	\$ -	\$ 900
Committed				
Fund balance	-	37,293	31,044	68,337
Unassigned	10,896	-	-	10,896
 Total fund balances	\$ 11,796	\$ 37,293	\$ 31,044	\$ 80,133

*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.

Godding Hollow Metropolitan District  
NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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.

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, 2020. 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, 2020

**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 governmental fund and government-wide 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	\$	917,000
Accrued interest payable		4,967

Developer advances, including accrued interest, are to be repaid as funds are available. Accordingly, developer advances and any accrued interest may not be payable in the current period and therefore are not reported in the governmental funds.

Developer advance	107,739
Accrued interest payable	2,149

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

Governmental funds report principal payments on debt as expenditures. However, in the Statement of Net Position, the principal payments on debt are recognized as reductions of the debt. During 2020, this is the amount of principal payments on debt.

Series 2018 Bonds	1,928,000
Developer advance	5,085

Interest expense is recorded in the Statement of Activities when incurred. Interest is only recorded, as paid, in the governmental funds.

167,985

Developer advances are reflected as revenue in the governmental funds. However, in the Statement of Net Position, the advance is recorded as debt.

107,739

**NOTE K - CONCENTRATION OF CREDIT RISK**

For 2020, 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, 96% of the property taxes receivable, to be collected in 2021, is attributed to one entity.

Godding Hollow Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE L – CORONAVIRUS PANDEMIC

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 has adversely affected the economies and financial markets of the United States, including Colorado, resulting in a world-wide economic downturn, operational closures and social restrictions that impacted the operations of the District during 2020 and beyond. As discussed in NOTE K, the District’s assessed valuation has a significant concentration in the oil and gas industry. As a result of the COVID-19 economic downturn and other factors, there was a significant decrease in the total assessed valuation of property in 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.

NOTE M– MANAGEMENT’S EVALUATION OF SUBSEQUENT EVENTS

The preparation of the District’s financial statements and accompanying footnotes in conformity with US GAAP requires District management to evaluate transactions and events subsequent to the balance sheet date involving the District. Management has evaluated the subsequent transactions and events of the District through July 22, 2021 which is the date that the financial statements and accompanying notes were available for issuance.

*SUPPLEMENTARY INFORMATION*

Godding Hollow Metropolitan District

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

For the Year ended December 31, 2020

	Original Budget	Amended and Final Budget	Actual	Variance
<b>REVENUES</b>				
Property and other taxes	\$2,229,982	\$2,342,523	\$2,342,523	\$ -
Interest	-	10,553	10,549	(4)
Total revenues	2,229,982	2,353,076	2,353,072	(4)
<b>EXPENDITURES</b>				
<b>OPERATIONS</b>				
Bank charges	-	60	57	3
Treasurer's fees	33,413	33,556	33,556	-
<b>DEBT SERVICE</b>				
Paying agent	-	2,500	2,500	-
Principal	1,790,281	1,928,000	1,928,000	-
Interest	350,919	352,259	352,259	-
Total expenditures	2,174,613	2,316,375	2,316,372	3
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	55,369	36,701	36,700	(1)
<b>OTHER SOURCES</b>				
Transfer in	-	2	-	(2)
Total other uses	-	2	-	(2)
<b>CHANGE IN FUND BALANCE</b>	<b>\$ 55,369</b>	<b>\$ 36,703</b>	36,700	<b>\$ (3)</b>
<b>FUND BALANCE</b>				
Beginning balance			593	
Ending balance			<b>\$ 37,293</b>	

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, 2020

	Original Budget	Amended and Final Budget	Actual	Variance
REVENUES				
Interest	\$ -	\$ 643	\$ 643	\$ -
EXPENDITURES				
OPERATIONS				
Bank charges	-	77	77	-
CAPITAL EXPENDITURES				
Infrastructure	-	229,821	229,821	-
Total expenditures	-	229,898	229,898	-
EXPENDITURES OVER REVENUES	-	(229,255)	(229,255)	-
OTHER SOURCES AND USES				
Developer advance	-	107,739	107,739	-
Transfer out	-	(2)	-	2
Total other sources and uses	-	107,737	107,739	2
CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (121,518)</u>	(121,516)	<u>\$ 2</u>
FUND BALANCE				
Beginning balance			<u>152,560</u>	
Ending balance			<u>\$ 31,044</u>	