

Godding Hollow Metropolitan District
FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS
December 31, 2021

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REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Godding Hollow Metropolitan District

Opinion

We have audited the financial statements of governmental activities and the governmental funds of the Godding Hollow Metropolitan District (the "District"), as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and the governmental funds of the Godding Hollow District as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("US GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements – continued

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit,
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements,
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed,
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements,
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Other Matters

Required Supplementary Information

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.

Accounting principles generally accepted in the United States of America require the budgetary comparison for the general fund on page 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to this required supplementary information in accordance with US GAAS, which consist of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on this information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison schedules for the debt service fund and capital projects fund, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules for the debt service fund and capital projects fund have not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, we do not express an opinion or provide assurance on it.

Marc James & Associates PC

Highlands Ranch, CO
June 16, 2022

BASIC FINANCIAL STATEMENTS

Godding Hollow Metropolitan District

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION

December 31, 2021

	Governmental Funds				Adjustments	Statement of Net Position
	General	Debt Service	Capital Projects	Total		
ASSETS						
Cash and cash equivalents	\$ 39,140	\$ -	\$ 52,345	\$ 91,485	\$ -	\$ 91,485
Restricted cash and cash equivalents	-	72,780	-	72,780	-	72,780
Property taxes receivable	397,488	25,372	-	422,860	-	422,860
Due from other local governments	-	5,504	-	5,504	-	5,504
Due from developer	-	-	31,042	31,042	-	31,042
Prepaid expenses	2,024	-	-	2,024	-	2,024
Total assets	\$ 438,652	\$ 103,656	\$ 83,387	\$ 625,695	-	625,695
LIABILITIES						
Accounts payable	\$ 1,251	\$ 78,284	\$ 1,762	\$ 81,297	-	81,297
Other accrued liabilities	15	-	-	15	-	15
Total liabilities	1,266	78,284	1,762	81,312	-	81,312
DEFERRED INFLOWS OF RESOURCES						
Property taxes	397,488	25,372	-	422,860	-	422,860
FUND BALANCE						
Nonspendable	2,024	-	-	2,024	(2,024)	-
Restricted	900	-	-	900	(900)	-
Committed	-	-	81,625	81,625	(81,625)	-
Unassigned	36,974	-	-	36,974	(36,974)	-
Total fund balance	39,898	-	81,625	121,523	(121,523)	-
Total liabilities, deferred inflows of resources and fund balance	\$ 438,652	\$ 103,656	\$ 83,387	\$ 625,695		
NET POSITION						
Restricted					900	900
Unrestricted					120,623	120,623
Total net position					\$ 121,523	\$ 121,523

The accompanying notes are an integral part of these financial statements

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

For the Year ended December 31, 2021

	Governmental Funds				Adjustments	Statement of Activities
	General	Debt Service	Capital Projects	Total		
EXPENDITURES						
OPERATIONS						
Accounting and audit	\$ 6,550	\$ -	\$ -	\$ 6,550	\$ -	\$ 6,550
Bank charges	-	21	-	21	-	21
Dues	611	-	-	611	-	611
Directors' fees	300	-	-	300	-	300
Engineering	-	-	1,761	1,761	-	1,761
Insurance	2,025	-	-	2,025	-	2,025
Legal	18,342	-	-	18,342	-	18,342
Management and accounting	3,000	-	-	3,000	-	3,000
Miscellaneous	70	-	-	70	-	70
Treasurer's fees	5,395	13,285	-	18,680	-	18,680
DEBT SERVICE						
Paying agent	-	2,500	-	2,500	-	2,500
Principal	-	917,000	-	917,000	(917,000)	-
Interest expense	-	59,605	4,394	63,999	(4,967)	59,032
CAPITAL EXPENDITURES						
Infrastructure	-	-	128,137	128,137	-	128,137
Total expenditures	<u>36,293</u>	<u>992,411</u>	<u>134,292</u>	<u>1,162,996</u>	<u>(921,967)</u>	<u>241,029</u>
GENERAL REVENUES						
Property and other taxes	359,658	951,932	-	1,311,590	-	1,311,590
Interest	391	144	-	535	-	535
Total general revenues	<u>360,049</u>	<u>952,076</u>	<u>-</u>	<u>1,312,125</u>	<u>-</u>	<u>1,312,125</u>
REVENUE OVER (UNDER) EXPENDITURES	323,756	(40,335)	(134,292)	149,129	921,967	1,071,096
OTHER SOURCES AND USES						
Transfer in (out)	(295,654)	3,042	292,612	-	-	-
Developer advance repayment	-	-	(107,739)	(107,739)	107,739	-
Total other sources and uses	<u>(295,654)</u>	<u>3,042</u>	<u>184,873</u>	<u>(107,739)</u>	<u>107,739</u>	<u>-</u>
CHANGE IN FUND BALANCE	28,102	(37,293)	50,581	41,390	(41,390)	-
CHANGE IN NET POSITION	-	-	-	-	1,071,096	1,071,096
FUND BALANCE /NET POSITION (DEFICIT)						
Beginning of the year	<u>11,796</u>	<u>37,293</u>	<u>31,044</u>	<u>80,133</u>	<u>(1,029,706)</u>	<u>(949,573)</u>
End of the year	<u>\$ 39,898</u>	<u>\$ -</u>	<u>\$ 81,625</u>	<u>\$ 121,523</u>	<u>\$ -</u>	<u>\$ 121,523</u>

The accompanying notes are an integral part of these financial statements

Godding Hollow Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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, 2021

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

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

Governmental Funds

For 2021, 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, 2021, 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, prepaid expenses, and accounts payable. The District estimates that the fair value of these financial instruments, as of December 31, 2021, 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, 2021

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 2021, the budgeted expenditures exceeded the budgeted revenue and net transfers in the Debt Service Fund by \$37,297. In the Debt Service Fund the deficit budget was intended to close out the Debt Service Fund in 2021. In the Capital Projects Fund, for 2021, the budgeted proceeds from the issuance of debt and net transfers in exceeded the budgeted expenditures for anticipated infrastructure by \$5,787.

Godding Hollow Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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, 2021, 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, 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.

During 2021, the outstanding principal of the 2018 Series Bonds, \$917,000, and any related interest was paid in full.

Godding Hollow Metropolitan District
 NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE D - LONG-TERM DEBT - *continued*

The changes in the District's long-term debt for the year ended December 31, 2021 are as follows:

	Balance December 31, 2020	Borrowings	Payments	Balance December 31, 2021	Balance Due in One Year
2018 Series Bonds	\$ 917,000	\$ -	\$ 917,000	\$ -	\$ -

Authorized, But Unissued Debt

As of December 31, 2021, 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%.

The outstanding developer advance, \$107,739, and related interest were paid in full in 2021.

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, 2021, there were no outstanding advances.

Godding Hollow Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE E – COMMITMENTS - *continued*

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, 2021, there were no outstanding advances.

NOTE F – FUND BALANCE/NET POSITION

Fund Balance

The District utilizes the fund balance presentation as required under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances, as applicable, are categorized as non-spendable, restricted, committed, assigned, or unassigned.

Non-spendable – represents amounts that cannot be spent because they are either in non-spendable form or legally required to remain intact;

Restricted – represents amounts with external constraints placed on the use of these resources or imposed by enabling legislation;

Committed – represents amounts that may only be used for specific purposes imposed by a formal action of the District’s highest level of decision-making authority, the District’s Board of Directors. Committed resources cannot be used for any other purpose, unless the District’s Board of Directors remove or change the specific use by the same type of action used to commit those amounts, either by resolution or by ordinance;

Assigned – represents amounts that the District intends to use for specific purposes, as expressed by the District’s Board of Directors or a District official delegated the authority to assign such amounts;

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

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

Godding Hollow Metropolitan District
 NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

Fund Balance – continued

As of December 31, 2021, the District’s fund balance consisted of the following:

	General Fund	Capital Projects Fund	Total
Fund balances:			
Nonspendable			
Prepaid expenses	\$ 2,024	\$ -	\$ 2,024
Restricted			
TABOR	900	-	900
Committed			
Fund balance	-	81,625	81,625
Unassigned	36,974	-	36,974
 Total fund balances	\$ 39,898	\$ 81,625	\$ 121,523

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, 2021

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, 2021. 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, 2021

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:

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 2021, this is the amount of principal payments on debt.

Series 2018 Bonds	917,000
Developer advance	107,739

Interest expense is recorded in the Statement of Activities when incurred. Interest is only recorded, as paid, in the governmental funds. During 2021, accrued interest from the year ending December 31, 2020, was paid which was recognized in the government-wide financial statements in 2020.

4,967

NOTE K - CONCENTRATION OF CREDIT RISK

For 2021, 94% of the assessed valuation within the District subject to property taxes is attributed to entities operating within the oil and gas industry. In addition, 82% of the property taxes receivable as of December 31, 2021, to be collected in 2022, is attributed to one entity operating within the oil and gas industry.

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, which resulted in a world-wide economic downturn, operational closures and social restrictions that impacted the operations of the District. 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 June 16, 2022 which is the date that the financial statements and accompanying notes were available for issuance.

REQUIRED SUPPLEMENTARY INFORMATION

Godding Hollow Metropolitan District

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

For the Year ended December 31, 2021

	Original and Final Budget	Actual	Variance
REVENUES			
Property and other taxes	\$ 359,656	\$ 359,656	\$ -
Interest and other	-	393	393
	<u>359,656</u>	<u>360,049</u>	<u>393</u>
EXPENDITURES			
OPERATING			
Accounting and audit	9,500	6,550	2,950
Contingency	12,085	-	12,085
Dues	320	611	(291)
Directors' fees	-	300	(300)
Insurance	2,214	2,025	189
Legal	20,000	18,342	1,658
Management and accounting	3,000	3,000	-
Miscellaneous	700	70	630
Treasurer's fees	5,395	5,395	-
	<u>53,214</u>	<u>36,293</u>	<u>16,921</u>
REVENUES OVER EXPENDITURES	306,442	323,756	17,314
OTHER USES			
Transfer out	(295,654)	(295,654)	-
Reserves	(10,788)	-	10,788
	<u>(306,442)</u>	<u>(295,654)</u>	<u>10,788</u>
CHANGE IN FUND BALANCE	\$ -	28,102	\$ 28,102
FUND BALANCE			
Beginning balance		<u>11,796</u>	
Ending balance		<u>\$ 39,898</u>	

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, 2021

	Original and Final Budget	Actual	Variance
REVENUES			
Property and other taxes	\$ 964,946	\$ 951,932	\$ (13,014)
Property taxes contractual	79,476	79,476	-
Interest	-	144	144
	<u>1,044,422</u>	<u>1,031,552</u>	<u>(12,870)</u>
EXPENDITURES			
OPERATIONS			
Bank charges	-	21	(21)
Contingency	4,175	-	4,175
Proeprty taxes contractual	78,284	78,284	-
Treasurer's fees	13,282	13,285	(3)
Treasurer's fees contractual	1,192	1,192	-
DEBT SERVICE			
Paying agent	2,500	2,500	-
Principal	917,000	917,000	-
Interest	119,605	59,605	60,000
	<u>1,136,038</u>	<u>1,071,887</u>	<u>64,151</u>
EXCESS OF EXPENDITURES OVER REVENUES	(91,616)	(40,335)	51,281
OTHER SOURCES AND USES			
Transfer in	60,000	3,042	(56,958)
Transfer out	(5,681)	-	5,681
	<u>54,319</u>	<u>3,042</u>	<u>(51,277)</u>
CHANGE IN FUND BALANCE	<u>\$ (37,297)</u>	<u>(37,293)</u>	<u>\$ 4</u>
FUND BALANCE			
Beginning balance		<u>37,293</u>	
Ending balance		<u>\$ -</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, 2021

	Original and Final Budget	Actual	Variance
	<u> </u>	<u> </u>	<u> </u>
EXPENDITURES			
OPERATIONS			
Engineering	\$ -	\$ 1,761	\$ (1,761)
DEBT SERVICE			
Interest	-	4,394	(4,394)
CAPITAL EXPENDITURES			
Infrastructure	<u>1,235,550</u>	<u>128,137</u>	<u>1,107,413</u>
Total expenditures	<u>1,235,550</u>	<u>134,292</u>	<u>1,101,258</u>
EXPENDITURES OVER REVENUES	(1,235,550)	(134,292)	1,101,258
OTHER SOURCES			
Proceeds from the issuance of debt	1,000,000	-	1,000,000
Developer advance repayment	-	(107,739)	(107,739)
Transfer in - net	<u>241,337</u>	<u>292,612</u>	<u>51,275</u>
Total other sources and uses	<u>1,241,337</u>	<u>184,873</u>	<u>(56,464)</u>
CHANGE IN FUND BALANCE	<u>\$ 5,787</u>	50,581	<u>\$ 1,044,794</u>
FUND BALANCE			
Beginning balance		<u>31,044</u>	
Ending balance		<u>\$ 81,625</u>	