

WESTOWN METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2019

with

Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Westtown Metropolitan District
Jefferson County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Westtown 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 and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Westtown Metropolitan District as of December 31, 2019 and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

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

Other 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 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - Debt Service Fund, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Projects Fund and Summary of Assessed Valuation, Mill Levy and Property Taxes Collected is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - Debt Service Fund and Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Projects Fund are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Summary of Assessed Valuation, Mill Levy and Property Taxes Collected have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Crady, Puca & Associates

Aurora, Colorado
September 24, 2020

WESTOWN METROPOLITAN DISTRICT

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash and investments	\$ 59,772	\$ -	\$ -	\$ 59,772	\$ -	\$ 59,772
Cash and investments - restricted	8,635	584,287	15,947	608,869	-	608,869
Receivable - County Treasurer	1,616	2,020	-	3,636	-	3,636
Property taxes receivable	359,056	448,821	-	807,877	-	807,877
Receivable - other	12,965	-	-	12,965	-	12,965
Capital assets not being depreciated	-	-	-	-	6,009,068	6,009,068
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 442,044</u>	<u>\$ 1,035,128</u>	<u>\$ 15,947</u>	<u>\$ 1,493,119</u>	<u>6,009,068</u>	<u>7,502,187</u>
LIABILITIES						
Accounts payable	\$ 81,515	\$ -	\$ 13,895	\$ 95,410	-	95,410
Prepaid homeowner fees	2,221	-	-	2,221	-	2,221
Accrued interest on bonds	-	-	-	-	157,928	157,928
Long-term liabilities:						
Due within one year	-	-	-	-	25,000	25,000
Due in more than one year	-	-	-	-	9,598,346	9,598,346
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>83,736</u>	<u>-</u>	<u>13,895</u>	<u>97,631</u>	<u>9,781,274</u>	<u>9,878,905</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred HOA reimbursement	9,034	-	-	9,034	(9,034)	-
Deferred property taxes	359,056	448,821	-	807,877	-	807,877
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>368,090</u>	<u>448,821</u>	<u>-</u>	<u>816,911</u>	<u>(9,034)</u>	<u>807,877</u>
FUND BALANCES/NET POSITION						
Fund Balances:						
Restricted:						
Emergencies	8,635	-	-	8,635	(8,635)	-
Debt service	-	586,307	-	586,307	(586,307)	-
Unassigned	(18,417)	-	-	(18,417)	18,417	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>(9,782)</u>	<u>586,307</u>	<u>2,052</u>	<u>578,577</u>	<u>(578,577)</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 442,044</u>	<u>\$ 1,035,128</u>	<u>\$ 15,947</u>	<u>\$ 1,493,119</u>	<u>-</u>	<u>-</u>
Net Position:						
Net investment in capital assets					(3,614,278)	(3,614,278)
Restricted for:						
Emergencies					8,635	8,635
Debt service					428,379	428,379
Unrestricted					(9,383)	(9,383)
					<u>-</u>	<u>-</u>
Total Net Position					<u>\$ (3,184,595)</u>	<u>\$ (3,184,595)</u>

The notes to the financial statements are an integral part of these statements.

WESTOWN METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES

GOVERNMENTAL FUNDS

For the Year Ended December 31, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Accounting	\$ 11,439	\$ -	\$ -	\$ 11,439	\$ -	\$ 11,439
Audit	4,350	-	-	4,350	-	4,350
Insurance	8,877	-	-	8,877	-	8,877
Legal	58,919	-	-	58,919	-	58,919
District management	58,514	-	-	58,514	-	58,514
Miscellaneous expenses	1,973	-	-	1,973	-	1,973
Landscape maintenance	58,446	-	-	58,446	-	58,446
Pet waste pickup	4,359	-	-	4,359	-	4,359
Pool/Spa/Bathroom/Building	4,276	-	-	4,276	-	4,276
Snow removal	126,790	-	-	126,790	-	126,790
Utilities	58,065	-	-	58,065	-	58,065
Townhome trash	21,595	-	-	21,595	-	21,595
Treasurer's fees	3,292	4,116	-	7,408	-	7,408
Bond interest expense	-	284,000	-	284,000	67,535	351,535
Bond issuance costs	-	-	4,667	4,667	-	4,667
Trustee fees	-	6,000	-	6,000	-	6,000
Developer advances - interest	-	-	-	-	211,849	211,849
Total Expenditures	<u>420,895</u>	<u>294,116</u>	<u>4,667</u>	<u>719,678</u>	<u>279,384</u>	<u>999,062</u>
PROGRAM REVENUES						
Homeowner assessments	121,006	-	-	121,006	-	121,006
Reimbursement contract revenue	-	-	-	-	9,034	9,034
Total Program Revenues	<u>121,006</u>	<u>-</u>	<u>-</u>	<u>121,006</u>	<u>9,034</u>	<u>130,040</u>
Net Program Income (Expenses)	<u>(299,889)</u>	<u>(294,116)</u>	<u>(4,667)</u>	<u>(598,672)</u>	<u>(270,350)</u>	<u>(869,022)</u>
GENERAL REVENUES						
Property taxes	219,218	274,024	-	493,242	-	493,242
Specific ownership taxes	18,686	23,358	-	42,044	-	42,044
Interest and other income	2,418	9,978	608	13,004	-	13,004
Total General Revenues	<u>240,322</u>	<u>307,360</u>	<u>608</u>	<u>548,290</u>	<u>-</u>	<u>548,290</u>
NET CHANGES IN FUND BALANCES	<u>(59,567)</u>	<u>13,244</u>	<u>(4,059)</u>	<u>(50,382)</u>	<u>50,382</u>	
CHANGE IN NET POSITION					<u>(320,732)</u>	<u>(320,732)</u>
FUND BALANCES/NET POSITION:						
BEGINNING OF YEAR	<u>49,785</u>	<u>573,063</u>	<u>6,111</u>	<u>628,959</u>	<u>(3,492,822)</u>	<u>(2,863,863)</u>
END OF YEAR	<u>\$ (9,782)</u>	<u>\$ 586,307</u>	<u>\$ 2,052</u>	<u>\$ 578,577</u>	<u>\$ (3,763,172)</u>	<u>\$ (3,184,595)</u>

The notes to the financial statements are an integral part of these statements.

WESTOWN METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2019

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ 219,302	\$ 219,302	\$ 219,218	\$ (84)
Specific ownership taxes	14,635	14,635	18,686	4,051
Interest and other income	500	5,500	2,418	(3,082)
Homeowner assessments	<u>90,720</u>	<u>125,000</u>	<u>121,006</u>	<u>(3,994)</u>
Total Revenues	<u>325,157</u>	<u>364,437</u>	<u>361,328</u>	<u>(3,109)</u>
EXPENDITURES				
Accounting	10,000	10,000	11,439	(1,439)
Audit	5,000	5,000	4,350	650
Insurance	8,800	8,800	8,877	(77)
Legal	30,000	45,000	58,919	(13,919)
District management	21,550	60,000	58,514	1,486
Miscellaneous expenses	200	1,868	1,973	(105)
Landscape maintenance	58,500	45,000	58,446	(13,446)
Pet waste pickup	4,000	4,000	4,359	(359)
Pool/Spa/Bathroom/Building	34,500	3,950	4,276	(326)
Snow removal	20,000	140,000	126,790	13,210
Utilities	58,500	58,500	58,065	435
Townhome trash	23,242	22,000	21,595	405
Parking lot and street maintenance	6,500	-	-	-
Monuments and signage	3,450	-	-	-
Treasurer's fees	3,290	3,290	3,292	(2)
Reserve	46,000	-	-	-
Contingency	22,246	-	-	-
Emergency reserve	<u>7,029</u>	<u>7,029</u>	<u>-</u>	<u>7,029</u>
Total Expenditures	<u>362,807</u>	<u>414,437</u>	<u>420,895</u>	<u>(6,458)</u>
NET CHANGE IN FUND BALANCE	(37,650)	(50,000)	(59,567)	(9,567)
FUND BALANCE:				
BEGINNING OF YEAR	<u>37,650</u>	<u>50,000</u>	<u>49,785</u>	<u>(215)</u>
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,782)</u>	<u>\$ (9,782)</u>

The notes to the financial statements are an integral part of these statements.

WESTOWN METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies

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

Definition of Reporting Entity

The District was organized on June 13, 2008, concurrently with Hometown Metropolitan District No. 2 (“District No. 2”), Hometown Metropolitan District No. 3 (“District No. 3”) and Hometown Metropolitan District No. 4 (“District No. 4”) (collectively, the “Districts”), as a quasi-municipal organization established under the State of Colorado Special District Act. Both District No. 3 and District No. 4 dissolved by Order of the Jefferson County District Court on January 28, 2016 and recorded with the Jefferson County Clerk and Recorder on February 4, 2016. On May 8, 2016, the District changed its name to Westown Metropolitan District and operates separately from District No. 2. The District was established to provide for the planning, design, acquisition, construction, installation, relocation, redevelopment and financing of water, sanitation/storm sewer, street, safety protection, parks and recreation, transportation limited television relay and translation facilities, mosquito control, and limited fire protection services within the boundaries of the District to serve the future taxpayers and inhabitants of the District. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

The District is to convey the completed public improvements, other than park and recreation improvements, to the City of Arvada or other appropriate jurisdiction. With the exception of park and recreation improvements, the District is not authorized to operate and maintain public improvements unless set forth in a separate agreement with the City.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization’s elected governing body as the basic criterion for including a possible component governmental organization in a primary government’s legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization’s governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

WESTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

The District has no employees and all operations and administrative functions are contracted.

Basis of Presentation

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

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

WESTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources 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 Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

Budgetary Accounting

Budgets are adopted on a GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. 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 District amended its total appropriations in the General Fund from \$362,807 to \$414,437 primarily as a result of the increased cost of snow removal, in the Capital Projects Fund from \$5,622 to \$7,500 primarily due to costs of issuance costs, and in the Debt Service Fund from \$293,099 to \$294,125 due to an increase in the costs associated with the Trustee for the Series 2017 A Bonds and the Series 2017 B Bonds.

WESTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

Assets, Liabilities, Deferred Inflows/Inflows of Resources and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2019, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

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

Estimates

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

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

WESTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. As of December 31, 2019, the District assets were still being completed, and therefore has no depreciation expense in 2019.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on 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 30 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 in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

WESTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

Fund Equity

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

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$8,635 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$586,307 is restricted for the payment of the debt service costs associated with the Series 2017 A Bonds (see Note 4).

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all other funds can report negative amounts.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

WESTOWN METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2019

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports 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 their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net 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 position are available, the District will use the most restrictive net position first.

Note 2: Cash and Investments

As of December 31, 2019, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 59,772
Cash and investments - Restricted	<u>608,869</u>
Total	\$ <u>668,641</u>

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

Deposits with financial institutions	\$ 34,432
Investments – Fidelity Investments Money Market Treasury Portfolio – Class IV Fund	599,251
Investments - COLOTRUST	<u>34,958</u>
	\$ <u>668,641</u>

WESTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

Deposits

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 eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District follows state statutes for deposits. None of the District’s deposits were exposed to custodial credit risk.

Investments

Investment

Valuation

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District’s investments are not required to be categorized within the fair value hierarchy. The investment’s values are calculated using the net asset value (NAV) per share.

Credit Risk

The District’s investment policy requires that the District follow state statutes for investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

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

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

WESTOWN METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2019

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

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”) is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint ventures established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. The trusts operate similarly to a money market fund with each share maintaining a value of \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians’ internal records identify the investments owned by COLOTRUST. At December 31, 2019, the District had \$34,958 invested in COLOTRUST PLUS+.

Fidelity Investments Money Market Treasury Portfolio – Class IV Fund

During 2019, the District’s funds that were included in the trust accounts at UMB Bank were invested in the Fidelity Investments Money Market Treasury Portfolio – Class IV Fund (“Portfolio”). This Portfolio is a money market fund and each share is equal in value to \$1.00. All investments within the Portfolio are recorded at fair value and the District records its investment in the Portfolio at NAV. The Portfolio is AAAM rated and invests exclusively in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. The maturity of the underlying securities is 49 days or less. As of December 31, 2019, the District has \$599,251 invested in the fund, all of which was restricted for the repayment of bond principal and interest.

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2019 follows:

<u>Governmental Type Activities:</u>	<u>Balance</u> <u>1/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2019</u>
<u>Capital assets not being depreciated:</u>				
Construction in Progress	\$6,009,068	\$ -	\$ -	\$6,009,068
Total capital assets not being depreciated	<u>6,009,068</u>	<u>-</u>	<u>-</u>	<u>6,009,068</u>
Government type assets, net	<u>\$6,009,068</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$6,009,068</u>

WESTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

Note 4: Long Term Debt

A description of the long-term obligations as of December 31, 2019, is as follows:

\$5,680,000 General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds, Series 2017A and \$849,000 Subordinate General Obligation Limited Tax Bonds, Series 2017B

On December 8, 2017, the District issued \$5,680,000 of General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds, Series 2017A (“Series 2017A Bonds”), and \$849,000 of Subordinate General Obligation Limited Tax Bonds, Series 2017B (“Series 2017B Bonds”), for the purpose of paying project costs of certain public infrastructure, paying the costs of issuance of the Series 2017A Bonds and the Series 2017B Bonds, funding the Senior Reserve Fund and, with respect to the Series 2017A Bonds only, funding a portion of interest to accrue on the Series 2017A Bonds. The Series 2017A Bonds bear interest at the rate of 5.0%, payable semiannually on each June 1 and December 1, commencing on June 1, 2018, and maturing on December 1, 2047. The Series 2017B Bonds bear interest at the rate of 7.375%, payable annually on December 15, commencing on December 15, 2018, to the extent that Pledged Revenue is available, and mature on December 15, 2047.

The Series 2017A Bonds are subject to a mandatory sinking fund redemption commencing on December 1, 2020 and are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, commencing on December 1, 2022, upon payment of par, accrued interest, and a redemption premium that ranges between 0% and 3%. The Series 2017B Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, commencing on December 15, 2022, upon payment of par, accrued interest, and a redemption premium that ranges between 0% and 3%. The Series 2017B Bonds are also subject to mandatory redemption from Subordinate Pledged Revenue, if any, on deposit in the Subordinate Bond Fund.

The Series 2017A Bonds are secured by the Senior Required Mill Levy, the Capital Fees, if any, the portion of the Specific Ownership Tax which is collected as a result of the Senior Required Mill Levy, and any other legally available moneys as determined by the District. The Series 2017A Bonds are also secured by the Senior Reserve Fund and the Senior Surplus Fund. The Series 2017B Bonds are secured by the Subordinate Required Mill Levy, the Subordinate Capital Fee Revenue, if any, the portion of the Specific Ownership Tax which is collected as a result of the Subordinate Required Mill Levy, any amount remaining in the Senior Surplus Fund after termination of the fund and any other legally available moneys as determined by the District.

WESTOWN METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2019

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2017A Bonds. Due to the uncertainty of the timing of the principal and interest payment on the Series 2017B Bonds, no schedule of principal and interest payments is presented.

	Principal	Interest	Total
2020	\$ 25,000	\$ 284,000	\$ 309,000
2021	55,000	282,750	337,750
2022	65,000	280,000	345,000
2023	70,000	276,750	346,750
2024	80,000	273,250	353,250
2025-2029	510,000	1,299,500	1,809,500
2030-2034	760,000	1,148,250	1,908,250
2035-2039	1,065,000	929,250	1,994,250
2040-2044	1,475,000	624,250	2,099,250
2045-2047	1,575,000	181,750	1,756,750
	<u>\$ 5,680,000</u>	<u>5,579,750</u>	<u>11,259,750</u>

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

	Balance 1/1/2019	Additions	Deletions	Balance 12/31/2019	Current Portion
Series 2017A Bonds	\$5,680,000	\$ -	\$ -	\$ 5,680,000	\$ 25,000
Series 2017B Bonds	849,000	-	-	849,000	-
Developer reimbursement	2,648,111	-	-	2,648,111	-
Developer reimbursement - interest	234,386	211,849	-	446,235	-
Total	<u>\$9,411,497</u>	<u>\$ 211,849</u>	<u>\$ -</u>	<u>\$ 9,623,346</u>	<u>\$ 25,000</u>

Debt Authorization

As of December 31, 2019, the District had remaining voted debt authorization of approximately \$98,471,000. The District has not budgeted to issue any new debt during 2020. Per the District's Service Plan, the District cannot issue debt in excess of \$6,700,000.

WESTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

Note 5: Other Agreements

Operations Funding Agreement

The District and Park 5th Avenue Development Co., LLC ("Park 5th Avenue") entered into a 2017 Operation Funding Agreement on July 5, 2017, with an effective date of January 1, 2017 as amended by that First Amendment, dated October 25, 2017 and by that Second Amendment, dated October 24, 2018 (the "2017 OFA"). Under the 2017 OFA, the District's anticipated shortfall for operations and maintenance expenses for fiscal year 2017 through 2019 is the aggregate amount of \$100,000 (the "2017 Shortfall Amount"). Pursuant to the 2017 OFA, it is the District's intent to repay the amounts the Park 5th Avenue has advanced or directly paid, to the extent it has funds available from the imposition of its taxes, fees, rates, tolls, penalties and charges, and from any other revenue legally available, after the payment of its annual debt service obligations and annual operations and maintenance expenses, which repayment is subject to annual budget and appropriation. Simple interest accrues on each Park 5th Avenue advance from the date of deposit into the District's account or from the date of direct payment by Park 5th Avenue, until paid, at the rate of 8% per annum. The District's obligation to pay any Park 5th Avenue Advance does not constitute a multiple fiscal year financial obligation, and the making of any reimbursement thereof is subject to annual appropriation by the District in its absolute discretion.

Facilities Funding and Acquisition Agreement.

A Facilities Funding and Acquisition Agreement was entered into on November 29, 2017 with an effective date of January 1, 2009 ("FFAA") between the District and Park 5th Avenue. The FFAA provides that Park 5th Avenue shall advance funds necessary to fund the District's construction related expenses incurred by the District on a periodic basis through 2022. The total estimated cost to complete construction of the Improvements is Eight Million One Hundred and Seventy-Three Thousand Nine Hundred and Sixty-Five Dollars (\$8,173,965) ("Shortfall Amount"). Simple interest shall accrue at eight percent (8%) per annum until paid. In the event the District has not paid or reimbursed the Developer for any Outstanding Advances, Construction Related Expenses and/or Verified Costs by December 31, 2047, whether invoiced or not invoiced by such date, any amount of principal and accrued interest outstanding on such date shall be deemed to be forever discharged and satisfied in full.

Cost Sharing and Reimbursement Agreement

On October 25, 2018, the District and Westtown Condominium Association, Inc. (the "HOA") entered into a Cost Sharing and Reimbursement Agreement (the "Cost Sharing Agreement") whereby the parties acknowledged that the District will provide landscape maintenance services and snow removal services on behalf of the District and the HOA. In exchange, the HOA agrees to reimburse the District for its share of the cost of such services, as calculated pursuant to the terms of the Cost Sharing Agreement. The Agreement remain in full force and effect until mutual termination of the same.

WESTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

Potable Water Services Fee

On April 25, 2018, the District adopted an Amended and Restated Resolution Establishing Fees, Rates, and Charges for Potable Water Service. This Amended and Restated Resolution supersedes all previous resolutions regarding potable water service fees. For 2018 and 2019, the fee was Four Hundred Eighty Dollars (\$480) per year for each attached residential unit which was billed as a monthly fee of Forty Dollars (\$40) per residential unit. For each year thereafter through December 31, 2020, the fee may be increased up to five percent (5%) per year.

Trash Removal Fee

On April 25, 2018, the District adopted an Amended and Restated Resolution for the Imposition of Fees for the Centralized Provision of Trash Removal and Recycling Services. This Amended and Restated Resolution supersedes all previous resolutions regarding fees for trash removal and recycling services. The District charged a recurring monthly fee of Fourteen Dollars (\$14) per residential unit to cover the cost of trash pickup and recycling services through December 31, 2018. The fee may be increased up to five percent (5%) a year each year thereafter through December 31, 2020.

Pool Fee

On July 25, 2018, the District adopted a Resolution Regarding the Imposition of Fees for the District Pool. In the Resolution, the District determined that in order to provide revenue to cover the cost associated with the operations and maintenance of the District Pool that it would assess and charge an annual fee for use of the District Pool by those who are not inhabitants or taxpayers of the District (the "Out of District Fee"). Effective January 1, 2018, the Out of District Fee is Three Thousand Dollars (\$3,000) for a single person or family.

Note 6: Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer Bill of Rights ("TABOR"), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

WESTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

During 2008 and 2015, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

Note 7: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("Pool") which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 8: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments have the following elements:

- 1) capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and
- 2) long-term liabilities such as bonds payable, developer notes and accrued bond interest payable are not due and payable in the current period and, therefore, are not in the funds.

WESTOWN METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2019

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

- 1) governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities or depreciated over their useful lives;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities;
- 3) governmental funds report developer advances and/or bond proceeds as other financing sources, however they are reported as a liability in the Statement of Net Position; and,
- 4) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

WESTOWN METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2019

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ 274,129	\$ 274,100	\$ 274,024	\$ (76)
Specific ownership taxes	18,295	22,000	23,358	1,358
Interest and other income	<u>2,500</u>	<u>10,000</u>	<u>9,978</u>	<u>(22)</u>
Total Revenues	<u>294,924</u>	<u>306,100</u>	<u>307,360</u>	<u>1,260</u>
EXPENDITURES				
Bond interest expense	284,000	284,000	284,000	-
Trustee fees	5,000	6,000	6,000	-
Treasurer's fees	<u>4,099</u>	<u>4,125</u>	<u>4,116</u>	<u>9</u>
Total Expenditures	<u>293,099</u>	<u>294,125</u>	<u>294,116</u>	<u>9</u>
 NET CHANGE IN FUND BALANCE	 1,825	 11,975	 13,244	 1,269
FUND BALANCE:				
BEGINNING OF YEAR	<u>564,530</u>	<u>564,530</u>	<u>573,063</u>	<u>8,533</u>
END OF YEAR	<u>\$ 566,355</u>	<u>\$ 576,505</u>	<u>\$ 586,307</u>	<u>\$ 9,802</u>

The notes to the financial statements are an integral part of these statements.

WESTOWN METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2019

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Interest and other income	\$ 100	\$ 100	\$ 608	\$ 508
Total Revenues	<u>100</u>	<u>100</u>	<u>608</u>	<u>508</u>
EXPENDITURES				
Capital improvements	5,622	-	-	-
Bond issuance costs	<u>-</u>	<u>7,500</u>	<u>4,667</u>	<u>2,833</u>
Total Expenditures	<u>5,622</u>	<u>7,500</u>	<u>4,667</u>	<u>2,833</u>
NET CHANGE IN FUND BALANCE	(5,522)	(7,400)	(4,059)	3,341
FUND BALANCE:				
BEGINNING OF YEAR	<u>5,522</u>	<u>7,400</u>	<u>6,111</u>	<u>(1,289)</u>
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,052</u>	<u>\$ 2,052</u>

The notes to the financial statements are an integral part of these statements.

WESTOWN METROPOLITAN DISTRICT

SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED

December 31, 2019

(Unaudited)

<u>Year Ended December 31,</u>	Prior Year Assessed Valuation for Current Year Property Tax Levy	<u>Mills Levied</u>		<u>Total Property Tax</u>		Percent Collected to Levied
		<u>General Fund</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2017	\$ 2,252,600	40.000	40.000	\$ 180,208	\$ 180,208	100.00%
2018	\$ 2,635,870	41.170	51.538	\$ 244,366	\$ 244,367	100.00%
2019	\$ 5,042,010	43.495	54.369	\$ 493,431	\$ 493,242	99.96%
Estimated for year ending December 31, 2020	\$ 8,081,761	44.428	55.535	\$ 807,877		

NOTE

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.