

DRAFT 5-15-23

WESTOWN METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2022

with

Independent Auditors' Report

DRAFT 5-15-23

CONTENTS

	<u>Page</u>
<u>Independent Auditors' Report</u>	I
 <u>Basic Financial Statements</u>	
Balance Sheet/Statement of Net Position - Governmental Funds	1
Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities - Governmental Funds	2
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	3
Notes to Financial Statements	4
 <u>Supplemental Information</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Debt Service Fund	21
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Capital Projects Fund	22
 <u>Other Information</u>	
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	23

DRAFT 5-15-23

WESTOWN METROPOLITAN DISTRICT

BALANCE SHEET/STATEMENT OF NET POSITION GOVERNMENTAL FUNDS December 31, 2022

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	Statement of <u>Net Position</u>
ASSETS						
Cash and investments	\$ 197,515	\$ -	\$ -	\$ 197,515	\$ -	\$ 197,515
Cash and investments - restricted	16,217	279,532	-	295,749	-	295,749
Receivable - County Treasurer	4,959	5,024	-	9,983	-	9,983
Property taxes receivable	362,124	366,786	-	728,910	-	728,910
Receivable - other	992	-	-	992	-	992
Capital assets not being depreciated	-	-	-	-	6,009,068	6,009,068
Total Assets	<u>581,807</u>	<u>651,342</u>	<u>-</u>	<u>1,233,149</u>	<u>6,009,068</u>	<u>7,242,217</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred loss on refunding	-	-	-	-	700,155	700,155
Total Deferred Outflows of Resources	-	-	-	-	<u>700,155</u>	<u>700,155</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 581,807</u>	<u>\$ 651,342</u>	<u>\$ -</u>	<u>\$ 1,233,149</u>		
LIABILITIES						
Accounts payable	\$ 103,335	\$ -	\$ -	\$ 103,335	-	103,335
Accrued interest on bonds	-	-	-	-	20,037	20,037
Long-term liabilities:						
Due within one year	-	-	-	-	138,000	138,000
Due in more than one year	-	-	-	-	10,532,966	10,532,966
Total Liabilities	<u>103,335</u>	<u>-</u>	<u>-</u>	<u>103,335</u>	<u>10,691,003</u>	<u>10,794,338</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	362,124	366,786	-	728,910	-	728,910
Total Deferred Inflows of Resources	<u>362,124</u>	<u>366,786</u>	<u>-</u>	<u>728,910</u>	<u>-</u>	<u>728,910</u>
FUND BALANCES/NET POSITION						
Fund Balances:						
Restricted:						
Emergencies	16,217	-	-	16,217	(16,217)	-
Debt service	-	284,556	-	284,556	(284,556)	-
Unassigned	100,131	-	-	100,131	(100,131)	-
Total Fund Balances	<u>116,348</u>	<u>284,556</u>	<u>-</u>	<u>400,904</u>	<u>(400,904)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 581,807</u>	<u>\$ 651,342</u>	<u>\$ -</u>	<u>\$ 1,233,149</u>		
Net Position:						
Net investment in capital assets					(3,961,743)	(3,961,743)
Restricted for:						
Emergencies					16,217	16,217
Debt service					264,519	264,519
Unrestricted					100,131	100,131
Total Net Position					<u>\$ (3,580,876)</u>	<u>\$ (3,580,876)</u>

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

DRAFT 5-15-23

WESTTOWN METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2022

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Accounting and audit	\$ 19,016	\$ -	\$ -	\$ 19,016	\$ -	\$ 19,016
Election expense	5,098	-	-	5,098	-	5,098
Engineering	2,879	-	-	2,879	-	2,879
Insurance	14,751	-	-	14,751	-	14,751
Legal	69,430	-	-	69,430	-	69,430
District and community management	103,138	-	-	103,138	-	103,138
Miscellaneous expenses	7,240	-	-	7,240	-	7,240
Landscape maintenance	47,010	-	-	47,010	-	47,010
Sidewalk repair	104,675	-	16,055	120,730	-	120,730
Pet waste pickup	4,249	-	-	4,249	-	4,249
Pool/Spa/Bathroom/Building	50,007	-	-	50,007	-	50,007
Snow removal	126,303	-	-	126,303	-	126,303
Utilities	87,707	-	-	87,707	-	87,707
Townhome trash	28,448	-	-	28,448	-	28,448
Treasurer's fees	5,634	5,706	-	11,340	-	11,340
Bond principal	-	103,000	-	103,000	(103,000)	-
Bond interest expense	-	297,396	-	297,396	26,883	324,279
Trustee fees	-	240	-	240	-	240
Developer advances - interest	-	-	-	-	212,429	212,429
Total Expenditures	675,585	406,342	16,055	1,097,982	136,312	1,234,294
PROGRAM REVENUES						
Homeowner assessments	122,471	-	-	122,471	-	122,471
Reimbursement contract revenue	5,935	-	-	5,935	-	5,935
Total Program Revenues	128,406	-	-	128,406	-	128,406
Net Program Income (Expenses)	(547,179)	(406,342)	(16,055)	(969,576)	(136,312)	(1,105,888)
GENERAL REVENUES						
Property taxes	375,403	380,236	-	755,639	-	755,639
Specific ownership taxes	25,784	26,116	-	51,900	-	51,900
Interest and other income	108,885	2,821	-	111,706	-	111,706
Total General Revenues	510,072	409,173	-	919,245	-	919,245
NET CHANGES IN FUND BALANCES	(37,107)	2,831	(16,055)	(50,331)	50,331	-
FUND BALANCES/NET POSITION:						
BEGINNING OF YEAR - Restated	153,455	281,725	16,055	451,235	(3,845,468)	(3,394,233)
END OF YEAR	\$ 116,348	\$ 284,556	\$ -	\$ 400,904	\$ (3,981,780)	\$ (3,580,876)

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

DRAFT 5-15-23

WESTOWN METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2022

	Original & Final		Variance
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES			
Property taxes	\$ 375,604	\$ 375,403	\$ (201)
Specific ownership taxes	26,861	25,784	(1,077)
Reimbursement from HOA	12,000	5,935	-
Interest and other income	1,500	108,885	107,385
Homeowner assessments	<u>128,952</u>	<u>122,471</u>	<u>(6,481)</u>
Total Revenues	<u>544,917</u>	<u>638,478</u>	<u>99,626</u>
EXPENDITURES			
Accounting and audit	20,500	19,016	1,484
Election expense	15,000	5,098	9,902
Insurance	13,000	14,751	(1,751)
Legal	50,000	69,430	(19,430)
District and community management	70,000	103,138	(33,138)
Miscellaneous expenses	3,000	7,240	(4,240)
Landscape maintenance	57,000	47,010	9,990
Sidewalk repair	-	104,675	(104,675)
Street sweeping	2,500	-	2,500
Pet waste pickup	6,000	4,249	1,751
Pool/Spa/Bathroom/Building	50,000	50,007	(7)
Snow removal	65,000	126,303	(61,303)
Utilities	56,000	87,707	(31,707)
Signage	2,700	-	-
Townhome trash	36,000	28,448	7,552
Social events	5,000	-	5,000
Parking lot and street maintenance	4,000	-	4,000
Monuments and signage	750	-	750
Planning and engineering	3,500	2,879	621
Treasurer's fees	5,634	5,634	-
Reserve	90,000	-	90,000
Contingency	183,143	-	183,143
Emergency reserve	<u>12,108</u>	<u>-</u>	<u>12,108</u>
Total Expenditures	<u>750,835</u>	<u>675,585</u>	<u>72,550</u>
NET CHANGE IN FUND BALANCE	(205,918)	(37,107)	172,176
FUND BALANCE:			
BEGINNING OF YEAR	<u>210,918</u>	<u>153,455</u>	<u>(57,463)</u>
END OF YEAR	<u>\$ 5,000</u>	<u>\$ 116,348</u>	<u>\$ 114,713</u>

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

WESTOWN METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2022

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, as Hometown Metropolitan District No. 1 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.

DRAFT 5-15-23

WESTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2022

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.

DRAFT 5-15-23

WESTTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2022

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 total appropriations in the Debt Service Fund was amended from \$423,801 to \$428,000 and in the Capital Projects Fund from \$690 to 16,100.

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, 2022, 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.

DRAFT 5-15-23

WESTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2022

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.

Accounts Receivable

Accounts receivable consists of homeowner water and trash fees as of December 31, 2022, as well as the reimbursement from the condo association for its share of landscaping and snow removal. The District considers all accounts receivable collectible as of December 31, 2022.

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 one item that qualifies for reporting in this category. It is the deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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 one items that qualify for reporting in this category. Deferred property taxes are deferred and recognized as inflows of resources in the period that the amounts become available.

DRAFT 5-15-23

WESTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2022

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, 2022, the District assets were still being completed, and therefore has no depreciation expense in 2020.

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.

DRAFT 5-15-23

WESTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2022

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 \$16,217 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 \$284,556 is restricted for the payment of the debt service costs associated with the Series 2020 Loan (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.

DRAFT 5-15-23

WESTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2022

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.

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 of 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, 2022, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 197,515
Cash and investments - Restricted	<u>295,749</u>
Total	\$ <u>493,264</u>

Cash and investments as of December 31, 2022, consist of the following:

Deposits with financial institutions	\$ 352,642
Investments – COLOTRUST Plus	<u>140,622</u>
	\$ <u>493,264</u>

DRAFT 5-15-23

WESTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2022

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 investment is not required to be categorized within the fair value hierarchy. This investment’s value is 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.

DRAFT 5-15-23

WESTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2022

As of December 31, 2022, 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 venture 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 Trust operates similarly to a money market fund with each share maintaining a value of \$1.00. The COLOTRUST offers shares in three portfolios, one of which is COLOTRUST PLUS+. At December 31, 2022, the District had \$140,622 invested in COLOTRUST PLUS+.

COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian’s internal records identify the investments owned by participating governments. There are no unfunded commitments and there is no redemption notice period.

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2022 follows:

<u>Governmental Type Activities:</u>	<u>Balance</u> <u>1/1/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2022</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, 2022

Note 4: Long Term Debt

A description of the long-term obligations as of December 31, 2022, is as follows:

\$6,700,000 Taxable Loan Refunding Loan (Convertible to Tax Exempt) Series 2020

On November 19, 2020, the District entered into a Loan Agreement with BBVA Mortgage Corporation, an Alabama corporation, and issued a note in the amount of \$6,700,000 (“Series 2020 Loan”) for the purpose of repaying the Series 2017A Bonds and the Series 2017B Bonds, funding a Reserve Fund and paying the costs of issuance. The Series 2020 Loan bears interest at the taxable rate of 4.67% which is anticipated to convert to a tax-exempt rate of 3.69% on the Tax-Exempt Reissuance Date which is anticipated to be between September 1, 2022 and October 1, 2022. Interest payments on the Series 2020 Loan are due on each June 1 and December 1 commencing on June 1, 2021. Principal payments on the Series 2020 Loan are due on each December 1 commencing on December 1, 2021. The Series 2020 Loan matures on December 1, 2035 and is subject to Optional Prepayment on any interest payment date on and after June 1, 2028 upon the payment of the principal balance plus accrued interest and a prepayment premium ranging from .841% to 4.893% of the outstanding balance depending on the date of repayment.

The Series 2020 Loan is secured by the Pledged Revenue which includes the Required Mill Levy, the portion of the Specific Ownership taxes, any PILOT Revenue and any other legally available moneys which the Board determines in its sole discretion to apply as Pledged Revenue, and the Reserve Fund.

The Events of Default include:

- a) the District fails or refuses to impose the Required Mill Levy or to apply the Pledged Revenue as required by this Agreement;
- b) moneys in the Loan Payment Account, when combined with moneys, to the extent necessary, from the Reserve Fund, are insufficient to pay the interest and/or principal on the Loan, or any other amount payable to the Lender hereunder, when due;
- c) the District fails to observe or perform any of the material covenants, agreements, duties, or conditions on the part of the District in this Agreement or the other Financing Documents to which it is a party, and the District fails to remedy the same to the satisfaction of the Lender within 30 days after the District receives written notice from the Lender of the occurrence of such failure
- d) any representation or warranty made by the District in any Financing Document or any certificate, instrument, financial, or other statement furnished by the District to the Lender, proves to have been untrue or incomplete in any material respect when made or deemed made;
- e) the pledge of the Pledged Revenue, the Collateral, or any other security interest created hereunder fails to be fully enforceable with the priority required hereunder or thereunder;
- f) any judgment or court order for the payment of money exceeding any applicable insurance coverage by more than \$100,000 in the aggregate is rendered against the District and the District fails to vacate, bond, stay, contest (including, without limitation, an appeal), pay, or satisfy such judgment or court order for 30 days (until which point that such order has been vacated or satisfied);

WESTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2022

- g) a change occurs in the financial or operating conditions of the District, or the occurrence of any other event that, in the Lender's reasonable judgment, will have a materially adverse impact on the ability of the District to generate Pledged Revenue sufficient to satisfy the District's obligations under this Agreement or its other obligations, and the District fails to cure such condition within the time specified by the Lender in a written notice thereof from the Lender;
- h) (i) the District shall commence any case, proceeding, or other action (A) under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization, or relief of debtors, seeking to have an order for relief entered with respect to it or seeking to adjudicate it insolvent or a bankrupt or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition, or other relief with respect to it or its debts; or (B) seeking appointment of a receiver, trustee, custodian, or other similar official for itself or for any substantial part of its property, or the District shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the District any case, proceeding, or other action of a nature referred to in Section 7.01 (f) hereof and the same shall remain undismissed; or (iii) there shall be commenced against the District any case, proceeding, or other action seeking issuance of a warrant of attachment, execution, distraint, or similar process against all or any substantial part of its property which results in the entry of an order for any such relief which shall not have been vacated, discharged, stayed, or bonded pending appeal, within 30 days from the entry thereof; (iv) the District shall take action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) the District shall generally not or shall be unable to, or shall admit in writing its inability to pay its debts when due;
- i) any Financing Document or any material provision hereof or thereof, (i) ceases to be valid and binding on the District or is declared null and void, or the validity or enforceability thereof is contested by the District (unless being contested by the District in good faith), or the District denies it has any or further liability under any such document to which it is a party; or (ii) any pledge or security interest created under the Financing Documents fails to be fully enforceable with the priority required hereunder or thereunder;
- j) the District shall initiate, acquiesce, or consent to any proceedings to dissolve itself or to consolidate itself with other similar entities into a single entity, or the District shall otherwise cease to exist (unless the obligations of the District pursuant to the Financing Documents remain in place and the District consolidates per statute); and
- k) any funds or investments on deposit in, or otherwise to the credit of, any of the funds or accounts established hereunder shall become subject to any writ, judgment, warrant, attachment, execution, or similar process.

DRAFT 5-15-23

WESTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2022

Remedies to the Events of Default include:

(a) exercise any and all remedies available hereunder; (b) apply all amounts constituting Collateral to the amounts due hereunder, in any order of priority determined by the Lender; (c) proceed by mandamus or any other suit, action, or proceeding at law or in equity, to enforce all rights of the Lender; (d) and take any other action or exercise any other remedy available under the Financing Documents, at law or in equity; provided however, that notwithstanding the foregoing or anything else herein to the contrary: (i) except for the application of the Default Rate and, if applicable, the Post-Maturity Default Rate, no remedy will lie at law or in equity for any Event of Default consisting solely of the failure of the District to pay the principal of, interest on the Loan when due, or to replenish the Reserve Fund to the amount of the Reserve Requirement, it being acknowledged by the Lender that the amount of Pledged Revenue is limited in accordance with the terms hereof; and (ii) acceleration shall not be an available remedy for an Event of Default.

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2020 Loan with the anticipated change in the interest rate to the tax-exempt rate as described above.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 138,000	\$ 240,440	\$ 378,440
2024	151,000	235,348	386,348
2025	157,000	229,776	386,776
2026	170,000	223,983	393,983
2027	176,000	217,710	393,710
2028-2032	1,055,000	982,463	2,037,463
2033-2035	<u>4,669,000</u>	<u>489,110</u>	<u>5,158,110</u>
	<u>\$6,516,000</u>	<u>\$2,618,830</u>	<u>\$ 9,134,830</u>

Advance Refunding

On November 19, 2020, both the Series 2017A Bonds and the Series 2017B Bonds were advance refunded with the issuance of the Series 2020 Loan. An escrow was funded to repay the bonds in full. The refunded bonds are considered defeased and the liability has been removed from the Statement of Net Position. The requisition price exceeded the net carrying amount of the refunded debt by \$869,237, this amount is will be amortized over the life of the 2020 Loan. The refunding resulted in a net present value savings of \$1,427,548.

DRAFT 5-15-23

WESTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2022

The following is an analysis of changes in long-term debt for the year ending December 31, 2022:

	Balance 1/1/2022	Additions	Deletions	Balance 12/31/2022	Current Portion
<u>Direct Borrowing</u>					
2020 Loan	6,619,000	-	103,000	6,516,000	138,000
Premium on bonds	473,949	-	50,036	423,913	-
	<u>7,092,949</u>	<u>-</u>	<u>153,036</u>	<u>6,939,913</u>	<u>138,000</u>
<u>Other</u>					
Developer reimbursement	2,648,111	-	-	2,648,111	-
Developer reimbursement - interest	870,513	212,429	-	1,082,942	-
	<u>3,518,624</u>	<u>212,429</u>	<u>-</u>	<u>3,731,053</u>	<u>-</u>
Total	<u>\$ 10,611,573</u>	<u>\$ 212,429</u>	<u>\$ 153,036</u>	<u>\$10,670,966</u>	<u>\$ 138,000</u>

Debt Authorization

As of December 31, 2022, the District had remaining voted debt authorization of approximately \$84,271,000. The District has not budgeted to issue any new debt during 2022. Per the District's Service Plan, the District cannot issue debt in excess of \$6,700,000.

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.

DRAFT 5-15-23

WESTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2022

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.

On December 29, 2021, the District and Developer entered into a Letter Agreement with an effective date December 31, 2022, under which the District agreed to accept certain tracts from the Developer for ownership and operations and maintenance and the Developer agreed to fund certain drainage and concrete repair work in the District, in the amount of \$4,192.39 for the drainage repairs and not to exceed \$100,000 for the concrete repairs, respectively. The Letter Agreement provides that the Developer may fund more than the \$100,000 for concrete repairs in the event additional sums are required for such repairs.

Cost Sharing and Reimbursement Agreement

On October 25, 2018, the District and Westown 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.

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 as amended on November 10, 2020. This Amended and Restated Resolution supersedes all previous resolutions regarding potable water service fees. For 2018 - 2021, 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. The fee may be increased up to five percent (5%) a year each year thereafter through December 31, 2025.

WESTTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2022

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 as amended on November 10, 2020. 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, 2022. The fee may be increased up to five percent (5%) a year each year thereafter through December 31, 2025.

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.

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.

WESTTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2022

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.

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,

DRAFT 5-15-23

WESTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2022

- 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.

Note 9: Contingency

In January 2021, the District was served with an Amended Complaint that had been filed in a lawsuit initiated in November 2020. The Amended Complaint alleges the plaintiff sustained bodily injuries and related damages resulting from a slip and fall accident. The District notified its insurance carrier, which retained defense counsel on behalf of the District. The District disputes the claims alleged in the Amended Complaint and denies liability for the plaintiffs alleged damages. The District anticipates that its insurance will cover any potential settlement with the plaintiff or any potential judgment entered against the District.

DRAFT 5-15-23

SUPPLEMENTAL INFORMATION

DRAFT 5-15-23

WESTOWN METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2022

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ 380,440	\$ 380,440	\$ 380,236	\$ (204)
Specific ownership taxes	25,737	25,737	26,116	379
Interest and other income	<u>2,500</u>	<u>2,500</u>	<u>2,821</u>	<u>321</u>
Total Revenues	<u>408,677</u>	<u>408,677</u>	<u>409,173</u>	<u>496</u>
EXPENDITURES				
Bond principal	103,000	103,000	103,000	-
Bond interest expense	309,107	309,107	297,396	11,711
Trustee fees	6,000	10,199	240	9,959
Treasurer's fees	<u>5,694</u>	<u>5,694</u>	<u>5,706</u>	<u>(12)</u>
Total Expenditures	<u>423,801</u>	<u>428,000</u>	<u>406,342</u>	<u>21,658</u>
NET CHANGE IN FUND BALANCE	(15,124)	(19,323)	2,831	22,154
FUND BALANCE:				
BEGINNING OF YEAR	<u>272,588</u>	<u>272,588</u>	<u>281,725</u>	<u>9,137</u>
END OF YEAR	<u>\$ 257,464</u>	<u>\$ 253,265</u>	<u>\$ 284,556</u>	<u>\$ 31,291</u>

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

DRAFT 5-15-23

WESTOWN METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND For the Year Ended December 31, 2022

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Interest and other income	\$ 100	\$ 100	\$ -	\$ (100)
Total Revenues	<u>100</u>	<u>100</u>	<u>-</u>	<u>(100)</u>
EXPENDITURES				
Capital improvements	<u>690</u>	<u>16,100</u>	<u>16,055</u>	<u>45</u>
Total Expenditures	<u>690</u>	<u>16,100</u>	<u>16,055</u>	<u>45</u>
NET CHANGE IN FUND BALANCE	(590)	(16,000)	(16,055)	(55)
FUND BALANCE:				
BEGINNING OF YEAR	<u>590</u>	<u>16,000</u>	<u>16,055</u>	<u>55</u>
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

DRAFT 5-15-23

OTHER INFORMATION

DRAFT 5-15-23

WESTOWN METROPOLITAN DISTRICT

SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED

December 31, 2022

(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%
2020	\$ 8,081,761	44.428	55.535	\$ 807,877	\$ 798,869	98.88%
2021	\$ 8,122,740	44.428	48.000	\$ 750,769	\$ 750,217	99.93%
2022	\$ 8,454,221	44.428	45.000	\$ 756,044	\$ 755,639	99.95%
Estimated for year ending December 31, 2023	\$ 8,150,800	44.428	45.000	\$ 728,910		

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.