

WESTWOOD METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2021

with

Independent Auditor's Report

C O N T E N T S

	<u>Page</u>
<u>Independent Auditor's 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	18
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Capital Projects Fund	19
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	20



HIRATSUKA & ASSOCIATES, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Westwood Metropolitan District
Adams County, Colorado

Opinion

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

In our opinion, the 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 District, as of December 31, 2021, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has not presented Management's Discussion and Analysis. Such missing information, although not a part of the basic financial statements, is required by GASB, 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 the missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Information as listed in the table of contents is presented for the purpose of additional analysis and was not a required part of the financial statements.

The Supplemental Information is the responsibility of management and is derived from and related 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 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.

Hiratsuka & Associates, LLP

September 30, 2022
Wheat Ridge, Colorado

WESTWOOD METROPOLITAN DISTRICT

BALANCE SHEET/STATEMENT OF NET POSITION

GOVERNMENTAL FUNDS

December 31, 2021

	<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	\$ 17,773	\$ -	\$ -	\$ 17,773	\$ -	\$ 17,773
Cash and investments - restricted	1,111	1,510,200	2,317,112	3,828,423	-	3,828,423
Taxes due from County	4,340	-	-	4,340	-	4,340
Accounts receivable - developer	6,150	-	-	6,150	(6,150)	-
Property taxes receivable	1,202	6,961	-	8,163	-	8,163
Capital assets not being depreciated	-	-	-	-	3,819,308	3,819,308
Total Assets	<u>\$ 30,576</u>	<u>\$ 1,517,161</u>	<u>\$ 2,317,112</u>	<u>\$ 3,864,849</u>	<u>3,813,158</u>	<u>7,678,007</u>
LIABILITIES						
Accounts payable	\$ 29,374	\$ -	\$ 2,786	\$ 32,160	-	32,160
Accrued interest on bonds	-	-	-	-	27,000	27,000
Long-term liabilities:						
Due in more than one year	-	-	-	-	8,209,597	8,209,597
Total Liabilities	<u>29,374</u>	<u>-</u>	<u>2,786</u>	<u>32,160</u>	<u>8,236,597</u>	<u>8,268,757</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	<u>1,202</u>	<u>6,961</u>	<u>-</u>	<u>8,163</u>	<u>-</u>	<u>8,163</u>
Total Deferred Inflows of Resources	<u>1,202</u>	<u>6,961</u>	<u>-</u>	<u>8,163</u>	<u>-</u>	<u>8,163</u>
FUND BALANCES/NET POSITION						
Fund balances:						
Restricted:						
Emergencies	1,111	-	-	1,111	(1,111)	-
Debt service	-	1,510,200	-	1,510,200	(1,510,200)	-
Capital	-	-	2,314,326	2,314,326	(2,314,326)	-
Unassigned	<u>(1,111)</u>	<u>-</u>	<u>-</u>	<u>(1,111)</u>	<u>1,111</u>	<u>-</u>
Total Fund Balances	<u>-</u>	<u>1,510,200</u>	<u>2,314,326</u>	<u>3,824,526</u>	<u>(3,824,526)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 30,576</u>	<u>\$ 1,517,161</u>	<u>\$ 2,317,112</u>	<u>\$ 3,864,849</u>		
Net Position:						
Restricted for:						
Emergencies					1,111	1,111
Debt service					1,510,200	1,510,200
Capital projects					2,314,326	2,314,326
Unrestricted					<u>(4,424,550)</u>	<u>(4,424,550)</u>
Total Net Position (Deficit)					<u>\$ (598,913)</u>	<u>\$ (598,913)</u>

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

WESTWOOD METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Accounting/audit/management	\$ 4,861	\$ -	\$ -	\$ 4,861	\$ -	\$ 4,861
Insurance	200	-	-	200	-	200
Legal	28,811	-	-	28,811	-	28,811
Miscellaneous	213	-	-	213	-	213
Bond interest	-	73,800	-	73,800	26,329	100,129
Capital improvements	-	-	3,819,308	3,819,308	(3,819,308)	-
Cost of issuance	-	-	359,804	359,804	-	359,804
Repay developer principal	-	-	3,816,522	3,816,522	(3,816,522)	-
Developer interest	-	-	99,331	99,331	1,085	100,416
Total Expenditures	<u>34,085</u>	<u>73,800</u>	<u>8,094,965</u>	<u>8,202,850</u>	<u>(7,608,416)</u>	<u>594,434</u>
GENERAL REVENUES						
Property taxes	4,340	-	-	4,340	-	4,340
Miscellaneous income	250	-	-	250	-	250
Total General Revenues	<u>4,590</u>	<u>-</u>	<u>-</u>	<u>4,590</u>	<u>-</u>	<u>4,590</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	(29,495)	(73,800)	(8,094,965)	(8,198,260)	7,608,416	(589,844)
OTHER FINANCING SOURCES (USES)						
Bond proceeds	-	-	8,100,000	8,100,000	(8,100,000)	-
Bond premium	-	-	68,769	68,769	(68,769)	-
Developer advances	29,495	-	3,824,522	3,854,017	(3,854,017)	-
Transfer to/from other funds	-	1,584,000	(1,584,000)	-	-	-
Total Other Financing Sources (Uses)	<u>29,495</u>	<u>1,584,000</u>	<u>10,409,291</u>	<u>12,022,786</u>	<u>(12,022,786)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES						
	-	1,510,200	2,314,326	3,824,526	(3,824,526)	
CHANGES IN NET POSITION						
					(589,844)	(589,844)
FUND BALANCES/NET POSITION						
BEGINNING OF YEAR	-	-	-	-	(9,069)	(9,069)
END OF YEAR	<u>\$ -</u>	<u>\$ 1,510,200</u>	<u>\$ 2,314,326</u>	<u>\$ 3,824,526</u>	<u>\$ (4,423,439)</u>	<u>\$ (598,913)</u>

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

WESTWOOD METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2021

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 4,340	\$ 4,340	\$ -
Specific ownership taxes	304	-	(304)
Miscellaneous income	<u>-</u>	<u>250</u>	<u>250</u>
Total Revenues	<u>4,644</u>	<u>4,590</u>	<u>(54)</u>
EXPENDITURES			
Accounting/audit/management	2,500	4,861	(2,361)
Engineering	10,000	-	10,000
Insurance	2,500	200	2,300
Legal	15,000	28,811	(13,811)
Management	1,500	-	1,500
Miscellaneous	2,000	213	1,787
Treasurer fees	65	-	65
Contingency	15,044	-	15,044
Emergency Reserve	<u>1,458</u>	<u>-</u>	<u>1,458</u>
Total Expenditures	<u>50,067</u>	<u>34,085</u>	<u>15,982</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(45,423)	(29,495)	15,928
OTHER FINANCING SOURCES			
Developer advances	<u>45,423</u>	<u>29,495</u>	<u>(15,928)</u>
Total Other Financing Sources	<u>45,423</u>	<u>29,495</u>	<u>(15,928)</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE:			
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

WESTWOOD METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Westwood Metropolitan District, located in Adams 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

Westwood Metropolitan District (“the District”) was organized on May 20, 2020, as a quasi-municipal corporation established under the State of Colorado Special District Act. The District was established to provide a part of or all of the Public Improvements for the use and benefit of all anticipated inhabitants and taxpayers of the District. The District is also expected to provide for the ongoing operations and maintenance of park and recreation services. The District's primary source of revenues is bond proceeds and developer advances, but they are expected to be property taxes. The District is governed by an elected Board of Directors.

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.

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.

WESTWOOD METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

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 in which they are collected.

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.

WESTWOOD METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

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 non-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. During 2021, the District amended its total appropriations in the Capital Projects Fund from \$4,850,000 to \$8,208,000 primarily due to additional costs of issuing the Series 2021A Bonds, however total expenditures exceeded total appropriations, which may be a violation of State budget law.

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash investments, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2021, 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 short-term investments with maturities of three months or less from the date of acquisition are considered to be cash on hand. Investments for the government are reported at fair value.

WESTWOOD METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

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 one type of item that qualifies for reporting in this category. This item is deferred property taxes. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 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 capital 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.

WESTWOOD METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

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.

Original Issue Premium

Original issue premium from the Series 2021A Bonds are being amortized over the term of the bonds using the effective interest method. Accumulated amortization of original issue premium amounted to \$671 at December 31, 2021.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

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.

WESTWOOD METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

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 \$1,111 of the General Fund balance has been reserved in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$1,510,200 is restricted for the payment of the debt service costs (see Note 4).

The restricted fund balance in the Capital Projects Fund in the amount of \$2,317,112 is restricted for the payment of the costs for capital improvements within the District.

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 funds can report negative amounts.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District can report three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

WESTWOOD METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2021

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, 2021, cash and investments is classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 17,773
Cash and investments - restricted	<u>3,828,423</u>
Total	\$ <u>3,846,196</u>

Cash and cash equivalents as of December 31, 2021, consist of the following:

Deposits with financial institutions	\$ 18,884
Investments – Federated Hermes Treasury SS	<u>3,827,312</u>
	\$ <u>3,846,196</u>

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.

WESTWOOD METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

Investments

Credit Risk

The District has elected to 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.

Investment Valuation

Certain investments are measured at fair value 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 method ("NAV") per share.

As of December 31, 2021, the District had the following investments:

Federated Hermes Treasury SS

The District's funds that were included in the trust accounts at BOK Bank were invested in the Federated Hermes Treasury SS ("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 397 days or less. As of December 31, 2021, the District has \$3,827,312 invested in the Portfolio.

WESTWOOD METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2021

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2021, follows:

<u>Governmental Type Activities:</u>	<u>Balance</u> <u>1/1/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2021</u>
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ -	\$ 3,819,308	\$ -	\$ 3,819,308
Government type assets, net	<u>\$ -</u>	<u>\$ 3,819,308</u>	<u>\$ -</u>	<u>\$ 3,819,308</u>

Upon completion and acceptance, all capital assets except for will be conveyed by the District to other local governments. The District will not be responsible for maintenance.

Note 4: Long-Term Debt

The following is an analysis of changes in long-term debt for the year ending December 31, 2021:

	<u>Balance</u> <u>1/1/2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2021</u>	<u>Current</u> <u>Portion</u>
<u>General Obligation Bonds:</u>					
Series 2021A Bonds	\$ -	\$ 8,100,000	\$ -	\$ 8,100,000	\$ -
	-	8,100,000	-	8,100,000	-
<u>Other:</u>					
Developer advance - operations	-	40,414	-	40,414	-
Developer advance - capital	-	3,816,522	3,816,522	-	-
Developer advance - interest	-	100,416	99,331	1,085	-
Premium on Series 2021A Bonds	-	68,769	671	68,098	-
	<u>\$ -</u>	<u>\$ 12,126,121</u>	<u>\$ 3,916,524</u>	<u>\$ 8,209,597</u>	<u>\$ -</u>

A description of the long-term obligations as of December 31, 2021, is as follows:

Facilities Funding and Acquisition Agreement

On June 29, 2020, the District and the Developer entered into a Facilities Funding and Acquisition Agreement (the “FFAA”) pursuant to which the Developer is to provide monetary advances to the District for the acquisition, construction or installation of the Public Improvements. The reimbursement obligation under this agreement will bear interest of 7%. Advances under this agreement for capital improvements were repaid during the year and no amounts are due under this agreement at December 31, 2021.

WESTWOOD METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

Funding and Reimbursement Agreement (Operations)

On June 29, 2020, the District entered into a Funding and Reimbursement Agreement (“O&M Agreement”) with Westwood Holdings, LLC (the “Developer”) pursuant to which the Developer is to provide monetary advances to the District for administrative and operational expenses of the District, including but not limited to management fees, legal fees, financial consulting fees, engineering fees and general operations and maintenance costs related to the public purposes of the District. The District’s obligations under the O&M Agreement remain in full force and effect until December 31, 2020, and is to be automatically renewed for successive one year periods unless terminated by one of the parties to the agreement. The O&M agreement has automatically renewed for an additional one year period and is in effect until December 31, 2021. Interest of 7% shall accrue on any outstanding balance. As of December 31, 2021 \$41,499 in principal and interest is owed under this agreement.

\$8,100,000 Limited Tax General Obligation Senior Bonds, Series 2021A(3)

On September 9, 2021, the District issued \$8,100,000 of Limited Tax General Obligation Senior Bonds, Series 2021A(3) (“Series 2021A Bonds”) for the purpose of financing or reimbursing a portion of the costs of acquiring, construction, and/or installing certain public infrastructure to serve the Development, funding the Initial Deposit to the Surplus Fund, funding a portion of the interest to accrue on the Bonds and paying for the costs of issuance of the Bonds. The Series 2021A Bonds bear interest at 4.0% payable semiannually on June 1 and December 1 commencing on December 1, 2021 and mature on December 1, 2051. The Bonds are subject to mandatory sinking fund redemption commencing December 1, 2026.

The 2021A Bonds are subject to early redemption at the option of the District commencing September 1, 2026, with a redemption premium of 1% to 3% until September 1, 2029 after which the the Series 2021 A Bonds may be redeemed without any redemption premium. The 2021A Bonds are limited tax general obligations of the District secured by and payable solely from and to the extent of the Pledged Revenue, consisting of moneys derived by the District from the following sources: the Property Tax Revenues, the portion of Specific Ownership Tax related to the Property Tax Revenues, Capital Fees, and any other moneys determined by the District. In the event that any of the Series 2021 A Bonds principal or interest remains outstanding and due on December 2, 2051 this remaining amount shall be discharged.

Events of Default as defined in the Series 2021A Bond Indenture are 1) the failure of the District to impose the Required Mill levy, 2) the failure of the District to apply the Pledged Revenue as required by the Indenture, 3) the default by the District in the performance or observance of any other of the covenants, agreements, or conditions of the Indenture or the Bond Resolution, and failure to remedy the same after notice thereof pursuant to the Indenture or 4) the filing of a petition under the federal bankruptcy laws or other applicable laws seeking to adjust the obligations represented by the Bonds. Failure to pay the principal of or interest on the Series 2021A Bonds when due shall not, of itself, constitute an Event of Default under the Indenture. Remedies available in the Event of Default include 1) receivership, 2) suit for judgment, and 3) other suits. Acceleration of the Series 2021A Bonds is not an available remedy for an Event of Default.

WESTWOOD METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

\$399,00 Limited Tax General Obligation Subordinate Bonds, Series 2021B(3)

On September 1, 2021, the District executed and delivered an Indenture of Trust (Subordinate) between the District and BOK Bank as trustee which authorized the issuance to the Developer the Districts Limited Tax General Obligation Subordinate Bonds, Series 2021B(3) (“Series 2021B Bonds”) in a maximum amount of up to \$399,000. The Series 2021B Bonds are anticipated to be issued from time to time in exchange for reimbursement of future costs. None of the Series 2021 B Bonds were issued in 2021. The Series 2021B Bonds bear interest at 8.0%. The Series 2021B Bonds are cash flow bonds with annual payments anticipated to be made on December 15, commencing December 15, 2021 to the extent of available Subordinate Pledged Revenue. Unpaid interest compounds annually on December 15 at the rate of 8.00%. Payments toward interest and principal can be made provided the Series 2021A Bonds (and any other Senior Bonds outstanding) are current and the Surplus Fund for the Series 2021A Bonds and any other Senior Bonds are full. The 2021B Bonds are subject to early redemption at the option of the District commencing September 1, 2026, with a redemption premium of 1% to 3% until September 1, 2029 after which the Series 2021 A Bonds may be redeemed without any redemption premium. The 2021B Bonds are limited tax general obligations of the District secured by and payable solely from and to the extent of Subordinate Pledged Revenue, consisting of moneys derived by the District from the following sources: the Property Tax Revenues, the portion of Specific Ownership Tax related to the Property Tax Revenues, Capital Fees, and any other moneys determined by the District. In the event that any of the Series 2021 B Bonds principal or interest remains outstanding and due on December 16, 2051 this remaining amount shall be discharged.

Events of Default as defined in the Series 2021B Bond Indenture are 1) the failure of the District to impose the Subordinate Required Mill levy, 2) the failure of the District to apply the Subordinate Pledged Revenue as required by the Indenture, 3) the default by the District in the performance or observance of any other of the covenants, agreements, or conditions of the Indenture or the Bond Resolution, and failure to remedy the same after notice thereof pursuant to the Indenture or 4) the filing of a petition under the federal bankruptcy laws or other applicable laws seeking to adjust the obligations represented by the Bonds. Failure to pay the principal or interest on the Series 2021B Bonds when due shall not, of itself, constitute an Event of Default under the Indenture. Remedies available in the Event of Default include 1) receivership, 2) suit for judgment, and 3) other suits. Acceleration of the Series 2021B Bonds is not an available remedy for an Event of Default.

WESTWOOD METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2021

The following is a summary of the annual long-term debt principal and interest requirements of the 2021A Bonds, no summary is provided for the Series 2021 B Bonds due to the cash flow nature of the Series 2021B Bonds.

Year	Principal	Interest	Total
2022	\$ -	\$ 324,000	\$ 324,000
2023	-	324,000	324,000
2024	-	324,000	324,000
2025	-	324,000	324,000
2026	15,000	324,000	339,000
2027 - 2031	345,000	1,595,400	1,940,400
2032 - 2036	765,000	1,494,800	2,259,800
2037 - 2041	1,305,000	1,300,600	2,605,600
2042 - 2046	2,060,000	982,800	3,042,800
2047 - 2051	3,610,000	500,000	4,110,000
Total	\$ 8,100,000	\$ 7,493,600	\$ 15,593,600

Debt Authorization

On May 5, 2020, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$147,600,000. After the issuance of the 2021A(3) Bonds, the remaining authorization is \$139,101,000. Per the District Service Plan, the District cannot issue debt in excess of \$12,300,000. \$3,801,000 of the Service Plan authorization remains as of December 31, 2021.

Note 5: Other Agreements

Intergovernmental Agreement

On June 29, 2020, the District and the City of Thornton (“the City”) entered into the Intergovernmental Agreement (“City IGA”) which provides contractual enforcement rights to the City with respect to certain restrictions set forth in the Service Plan regarding the construction, ownership, operations and maintenance of Public Improvements needed for the District.

Completion and Turnover Agreement

On February 18, 2021, the District, the Developer, and KB Home Colorado (as builder) entered into a Completion and Turnover Agreement which sets forth the respective rights, obligations and procedures with respect to the Developer’s construction of certain improvements within the development in accordance with the Development Plan and the District’s acquisition from KB Home of such Public Improvements.

WESTWOOD METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

Note 6: Related Parties

All of the Board members are owners or members of or are otherwise associated with the Developer. Management believes that all potential conflicts, if any, have been disclosed to the Board.

Note 7: 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.

On May 5, 2020, 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 8: 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.

WESTWOOD METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2021

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 9: Interfund Transfers

The transfer of \$1,584,000 from the Capital Projects Fund to Debt Service Fund was transferred for the purpose of transferring funds to establish a reserve fund and capitalized interest fund in the debt service fund and in accordance with the bond agreement. (See Note 4)

Note 10: 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 and developer advances payable and accrued 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 revenue; 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

WESTWOOD METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2021

	Original & Final <u>Budget</u>	Actual	Variance Favorable (Unfavorable)
REVENUES			
Interest income	\$ -	\$ -	\$ -
Total Revenues	-	-	-
EXPENDITURES			
Bond interest	275,000	73,800	201,200
Total Expenditures	275,000	73,800	201,200
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(275,000)	(73,800)	201,200
OTHER FINANCING SOURCES (USES)			
Transfer to/from other funds	825,000	1,584,000	759,000
Total Other Financing Sources (Uses)	825,000	1,584,000	759,000
NET CHANGE IN FUND BALANCE	550,000	1,510,200	960,200
FUND BALANCE:			
BEGINNING OF YEAR	-	-	-
END OF YEAR	\$ 550,000	\$ 1,510,200	\$ 960,200

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

WESTWOOD METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2021

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Interest income	\$ -	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Capital improvements	3,825,000	6,058,000	3,819,308	2,238,692
Cost of issuance	200,000	450,000	359,804	90,196
Repay developer principal	-	-	3,816,522	(3,816,522)
Developer interest	<u>-</u>	<u>100,000</u>	<u>99,331</u>	<u>669</u>
Total Expenditures	<u>4,025,000</u>	<u>6,608,000</u>	<u>8,094,965</u>	<u>(1,486,965)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(4,025,000)	(6,608,000)	(8,094,965)	(1,486,965)
OTHER FINANCING SOURCES (USES)				
Bond proceeds	5,000,000	8,200,000	8,100,000	(100,000)
Bond premium	-	-	68,769	68,769
Developer advances	-	8,000	3,824,522	3,816,522
Transfer to/from other funds	<u>(825,000)</u>	<u>(1,600,000)</u>	<u>(1,584,000)</u>	<u>16,000</u>
Total Other Financing Sources (Uses)	<u>4,175,000</u>	<u>6,608,000</u>	<u>10,409,291</u>	<u>3,801,291</u>
NET CHANGE IN FUND BALANCE				
	150,000	-	2,314,326	2,314,326
FUND BALANCE:				
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ 2,314,326</u>	<u>\$ 2,314,326</u>

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

WESTWOOD METROPOLITAN DISTRICT

SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2021

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>			<u>Total Property Tax</u>		<u>Percent Collected to Levied</u>
		<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Levied</u>	<u>Collected</u>	
2021	\$ 72,330	60.000	0.000	60.000	\$ 4,340	\$ 4,340	100.00%
Estimated for year ending December 31, 2022	\$ 120,210	10.000	55.664	65.664	\$ 7,893		

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.