

STC METROPOLITAN DISTRICT NO. 1

141 Union Boulevard, Suite 150
Lakewood, Colorado 80228-1898
Tel: 303-987-0835 · 800-741-3254
Fax: 303-987-2032

NOTICE OF SPECIAL MEETING AND AGENDA

<u>Board of Directors:</u>	<u>Office:</u>	<u>Term/Expires:</u>
James A. Brzostowicz	President	2023/May 2023
Angie Hulsebus	Treasurer	2023/May 2023
Terry Willis	Assistant Secretary	2023/May 2023
Guy “Anthony” Harrigan	Assistant Secretary	2022/May 2022
VACANT		2022/May 2022
Peggy Ripko	Secretary	

DATE: **June 3, 2020**

TIME: 9:00 A.M.

PLACE: DUE TO CONCERNS REGARDING THE SPREAD OF THE CORONAVIRUS (COVID-19) AND THE BENEFITS TO THE CONTROL OF THE SPREAD OF THE VIRUS BY LIMITING IN-PERSON CONTACT, THIS DISTRICT BOARD MEETING WILL BE HELD BY CONFERENCE CALL WITHOUT ANY INDIVIDUALS (NEITHER DISTRICT REPRESENTATIVES NOR THE GENERAL PUBLIC) ATTENDING IN PERSON. IF YOU WOULD LIKE TO ATTEND THIS MEETING, PLEASE CALL IN TO THE CONFERENCE BRIDGE AT **877-221-1978** AND WHEN PROMPTED, DIAL IN THE PASSCODE OF **9521151**. *Please email Peggy Ripko if there are any issues (pripko@sdmsi.com).*

I. ADMINISTRATIVE MATTERS

A. Present Disclosures of Potential Conflicts of Interest.

B. Approve Agenda, confirm location of the meeting and posting of meeting notices.

C. Review and approve Minutes of the May 13, 2020 Special Meeting (enclosure).

D. Consideration of Board appointment after publication of notice of vacancy in Boulder Daily Camera on April 24, 2020.

II. FINANCIAL MATTERS

- A. Review and accept unaudited financial statements through the period ending April 30, 2020 (enclosure).
-

- B. Review and consider approval of 2019 Audited Financial Statements (enclosure – draft Audit) and authorize execution of Representations Letter (enclosure).
-

III. LEGAL MATTERS

- A. Discuss and consider approval of update to McGeady Becher P.C. Records Retention Policy (enclosure).
-

IV. OTHER BUSINESS MATTERS

- A. _____

- V. ADJOURNMENT **THE NEXT REGULAR MEETING IS SCHEDULED FOR JULY 1, 2020.**

RECORD OF PROCEEDINGS

MINUTES OF A SPECIAL MEETING OF THE BOARD OF DIRECTORS OF THE STC METROPOLITAN DISTRICT NO. 1 HELD MAY 13, 2020

A Special Meeting of the Board of Directors (referred to hereafter as the "Board") of the STC Metropolitan District No. 1 (referred to hereafter as the "District") was convened on Wednesday, the 13th day of May, 2020, at 9:00 A.M. Due to concerns regarding the spread of the Coronavirus (COVID-19) and the benefits to the control of the spread of the virus by limiting in-person contact, this District Board meeting was held by conference call without any individuals (neither District Representatives nor the General Public) attending in person. The meeting was open to the public via conference call.

ATTENDANCE

Directors In Attendance Were:

James A. Brzostowicz
Angie Hulsebus
Terry Willis
Guy "Anthony" Harrigan

Also In Attendance Were:

Peggy Ripko; Special District Management Services, Inc. ("SDMS")

Megan Becher, Esq. and Kate Olson, Esq.; McGeady Becher P.C.

Bill Flynn; Simmons & Wheeler, P.C.

Bill Jencks, Jessica Sergi, and Sonia Chen; Ranch Capital, LLC

David Andrews; Edifice North, LLC

DISCLOSURE OF POTENTIAL CONFLICTS OF INTEREST

Disclosure of Potential Conflicts of Interest: The Board noted it was in receipt of disclosures of potential conflicts of interest statements for each of the Directors and that the statements had been filed with the Secretary of State at least seventy-two hours in advance of the meeting. Ms. Ripko requested that the Directors review the Agenda for the meeting and advised the Board to disclose any new conflicts of interest which had not been previously disclosed. No further disclosures were made by Directors present at the meeting.

RECORD OF PROCEEDINGS

ADMINISTRATIVE MATTERS

Agenda: Ms. Ripko distributed for the Board's review and approval a proposed Agenda for the District's Special Meeting.

Following discussion, upon motion duly made by Director Brzostowicz, seconded by Director Willis and, upon vote, unanimously carried, the Agenda was approved, as presented.

Confirm Quorum, Location of Meeting and Posting of Meeting Notices: Ms. Ripko confirmed the presence of a quorum. The Board entered into a discussion regarding the requirements of Section 32-1-903(1), C.R.S., concerning the location of the District's Board meeting.

Following discussion, upon motion duly made by Director Brzostowicz, seconded by Director Hulsebus and, upon vote, unanimously carried, the Board determined that due to concerns regarding the spread of the Coronavirus (COVID-19) and the benefits to the control of the spread of the virus by limiting in-person contact, this District Board meeting would be held by conference call without any individuals (neither District Representatives nor the General Public) attending in person, as stated above. The Board further noted that the notice of time, date and location of the meeting was duly posted and that no objections to the location or any requests that the meeting place be changed were received from taxpaying electors within the District's boundaries.

Resignation of Secretary: The Board acknowledged the resignation of Lisa Johnson as Secretary to the Board of Directors and considered the appointment of Peggy Ripko as Secretary to the Board.

Following discussion, upon motion duly made by Director Hulsebus, seconded by Director Brzostowicz and, upon vote, unanimously carried, the Board approved Peggy Ripko as Secretary to the Board.

Minutes: The Board reviewed the Minutes of the December 9, 2019 special meeting.

Following discussion, upon motion duly made by Director Hulsebus, seconded by Director Brzostowicz and, upon vote, unanimously carried, the Board approved the Minutes of the December 9, 2019 special meeting.

Results of May 5, 2020 Regular Election: Ms. Ripko discussed with the Board the results of the May 5, 2020 Regular Election for Directors ("Election"). It was noted that the Election was cancelled as permitted by statute and that Directors Brzostowicz, Hulsebus, and Willis were each deemed elected to three-year terms ending in 2023 and Director Harrigan was deemed elected to a two-year term ending in 2022.

RECORD OF PROCEEDINGS

Consideration of Board Appointment After Publication of Notice of Vacancy: It was noted that pursuant to Section 32-1-808(2)(a)(I), C.R.S., publication of a Notice of Vacancy on the Board was made on April 24, 2020 in the *Boulder Daily Camera*. No Letters of Interest from qualified eligible electors were received within ten (10) days of the date of such publication.

The Board noted that there may be a potential candidate, and if there is interest, an appointment will be considered at the next Board meeting.

Appointment of Officers: The Board entered into discussion regarding the appointment of officers.

Following discussion, upon motion duly made by Director Hulsebus, seconded by Director Brzostowicz and, upon vote, unanimously carried, the following slate of officers was appointed:

President	James Brzostowicz
Treasurer	Angie Hulsebus
Secretary	Peggy Ripko
Assistant Secretary	Terry Willis
Assistant Secretary	Guy “Anthony” Harrigan

FINANCIAL MATTERS

Unaudited Financial Statements: Mr. Flynn presented to the Board the unaudited financial statements for the period ending March 31, 2020.

Following review and discussion, upon motion duly made by Director Brzostowicz, seconded by Director Willis and, upon vote, unanimously carried, the Board accepted the unaudited financial statements for the period ending March 31, 2020.

2019 Audited Financial Statements: Mr. Flynn discussed with the Board the status of 2019 Audited Financial Statements and Representations Letter. The Board deferred discussion until the June meeting.

LEGAL MATTERS

STC Metropolitan District No. 2’s Appointment of a New Designated Representative Under the Cost Sharing Agreement between SURA, RC Superior, LLC and STC Metropolitan District Nos. 1, 2, and 3: Attorney Becher discussed with the Board the STC Metropolitan District No. 2’s Appointment of a new Designated Representative under the Cost Sharing Agreement between SURA, RC Superior, LLC and STC Metropolitan District Nos. 1, 2, and 3.

RECORD OF PROCEEDINGS

Following discussion, upon motion duly made by Director Hulsebus, seconded by Director Brzostowicz and, upon vote, unanimously carried, the Board ratified approval of STC Metropolitan District No. 2's Appointment of Ms. Ripko as the new Designated Representative, under the Cost Sharing Agreement between SURA, RC Superior, LLC and STC Metropolitan District Nos. 1, 2, and 3.

STC Metropolitan District No. 2's Resolution Regarding Continuing Disclosures Policies and Procedures and any Necessary Action as STC Metropolitan District No. 1 is a Signatory to the Continuing Disclosure Agreement: Attorney Becher discussed with the Board the STC Metropolitan District No. 2's Resolution Regarding Continuing Disclosure Policies and Procedures noting that STC Metropolitan District No. 1 is a signatory to the Continuing Disclosure Agreement.

Following discussion, the Board acknowledged that STC Metropolitan District No. 1 has disclosure requirements under the Continuing Disclosure Agreement.

OTHER MATTERS

There were no other business matters for discussion by the Board at this time.

ADJOURNMENT

There being no further business to come before the Board at this time, upon motion duly made by Director Brzostowicz, seconded by Director Hulsebus and, upon vote, unanimously carried, the meeting was adjourned.

Respectfully submitted,

By _____
Secretary for the Meeting

STC Metropolitan District No. 1
Financial Statements

April 30, 2020

ACCOUNTANT'S COMPILATION REPORT

Board of Directors
STC Metropolitan District No. 1

Management is responsible for the accompanying financial statements of each major fund of STC Metropolitan District No. 1, as of and for the period ended April 30, 2020, which are comprised of the Balance Sheet and the related Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Governmental Funds and account groups for the four months then ended in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with the Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has elected to omit the Statement of Net Position, Statement of Activities, Management Discussion and Analysis and all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the District's financial position and results of operations. Accordingly, the financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to STC Metropolitan District No. 1 because we performed certain accounting services that impaired our independence.

Simmons & Wheeler, P.C.

May 29, 2020
Englewood, Colorado

STC Metropolitan District No 1
Balance Sheet - Governmental Funds and Account Groups
April 30, 2020

See Accountant's Compilation Report

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total All Funds</u>
Assets			
Current assets			
Cash in checking	\$ -	\$ -	\$ -
Prepaid Expenses	-	-	-
Developer Receivable	-	-	-
SURA Taxes Receivable	-	-	-
Taxes receivable	<u>192</u>	<u>962</u>	<u>1,154</u>
	<u>192</u>	<u>962</u>	<u>1,154</u>
	<u>\$ 192</u>	<u>\$ 962</u>	<u>\$ 1,154</u>
Liabilities and Equity			
Current liabilities			
Accounts payable	\$ -	\$ -	\$ -
Due to District 2	<u>192</u>	<u>962</u>	<u>1,154</u>
	<u>192</u>	<u>962</u>	<u>1,154</u>
Total liabilities	<u>192</u>	<u>962</u>	<u>1,154</u>
Fund Equity			
Investment in capital improvements	-	-	-
Fund balance (deficit)	-	-	-
Emergency reserves	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 192</u>	<u>\$ 962</u>	<u>\$ 1,154</u>

STC Metropolitan District No 1
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Four Months Ended April 30, 2020
General Fund

See Accountant's Compilation Report

	Annual <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Revenues			
Property Taxes	\$ 6,537	\$ 3,127	\$ (3,410)
Specific Ownership Taxes	425	1,052	627
Interest Income	-	2	2
SURA Property Tax Increment	<u>61,157</u>	<u>22,925</u>	<u>(38,232)</u>
	<u>68,119</u>	<u>27,106</u>	<u>(41,013)</u>
Expenditures			
Miscellaneous	-	-	-
Treasurer's Fees	98	47	51
Transfer to District 2	68,021	27,059	40,962
Emergency reserve	<u>-</u>	<u>-</u>	<u>-</u>
	<u>68,119</u>	<u>27,106</u>	<u>41,013</u>
Excess (deficiency) of revenues over expenditures	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

STC Metropolitan District No 1
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Four Months Ended April 30, 2020
Debt Service Fund

See Accountant's Compilation Report

	Annual <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Revenues			
Property Taxes	\$ 32,682	\$ 15,633	\$ (17,049)
Specific Ownership Taxes	20,177	5,260	(14,917)
SURA Property Tax Increment	305,779	114,624	(191,155)
Interest Income	<u>-</u>	<u>10</u>	<u>10</u>
	<u>358,638</u>	<u>135,527</u>	<u>(223,111)</u>
Expenditures			
Treasurer's Fees	490	235	255
Transfer to District 2	<u>358,148</u>	<u>135,292</u>	<u>222,856</u>
	<u>358,638</u>	<u>135,527</u>	<u>223,111</u>
Excess (deficiency) of revenues over expenditures	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STC METROPOLITAN DISTRICT NO. 1

Financial Statements

December 31, 2019

STC METROPOLITAN DISTRICT NO. 1

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Dazzio & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
STC Metropolitan District No. 1
Boulder County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the STC Metropolitan District No. 1 as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

8200 South Quebec Street, Suite A3259, Centennial, Colorado 80112
303-905-0809 • info@dazziocpa.com

• Member American Institute of Certified Public Accountants • Member Colorado Society of Certified Public Accountants •

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the STC Metropolitan District No. 1, as of December 31, 2019, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the STC Metropolitan District No. 1's basic financial statements. The budget to actual schedule for the Debt Service Fund (Supplementary Information) is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

April 27, 2020

BASIC FINANCIAL STATEMENTS

STC METROPOLITAN DISTRICT NO. 1

STATEMENT OF NET POSITION

December 31, 2019

	Governmental Activities
Assets	
Receivable from County Treasurer	\$ 3,834
Property Taxes Receivable	39,219
Tax Increment Taxes Receivable	365,000
Total Assets	<u>408,053</u>
Liabilities	
Payable to District No. 2	<u>3,834</u>
Deferred Inflows of Resources	
Deferred Property Tax	39,219
Deferred Tax Increment Taxes	365,000
Total Deferred Inflows of Resources	<u>404,219</u>
Net Position	
Unrestricted	<u>-</u>
Total Net Position	<u><u>\$ -</u></u>

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

STC METROPOLITAN DISTRICT NO. 1

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

<u>Function/Program Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Permits, Fees, Fines, and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
Governmental Activities					Governmental Activities
Administration	\$ 242,634	\$ -	\$ -	\$ -	\$ (242,634)
Total Governmental Activities	<u>\$ 242,634</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(242,634)</u>
		General Revenues			
			Property Taxes	11,749	
			Specific Ownership Taxes	12,473	
			SURA Property Tax Increment	218,361	
			Total General Revenues	<u>242,634</u>	
			Changes In Net Position		-
			Net Position - Beginning		-
			Net Position - Ending		<u>\$ -</u>

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

STC METROPOLITAN DISTRICT NO. 1

**BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2019

	<u>General Fund</u>	<u>Debt Service</u>	<u>Total</u>
Assets			
Receivable from County Treasurer	\$ 186	\$ 3,648	\$ 3,834
Property Taxes Receivable	6,537	32,682	39,219
Tax Increment Taxes Receivable	<u>60,800</u>	<u>304,200</u>	<u>365,000</u>
Total Assets	<u>\$ 67,523</u>	<u>\$ 340,530</u>	<u>\$ 408,053</u>
Liabilities			
Payable to District No. 2	<u>\$ 186</u>	<u>\$ 3,648</u>	<u>\$ 3,834</u>
Deferred Inflows of Resources			
Deferred Property Tax	6,537	32,682	39,219
Deferred Tax Increment Taxes	<u>60,800</u>	<u>304,200</u>	<u>365,000</u>
Total Deferred Inflows of Resources	<u>67,337</u>	<u>336,882</u>	<u>404,219</u>
Fund Balance			
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 67,523</u>	<u>\$ 340,530</u>	<u>\$ 408,053</u>

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

STC METROPOLITAN DISTRICT NO. 1

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND**

For the Year Ended December 31, 2019

	General Fund	Debt Service	Total
Revenues			
Property Taxes	\$ 1,958	\$ 9,791	\$ 11,749
SURA Property Tax Increment	36,392	181,969	218,361
Specific Ownership Tax	2,079	10,394	12,473
Net investment income	9	42	51
Total Revenues	40,438	202,196	242,634
Expenditures			
Current			
County Treasurer Fees	30	148	178
Transfer to District No. 2	40,408	202,048	242,456
Total Expenditures	40,438	202,196	242,634
Net Change in Fund Balance	-	-	-
Fund Balance - Beginning	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -

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

STC METROPOLITAN DISTRICT NO. 1

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

**For the Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2018 Actual</u>
Revenues					
Property Taxes	\$ 1,961	\$ 1,961	\$ 1,958	\$ (3)	\$ 502
Specific Ownership Tax	1,648	1,648	2,079	431	1,198
SURA Property Tax Increment	36,408	36,408	36,392	(16)	19,817
Net investment income	-	-	9	9	6
Total Revenues	<u>40,017</u>	<u>40,017</u>	<u>40,438</u>	<u>421</u>	<u>21,523</u>
Expenditures					
Administrative					
Miscellaneous	-	-	-	-	248
County Treasurer Fees	10	10	30	(20)	7
Transfer to District No. 2	40,007	40,007	40,408	(401)	21,225
Total Expenditures	<u>40,017</u>	<u>40,017</u>	<u>40,438</u>	<u>(421)</u>	<u>21,480</u>
Net Change in Fund Balance	-	-	-	-	43
Fund Balance - Beginning	-	-	-	-	(43)
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STC METROPOLITAN DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

Note 1 – Definition of Reporting Entity

The STC Metropolitan District No. 1 (the District), a quasi-municipal corporation and political subdivision of the State of Colorado was organized by recorded order and decree of the District Court for Boulder County on December 5, 2013, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District is one of three related districts: STC Metropolitan District Nos. 1, 2 and 3 (the Districts).

The District operates under a Service Plan approved by the Town of Superior (the Town) on May 13, 2013 and amended on April 6, 2014. Pursuant to the Service Plan, Districts Nos. 2 and 3 are referred to as the Financing Districts and District No. 1 is the Management District. The Management District is responsible for managing, implementing and coordinating the financing, construction, and the operation and maintenance of all public infrastructure and services within and without the project known as Superior Town Center. The Financing Districts provide the funding for the improvements and the tax base needed to support ongoing operations of the Districts. On January 1, 2015, the Districts entered into a Facilities Funding, Construction and Operation Agreement whereby District No. 2 took over the responsibilities of the Management, or Operating District, and the District became a financing District (see Note 5).

The District's service area boundaries are located entirely within the Town and the Superior Urban Renewal Area.

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

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set 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 District is not financially accountable to any other organization, nor is the District a component unit of any other primary governmental entity.

STC METROPOLITAN DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 2 – Summary of Significant Accounting Policies

The more significant accounting policies of the District are described as follows:

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the assets and liabilities of the District is reported as net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* 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 revenue are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported in 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 related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Other items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

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 after year-end. The major sources of revenue susceptible to accrual are

STC METROPOLITAN DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The District reports the following major governmental funds:

General Fund – This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – This fund is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District 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 District has amended its budget for the year ended December 31, 2019.

Cash and Investments

Colorado Revised Statutes specify investment instruments meeting defined rating and risk criteria in which the District may invest which include: obligations of the United States and certain U.S. government agency securities, general obligation and revenue bonds of U.S. local government entities, bankers acceptances of certain banks, commercial paper, certain corporate bonds, written repurchase agreements collateralized by certain authorized securities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Cash and investments are presented on the balance sheet in the basic financial statements at fair value.

STC METROPOLITAN DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are 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 inflow of resources in the year they are levied and measurable. The property tax revenues are recorded as revenue in the year they are available or collected.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and balance sheet reports 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 only one item that qualifies for reporting in this category. Accordingly, the item, property tax revenue, is deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position and Fund Equity

Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net position is subject to restrictions by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provision or enabling legislation.

STC METROPOLITAN DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Unrestricted net position represents assets that do not have any third-party limitations on their use.

For government-wide presentation purposes, when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balances

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned.

Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as *prepaid amounts*) or legally or contractually required to be maintained intact.

Restricted fund balance – The portion of fund balances that is constrained to be used for a specific purpose by external parties (such as bondholders), constitutional provisions or enabling legislation.

Committed fund balance – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by 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 – The portion of fund balance that is constrained by the government's intent to be used for specific purposes but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned fund balance - The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's practice to use the most restrictive classification first.

STC METROPOLITAN DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

Note 3 – Cash and Investments

Custodial credit risk

Custodial risk for deposits is the risk that, in the event of a failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Colorado Public Deposit Protection Act (PDPA) governs the investment of public funds. 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 (\$250,000) 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 for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The institution's internal records identify the collateral by depositor and as such, these deposits are considered to be uninsured but collateralized. The State Regulatory Commissions 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.

At December 31, 2019, the District's cash deposits had a bank and carrying balance of \$-0-.

Investments

The District has adopted an investment policy by which it follows state statutes regarding investments.

The District generally limits its concentration of investments to obligations of the United States, certain U.S. government agency securities and Local Government Investment Pools, which are believed to have minimal credit risk; minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors, such actions are generally associated with a debt service reserve or sinking fund requirements.

STC METROPOLITAN DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- General obligation and revenue bonds of US local government entities
- Certain certificates of participation
- Certain securities lending agreements
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

At December 31, 2019, the District did not have any investments.

Note 4 – Authorized Debt

On November 5, 2013, District voters approved debt authorization in the amount of \$1,305,000,000, at an interest rate not to exceed 9% per annum, for the construction of capital improvements, with an additional \$290,000,000 for refunding debt. The voters also authorized debt of \$145,000,000 each for the cost of operating and maintaining the District's systems and for intergovernmental agreements.

STC METROPOLITAN DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

At December 31, 2019, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Authorized November 5, 2013	2015 Series A & B Limited Tax GO Bonds (1)	2019A Limited Tax GO Bonds (1)	2019B Limited Tax GO Bonds (1)	Authorized but Unissued at December 31, 2019
Streets	\$ 145,000,000	\$ 12,195,885	\$ 49,991,322	\$ 14,974,426	\$ 67,838,367
Parks and Recreation	145,000,000	144,330	6,082,936	1,822,086	136,950,648
Water	145,000,000	2,092,785	4,051,277	1,213,522	137,642,416
Sanitation/Storm	145,000,000	9,622,000	5,875,553	1,759,966	127,742,481
Public Transportation	145,000,000	-	-	-	145,000,000
Mosquito Control	145,000,000	-	-	-	145,000,000
Traffic and Safety	145,000,000	-	-	-	145,000,000
Fire Protection	145,000,000	-	-	-	145,000,000
Television Relay	145,000,000	-	-	-	145,000,000
Operations and Maintenance	145,000,000	-	-	-	145,000,000
Intergovernmental Agreements	145,000,000	-	-	-	145,000,000
Refundings	290,000,000	-	2,293,903	-	287,706,097
	<u>\$ 1,885,000,000</u>	<u>\$ 24,055,000</u>	<u>\$ 68,294,991</u>	<u>\$ 19,770,000</u>	<u>\$ 1,772,880,009</u>

(1) Issued by District No. 2

The Service Plan limits the total principal amount of obligations the District may issue to \$145,000,000. Additionally, the Maximum Debt Mill levy is 50.000 mills while the aggregate District's debt exceeds fifty percent (50%) of the District's assessed valuation. With prior Town Board consent, for the portion of any aggregate District's Debt which is equal to or less than fifty percent (50%) of the District's assessed valuation, either on the date of issuance or at any time thereafter, the mill levy to be imposed to repay such portion of Debt shall not be subject to the Maximum Debt Mill Levy and, as a result, the mill levy may be such amount as is necessary to pay the Debt service on such Debt, without limitation of rate.

STC METROPOLITAN DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

Note 5 – District Agreements

Cost Sharing Agreement

On October 18, 2013, the Districts entered into a Cost Sharing Agreement (CSA) with the Superior Urban Renewal Authority (SURA) and RC Superior, LLC (the Developer). The CSA provides that tax increment revenues received by the SURA from the Districts' respective mill levies be disbursed to District No. 2 as pledged revenues for any bonds or other financial obligations issued by District No. 2.

Capital Pledge Agreement

On April 8, 2015, District No. 2 issued \$17,055,000 Limited Tax General Obligation Senior Bonds, Series 2015A and \$7,000,000 Limited Tax General Obligation Subordinate Bonds, Series 2015B (the Bonds). In connection with the Bonds, the District and District No. 2 entered into a Capital Pledge Agreement, dated April 1, 2015, whereby the District agrees to impose the District No. 1 Required Mill Levy (as defined in the Capital Pledge Agreement) and assign and remit to District No. 2 all revenues resulting from the imposition of the District No. 1 Required Mill Levy and Specific Ownership Taxes, as well as certain other revenues of the District to pay a portion of the principal of and interest on the Bonds commencing in 2016 and each year thereafter so long as the Bonds remains outstanding.

On December 19, 2019, District No. 2 currently refunded \$15,795,000 of outstanding principal of the Series 2015A Bonds with an interest rate of 6% and \$7,000,000 of outstanding principal of the Series 2015B Bonds with an interest rate of 7.75% by the issuance of \$90,790,000 Limited Tax General Obligation and Special Revenue Refunding and Improvement Bonds, Series 2019A, dated December 19, 2019, with an average interest rate of 4.905%. A portion of the proceeds from the Series 2019A Bonds amounting to \$25,315,993, which included \$3,309,766 of existing District funds, were used to redeem the 2015A and 2015B and to pay the optional redemption premium. District No. 2 refunded the Series 2015 Bonds to take advantage of lower interest rates.

On December 19, 2019, District No. 2 issued \$90,790,000 Limited Tax General Obligation and Special Revenue Refunding and Improvement Bonds, Series 2019A, and \$19,770,000 Subordinate Limited Tax General Obligation and Special Revenue Bonds, Series 2019B (the 2019 Bonds). In connection with the Bonds, the Districts entered into an Amended and Restated Capital Pledge Agreement dated December 1, 2019 whereby the Districts agree to impose up to a maximum mill levy as follows: (a) with respect to the District, 55.664 mills (Gallagher-Adjusted); (b) with respect to District No. 2 (the Issuing District): (i) prior to and including levy year 2023, 35 mills (Gallagher-Adjusted), and (ii) commencing with levy year 2024, 44 mills (Gallagher-Adjusted); and (c) with respect to District No. 3: (i) prior to and including levy year 2023, 20 mills (Gallagher-Adjusted), and (ii) commencing with levy year 2024, 29 mills (Gallagher-Adjusted); subject to the limitations and

STC METROPOLITAN DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

adjustments described in the 2019A Senior and 2019B Subordinate Bond Indenture, and assign and remit to District No. 2 all revenues resulting from the imposition of the District No. 1 and District No. 3 Required Mill Levy and Specific Ownership Taxes, as well as certain other revenues of District No. 1 and District No. 3 to pay a portion of the principal of and interest on the Bonds commencing in 2020 and each year thereafter so long as the Bonds remains outstanding.

Further, pursuant to the Urban Renewal Act and Superior Urban Renewal Plan, until the tax increment expiration date, the District Property Tax Increment Revenues are payable to SURA and that, pursuant to the Cost Sharing Agreement, SURA has agreed to disburse the District Property Tax Increment Revenues on a monthly basis to such persons or entities as may be designated by the Designated Representative (as defined in the Cost Sharing Agreement). The Pledged Revenues, including the District Property Tax Increment Revenues attributable to the District No. 1 Required Mill Levy, are pledged by the District to District No. 2 for the payment of principal and interest on the Bonds.

Facilities Funding, Construction and Operation Agreement (FFCO Agreement)

On January 1, 2015, the Districts entered into a Facilities Funding, Construction and Operation Agreement (FFCO Agreement). The FFCO Agreement entirely replaced and superseded the Memorandum of Understanding (the District MOU) dated December 13, 2013, whereby the Districts agreed that District No. 1 would provide for the construction, design, operation and maintenance of the District Improvements, as well as the overall administration of the Districts.

The FFCO Agreement designates District No. 2 as the Operating District which will operate, maintain, finance and construct (including funding thereof) certain of the Public Improvements and the District and District No. 3 will contribute to those costs. District No. 1 and District No. 3 shall remit to District No. 2 their respective property tax revenue, specific ownership taxes and any other legally available revenue.

Note 6 – Related Party

Some of the members of the Board of Directors of the District may be or have been employees, owners of, or otherwise associated with the Developer, and may have conflicts of interest in dealing with the District.

STC METROPOLITAN DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

Note 7 – Economic Dependency

The District has not yet established a revenue base sufficient to pay the District's operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon actions by the Developer to advance funds for operations of the District.

Note 8 – Risk Management

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors or omissions, injuries to employees, or natural disasters.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for general and automobile liability, public officials, auto physical damage and worker's compensation coverage. In the event aggregate losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds, 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 – Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains tax, spending, 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.

STC METROPOLITAN DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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 transfers all of its General Fund revenue to District No. 2. Therefore, no Emergency Reserve has been provided for by the District. The Emergency Reserve related to the District's revenue stream is captured in District No. 2.

On November 5, 2013, the voters approved the District to increase property taxes \$2,000,000 annually for the purpose of paying the District's operations, maintenance expenses and capital expenses, without regard to any spending, revenue raising or other limitation contained within Article X, Section 20 of the Colorado Constitution or any other property tax limitation or law.

Additionally, the voters authorized the District to collect, retain and spend all revenues received by the District during 2014 and all subsequent years as voter-approved revenue changes without regard to any spending, revenue raising or other limitation.

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.

SUPPLEMENTARY INFORMATION

STC METROPOLITAN DISTRICT NO. 1

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

**For the Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual
Revenues					
Property Taxes	\$ 9,808	\$ 9,808	\$ 9,791	\$ (17)	\$ 2,509
SURA Property Tax Increment	121,855	121,855	181,969	60,114	83,865
Specific Ownership Tax	4,577	4,577	10,394	5,817	5,991
Net investment income	-	-	42	42	30
Total Revenues	136,240	136,240	202,196	65,956	92,395
Expenditures					
Current					
County Treasurer Fees	147	147	148	(1)	38
Transfer to District No. 2	136,093	136,093	202,048	(65,955)	86,132
Total Expenditures	136,240	136,240	202,196	(65,956)	86,170
Net Change in Fund Balance	-	-	-	-	6,225
Fund Balance - Beginning	-	-	-	-	(6,225)
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -	\$ -

See the Independent Auditor's Report

STC METROPOLITAN DISTRICT NO. 1

May 22, 2020

Dazzio & Associates, PC
8200 S. Quebec St., Suite A3259
Centennial, Colorado 80112

This representation letter is provided in connection with your audit of the financial statements of STC Metropolitan District No. 1, which comprise the respective financial position of the governmental activities and each major fund as of December 31, 2019, and the respective changes in financial position for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, as of May 22, 2020, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 22, 2020, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

- 8) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 9) Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 10) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 11) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 12) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 13) We have no knowledge of any fraud or suspected fraud that affects the District and involves—
 - Management, or
 - Others where the fraud could have a material effect on the financial statements.
- 14) We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, regulators, or others.
- 15) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 16) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 17) We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions of which we are aware.

Government-specific

- 18) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 19) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

- 20) The District has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 21) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 22) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 23) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 24) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 25) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 26) As part of your audit, you assisted with preparation of the financial statements and related notes [and schedule of expenditures of federal awards]. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 27) The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 28) The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 29) The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 30) The financial statements properly classify all funds and activities in accordance with [GASBS No. 34](#) , as amended, and [GASBS No. 84](#) .
- 31) All funds that meet the quantitative criteria in [GASBS Nos. 34](#) and [37](#) for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

- 32) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 33) Provisions for uncollectible receivables have been properly identified and recorded.
- 34) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 35) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 36) We have appropriately disclosed the District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 37) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 38) With respect to the supplementary information as listed in the table of contents on which an in-relation-to opinion is issued the (Supplementary Information):
 - a) We acknowledge our responsibility for presenting the Supplementary Information in accordance with accounting principles generally accepted in the United States of America, and we believe the Supplementary Information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the Supplementary Information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b) If the Supplementary Information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

Signed _____

Title: District Manager

Signed _____

Title: Accountant for the District

Document Retention Policy

Types of Documents

In representing you we will or may take possession of, create, and/or keep various types of documents. These consist of documents you provide to us, documents which constitute the District's official public record, and internal documents we create to assist us in providing services to you.

Documents You Provide to Us

It is our policy to copy and return original documents you provide to us as soon as practicable. Exceptions to this policy are original documents which should be kept as part of the District's official public record, instances where we must have an original document to represent you, or cases where we have affirmatively agreed retain a document for safekeeping.

The District's Record

As a part our engagement, we will maintain the District's official public Record (the "**Record**"). The Record is a highly useful and detailed compilation of documents reflecting the official actions of the District and serves multiple functions. First, it collects those documents which the public is entitled to inspect and copy under various state and federal public records and freedom of information statutes. Second, it organizes the records of the District – such as its contracts, land and title records, and easements - in a manner which is useful in conducting the ongoing business of the District. Third, the Record helps expedite the District's annual audit process. Fourth, in the event you should change legal counsel or employ in-house counsel, the Record will enable that counsel to understand the status and assume representation of the District with maximum efficiency.

The Record includes the District's organizational documents, fully-executed agreements which are still in effect, rules, regulations, resolutions adopted by the District, official minutes books, meeting notices, agendas, insurance policies, District maps, election records, bond documents, audit documents, and many more. A comprehensive list of documents comprising the Record is available from us at any time upon request.

Creating and maintaining the Record is an important and complex task, and you agree to pay our actual costs and hourly fees associated with doing this.

Supplemental Documents

All other documents created in course of representing you are referred to as Supplemental Documents. These include our notes, drafts, memoranda, worksheets, electronic communications, and other electronic documents stored in various media or file servers.

Documents We Retain

Except as provided in this Document Retention Policy or an amendment thereto, we will keep the Record and any original documents accepted by us for safekeeping so long as we represent you.

Delivery of the Record

Once a matter is concluded or our representation terminated, we deliver the original, printed Record, together with any original documents we have accepted for safekeeping, to you or the District's designee, provided our fees and costs have been paid in full. If you do not designate someone to receive these records, we will deliver them to a then-current officer or director of the District. If we are unable to deliver these documents because of your failure to designate a recipient, we may retain, destroy, or otherwise dispose of them in manner which assures their continued confidentiality within thirty (30) days following the conclusion of a matter or the termination of our representation.

We will also confidentially destroy the Record of any District in our possession if a final order of dissolution of the District is entered.

All other documents, including all Supplemental Documents, are routinely, periodically, confidentially, and permanently purged by us once they are no longer useful to us in providing services to you.