

Forest Hills Metropolitan District

Annual Financial Report

December 31, 2016 and 2015



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Independent Auditor's Report

To the Board of Directors
Forest Hills Metropolitan District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Forest Hills Metropolitan District as of and for the years ended December 31, 2016 and 2015, 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 audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Forest Hills Metropolitan District, as of December 31, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the years 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Forest Hills Metropolitan District's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Haynie & Co.

Littleton, Colorado
May 17, 2017

Forest Hills Metropolitan District
Statement of Net Position
December 31, 2016

	Governmental Activities 2016	Business- Type Activities 2016	Total 2016
Assets			
Cash and cash equivalents - unrestricted	\$ 85,924	\$ 42,319	\$ 128,243
Cash and cash equivalents - restricted	53,536	-	53,536
Receivable - County Treasurer	3,325	-	3,325
Property taxes receivable	531,642	-	531,642
Prepaid Expenses	4,781	4,543	9,324
Due from other funds	88,759	-	88,759
Capital assets, net of depreciation	231,563	2,850,452	3,082,015
Total assets	999,530	2,897,314	3,896,844
Liabilities			
Accounts payable	12,512	11,148	23,660
Due to other funds	-	88,759	88,759
Deposits	1,000	10,000	11,000
Accrued interest payable	15,153	-	15,153
Bonds payable:			
Due within one year	224,715	-	224,715
Due in more than one year	1,764,060	-	1,764,060
Total liabilities	2,017,440	109,907	2,127,347
Deferred Inflows of Resources			
Property tax revenue	531,642	-	531,642
Total deferred inflows of resources	531,642	-	531,642
Net Position			
Net investment in capital assets	(1,757,212)	2,850,452	1,093,240
Restricted for:			
Emergencies	4,683	-	4,683
Conservation trust fund	2,058	-	2,058
Debt service	51,478	-	51,478
Unrestricted	149,441	(63,045)	86,396
Total net position	(1,549,552)	2,787,407	1,237,855
Total liabilities, deferred inflow of resources and net position	\$ 999,530	\$2,897,314	\$ 3,896,844

The accompanying notes are an integral part of these financial statements.

Forest Hills Metropolitan District
Statement of Net Position
December 31, 2015

	Governmental Activities 2015	Business- Type Activities 2015	Total 2015
Assets			
Cash and cash equivalents - unrestricted	\$ 27,337	\$ 25,702	\$ 53,039
Cash and cash equivalents - restricted	74,944	-	74,944
Receivable - County Treasurer	3,586	-	3,586
Property taxes receivable	505,491	-	505,491
Accounts receivable net of allowance for doubtful accounts	-	2,658	2,658
Prepaid expenses	3,945	3,755	7,700
Due from other funds	177,688	-	177,688
Capital assets, net of depreciation	248,771	2,912,025	3,160,796
Total assets	1,041,762	2,944,140	3,985,902
Liabilities			
Accounts payable	21,784	21,324	43,108
Due to other funds	25,206	152,482	177,688
Deposits	1,000	-	1,000
Accrued interest payable	16,574	-	16,574
Bonds payable:			
Due within one year	214,685	-	214,685
Due in more than one year	1,988,776	-	1,988,776
Total liabilities	2,268,025	173,806	2,441,831
Deferred Inflows of Resources			
Property tax revenue	505,491	-	505,491
Total deferred inflows of resources	505,491	-	505,491
Net Position			
Net investment in capital assets	(1,954,690)	2,912,025	957,335
Restricted for:			
Emergencies	6,555	-	6,555
Conservation trust fund	-	-	-
Debt service	74,944	-	74,944
Unrestricted	141,437	(141,691)	(254)
Total net position	(1,731,754)	2,770,334	1,038,580
Total liabilities, deferred inflow of resources and net position	\$ 1,041,762	\$2,944,140	\$ 3,985,902

The accompanying notes are an integral part of these financial statements.

Forest Hills Metropolitan District
Statement of Activities
For the Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 156,109	\$ -	\$ -	\$ (156,109)	\$ -	\$ (156,109)
Conservation trust funds	-	-	2,052	2,052	-	2,052
Depreciation	17,208	-	-	(17,208)	-	(17,208)
Interest and related costs on long term debt	98,734	-	-	(98,734)	-	(98,734)
	<u>\$ 272,051</u>	<u>\$ -</u>	<u>\$ 2,052</u>	<u>\$ (269,999)</u>	<u>\$ -</u>	<u>\$ (269,999)</u>
Business-type activities						
Water and sewer	273,313	305,205	-	-	31,892	31,892
Depreciation	110,319	-	-	-	(110,319)	(110,319)
	<u>383,632</u>	<u>305,205</u>	<u>-</u>	<u>-</u>	<u>(78,427)</u>	<u>(78,427)</u>
General revenues:						
Property taxes				507,868	-	507,868
Specific ownership tax				36,953	-	36,953
Investment income				2,057	-	2,057
Other income				823	-	823
Transfers in (out)				(95,500)	95,500	-
Total general revenues and transfers				<u>452,201</u>	<u>95,500</u>	<u>547,701</u>
Change in net position				182,202	17,073	199,275
Net position - beginning of year				<u>(1,731,754)</u>	<u>2,770,334</u>	<u>1,038,580</u>
Net position - end of year				<u><u>\$(1,549,552)</u></u>	<u><u>\$ 2,787,407</u></u>	<u><u>\$ 1,237,855</u></u>

The accompanying notes are an integral part of these financial statements.

Forest Hills Metropolitan District
Statement of Activities
For the Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 178,765	\$ -	\$ -	\$ (178,765)	\$ -	\$ (178,765)
Conservation trust funds	-	-	1,799	1,799	-	1,799
Depreciation	30,012	-	-	(30,012)	-	(30,012)
Interest and related costs on long term debt	106,503	-	-	(106,503)	-	(106,503)
	<u>\$ 315,280</u>	<u>\$ -</u>	<u>\$ 1,799</u>	<u>\$ (313,481)</u>	<u>\$ -</u>	<u>\$ (313,481)</u>
Business-type activities						
Water and sewer	287,041	241,151	-	-	(45,890)	(45,890)
Depreciation	109,082	-	-	-	(109,082)	(109,082)
	<u>396,123</u>	<u>241,151</u>	<u>-</u>	<u>-</u>	<u>(154,972)</u>	<u>(154,972)</u>
General revenues:						
Property taxes				500,340	-	500,340
Specific ownership tax				41,319	-	41,319
Investment income				621	-	621
Other income				2,562	-	2,562
Total general revenues and transfers				<u>544,842</u>	<u>-</u>	<u>544,842</u>
Change in net position				231,361	(154,972)	76,389
Net position - beginning of year				<u>(1,963,115)</u>	<u>2,925,306</u>	<u>962,191</u>
Net position - end of year				<u>\$ (1,731,754)</u>	<u>\$ 2,770,334</u>	<u>\$ 1,038,580</u>

The accompanying notes are an integral part of these financial statements.

Forest Hills Metropolitan District
Governmental Funds Balance Sheet
and Reconciliation of Fund Balances to Net Position
December 31, 2016 and 2015

	General Fund	Debt Service Fund	Capital Projects Fund	2016 Total	2015 Total
Assets					
Cash and investments	\$ 85,924	\$ -	\$ -	\$ 85,924	\$ 27,337
Cash and investments - restricted	2,058	51,478	-	53,536	74,944
Receivable - County Treasurer	3,325	-	-	3,325	3,586
Property taxes receivable	212,403	319,239	-	531,642	505,491
Prepaid Expenses	4,781	-	-	4,781	3,945
Due from other funds	88,759	-	-	88,759	177,688
Total assets	\$ 397,250	\$ 370,717	\$ -	\$ 767,967	\$ 792,991
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 12,512	\$ -	\$ -	\$ 12,512	21,784
Due to other funds	-	-	-	-	25,206
Deposits	1,000	-	-	1,000	1,000
Total liabilities	13,512	-	-	13,512	47,990
Deferred Inflows of Resources					
Property tax revenue	212,403	319,239	-	531,642	505,491
Total deferred inflows of resources	212,403	319,239	-	531,642	505,491
Fund Balances					
Restricted for:					
Emergencies	4,683	-	-	4,683	6,555
Conservation trust fund	2,058	-	-	2,058	-
Debt service	-	51,478	-	51,478	74,944
Assigned for capital projects	-	-	-	-	(25,206)
Unassigned	164,594	-	-	164,594	183,217
Total Fund Balances	171,335	51,478	-	222,813	239,510
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 397,250	\$ 370,717	\$ -	\$ 767,967	\$ 792,991
Total governmental fund balance per above				\$ 222,813	\$ 239,510
Amounts reported for governmental activities in the statement of net position excluded from the governmental fund balance because:					
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and are excluded from the funds.				231,563	248,771
Long term liabilities not payable in the current year are excluded as liabilities in the governmental funds. Interest on long-term debt is recognized as an expenditure in governmental funds when due. These					
Bonds payable				(1,990,000)	(2,205,000)
Bond discount, net				1,225	1,539
Accrued interest payable				(15,153)	(16,574)
Net position of governmental activities				\$ (1,549,552)	\$ (1,731,754)

The accompanying notes are an integral part of these financial statements.

Forest Hills Metropolitan District
Governmental Fund Revenues, Expenditures,
and Changes in Fund Balances
For the Years Ended December 31, 2016 and 2015

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>2016 Total</u>	<u>2015 Total</u>
Revenues:					
Property taxes	\$ 213,457	\$ 294,411	\$ -	\$ 507,868	\$ 500,340
Specific ownership taxes	36,953	-	-	36,953	41,319
Conservation trust fund	2,052	-	-	2,052	1,799
Interest income	701	1,356	-	2,057	621
Other income	<u>823</u>	<u>-</u>	<u>-</u>	<u>823</u>	<u>2,562</u>
Total General Revenues	<u>253,986</u>	<u>295,767</u>	<u>-</u>	<u>549,753</u>	<u>546,641</u>
Expenditures:					
General government					
Administration	36,410	-	-	36,410	30,567
Audit	2,550	-	-	2,550	2,450
Insurance and bonds	3,945	-	-	3,945	3,827
Legal	4,490	-	-	4,490	7,465
Office expenses	2,465	-	-	2,465	2,270
Maintenance	98,015	-	-	98,015	115,607
Capital outlay	-	-	-	-	39,720
Treasurer's Fees	3,183	4,392	-	7,575	7,506
Miscellaneous	659	-	-	659	9,073
Debt service					
Bond principal payments	-	215,000	-	215,000	205,000
Bond interest	-	99,441	-	99,441	107,024
Paying agent fees	<u>-</u>	<u>400</u>	<u>-</u>	<u>400</u>	<u>400</u>
Total Expenditures	<u>151,717</u>	<u>319,233</u>	<u>-</u>	<u>470,950</u>	<u>530,909</u>
Excess (Deficiency) of Revenues over expenditures	102,269	(23,466)	-	78,803	15,732
Other financing sources (uses):					
Interfund transfers in (out)	<u>(120,706)</u>	<u>-</u>	<u>25,206</u>	<u>(95,500)</u>	<u>-</u>
	<u>(120,706)</u>	<u>-</u>	<u>25,206</u>	<u>(95,500)</u>	<u>-</u>
Net change in fund balance	(18,437)	(23,466)	25,206	(16,697)	15,732
Fund balances:					
Beginning of the year	<u>189,772</u>	<u>74,944</u>	<u>(25,206)</u>	<u>239,510</u>	<u>223,778</u>
End of the year	<u>\$ 171,335</u>	<u>\$ 51,478</u>	<u>\$ -</u>	<u>\$ 222,813</u>	<u>\$ 239,510</u>

The accompanying notes are an integral part of these financial statements.

Forest Hills Metropolitan District
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Years Ended December 31, 2016 and 2015

	2016	2015
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balance—total governmental funds	\$ (16,697)	\$ 15,732
Governmental funds report capital outlays as expenditures. In the Statement of Activities, capital outlay is not reported as an expenditure; however, the Statement of Activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. In addition, in the Statement of Activities, conveyance of assets to the Water and Sewer Fund or other governmental entities is reported as an expense.		
Capital outlay	-	39,720
Depreciation	(17,208)	(30,012)
Long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities.		
Bond principal reduction	215,000	205,000
Amortization of bond discount	(315)	(342)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Change in accrued interest on long-term obligations	1,422	1,263
Change in net position of governmental activities	\$ 182,202	\$ 231,361

The accompanying notes are an integral part of these financial statements.

Forest Hills Metropolitan District
Statements of Net Position
Water and Sewer Fund
December 31, 2016 and 2015

	Water and Sewer	
	2016	2015
Assets		
Cash and cash equivalents - unrestricted	\$ 42,319	\$ 25,702
Accounts receivable (net of allowance for doubtful accounts)	-	2,658
Prepaid expenses	4,543	3,755
Capital assets, net of depreciation	2,850,452	2,912,025
Total assets	2,897,314	2,944,140
Liabilities		
Accounts payable	10,829	21,324
Due to other funds	89,078	152,482
Deposits	10,000	-
Total liabilities	109,907	173,806
Net Position		
Net investment in capital asset	2,850,452	2,912,025
Unrestricted	(63,045)	(141,691)
Total net position	2,787,407	2,770,334
Total liabilities and net position	\$ 2,897,314	\$ 2,944,140

The accompanying notes are an integral part of these financial statements.

Forest Hills Metropolitan District
Statement of Revenue, Expenses and Changes in Net Position
—Water and Sewer Fund
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Service charges - water	\$ 141,142	\$ 108,713
Service charges - sewer	154,515	109,864
Cost recovery fee	-	17,859
Availability of service	1,940	2,000
Miscellaneous	7,608	2,715
Total operating revenues	<u>305,205</u>	<u>241,151</u>
Operating Expenses		
Administration	34,451	35,795
Insurance and bonds	3,755	4,790
Professional Fees	2,808	3,171
Plant Operations	103,798	96,400
Utilities	28,905	27,911
Repairs and maintenance	84,291	101,111
Allocated overhead and other expenses	9,600	12,623
Water rights annual compliance	5,705	5,240
Depreciation	110,319	109,082
Total operating expenses	<u>383,632</u>	<u>396,123</u>
Net Operating (Loss)	<u>(78,427)</u>	<u>(154,972)</u>
Non-Operating Revenues (Expenses)		
Transfer from General Fund	95,500	-
Total non-operating revenues (expenses)	<u>95,500</u>	<u>-</u>
Change in Net Position	17,073	(154,972)
Net Position—Beginning of Year	<u>2,770,334</u>	<u>2,925,306</u>
Net Position—End of Year	<u>\$ 2,787,407</u>	<u>\$ 2,770,334</u>

The accompanying notes are an integral part of these financial statements.

Forest Hills Metropolitan District
Statements of Cash Flows
—Water and Sewer Fund
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Cash received from customers	\$ 318,182	\$ 268,352
Cash paid to suppliers for goods and services	(348,319)	(237,915)
Net cash from operating activities	<u>(30,137)</u>	<u>30,437</u>
Cash Flows from Investing Activities		
Purchase of capital assets	(48,746)	(9,819)
Net cash from non-capital financing activities	<u>(48,746)</u>	<u>(9,819)</u>
Cash Flows from Non-Capital Financing Activities		
Transfers from other funds	95,500	-
Net cash from non-capital financing activities	<u>95,500</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	16,617	20,618
Cash and Cash Equivalents—Beginning of Year	<u>25,702</u>	<u>5,084</u>
Cash and Cash Equivalents—End of Year	<u>\$ 42,319</u>	<u>\$ 25,702</u>
Reconciliation of Net Operating Loss to		
Net Cash From Operating Activities:		
Net operating loss	\$ (78,427)	\$ (154,972)
Adjustments to reconcile net operating loss to net		
Cash from operating activities:		
Depreciation	110,319	109,082
Changes in assets and liabilities:		
Change in accounts receivable	2,977	37,201
Change in prepaid expenses	(788)	667
Change in accounts payable	(74,218)	48,459
Change in deposits	10,000	(10,000)
Total adjustments	<u>48,290</u>	<u>185,409</u>
Net Cash From Operating Activities	<u>\$ (30,137)</u>	<u>\$ 30,437</u>

The accompanying notes are an integral part of these financial statements.

Forest Hills Metropolitan District
Statement of Revenue, Expenditures and Changes
in Fund Balance—Actual and Budget—General Fund
For the Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue:				
Property taxes	\$ 212,440	\$ 212,440	\$ 213,457	\$ 1,017
Specific Ownership Taxes	30,000	30,000	36,953	6,953
Conservation trust funds	1,850	1,850	2,052	202
Interest income	400	400	701	301
Other income	<u>36,750</u>	<u>36,750</u>	<u>823</u>	<u>(35,927)</u>
Total revenue	<u>281,440</u>	<u>281,440</u>	<u>253,986</u>	<u>(27,454)</u>
Expenditures:				
Administration	38,420	38,420	36,410	2,010
Audit	2,500	2,500	2,550	(50)
Insurance and bonds	4,000	4,000	3,945	55
Legal	19,000	19,000	4,490	14,510
Office expense	500	500	2,465	(1,965)
Open Space Management	185,000	185,000	98,015	86,985
Treasurer's Fees	3,210	3,210	3,183	27
Miscellaneous	<u>5,500</u>	<u>5,500</u>	<u>659</u>	<u>4,841</u>
Total Expenditures	<u>258,130</u>	<u>258,130</u>	<u>151,717</u>	<u>106,413</u>
Excess (deficiency) of revenues over expenditures	<u>23,310</u>	<u>23,310</u>	<u>102,269</u>	<u>78,959</u>
Other financing sources (uses):				
Transfers (out)	<u>(120,706)</u>	<u>(204,406)</u>	<u>(120,706)</u>	<u>83,700</u>
Total other financing sources (uses)	<u>(120,706)</u>	<u>(204,406)</u>	<u>(120,706)</u>	<u>83,700</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>(97,396)</u>	<u>(181,096)</u>	<u>(18,437)</u>	<u>162,659</u>
Fund balance—beginning of year	<u>195,366</u>	<u>189,772</u>	<u>189,772</u>	<u>-</u>
Fund balance—end of year	<u>\$ 97,970</u>	<u>\$ 8,676</u>	<u>\$ 171,335</u>	<u>\$ 162,659</u>

The accompanying notes are an integral part of these financial statements.

Forest Hills Metropolitan District

Notes to Financial Statements

December 31, 2016 and 2015

1. Definition of Reporting Entity

Forest Hills Metropolitan District (the District), a quasi-municipal corporation and political subdivision of the State of Colorado, is governed pursuant to provisions of the Colorado Special District Act (Title 32). The District was established to develop and provide water and sanitation facilities and services. Additional projects include construction of roads and recreational facilities. The District's primary revenues are property taxes, water charges and sewer charges. The District is governed by an elected Board of Directors.

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 and a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District has no employees and contracts for all of its management and professional services.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

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. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities are normally supported by property taxes collected. Both statements distinguish between governmental activities, which normally are supported by taxes and business-type activities, which rely to a significant extent on fees and charges for support.

Forest Hills Metropolitan District
Notes to Financial Statements (continued)
December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

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 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.

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. Expenditures for redemption of bonds 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation paid.

The District reports the following major governmental funds:

The General 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.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Forest Hills Metropolitan District
Notes to Financial Statements (continued)
December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

The District reports the following major proprietary fund:

The Water and Sewer Fund accounts for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's ongoing operations. Operating revenues consist of charges to customers for services provided. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions. The District's proprietary fund consists of the Water and Sewer Fund.

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes received from other governmental activities.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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'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 presented on the modified accrual basis of accounting.

Forest Hills Metropolitan District
Notes to Financial Statements (continued)
December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

Statement of Cash Flows

For purposes of the statement of cash flows, the District considers cash deposits with a maturity of three months or less to be cash equivalents. During 2016 and 2015, the District did not incur any noncash activities.

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2016 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

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

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

Estimates

The preparation of these financial statements in conformity with Accounting Standards Generally Accepted in the United States (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.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bonds payable are reported net of the applicable bond premium or discount.

Forest Hills Metropolitan District
Notes to Financial Statements (continued)
December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

Bond Issue Costs

In the government-wide and fund financial statements, bond issuance costs are recognized as expenses during the period incurred.

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of the 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 assets are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain for assets of the District is reported on the Statement of Activities as a current charge.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Water and sewer systems	50 years
Telemetry system	15 years
Streets and recreation	25 – 30 years

Property Tax

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 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

Forest Hills Metropolitan District

Notes to Financial Statements (continued)

December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

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 revenue 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.

Fund Equity

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 inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance that is constrained to being 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.

Forest Hills Metropolitan District
Notes to Financial Statements (continued)
December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

- *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 policy to use the most restrictive classification first.

3. Cash and Investments

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. 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 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 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.

A portion of the funds on hand in the Debt Service Fund are assigned for future debt service.

As of December 31, 2016 and 2015, the District's cash deposits had a carrying balance of \$181,779 and \$127,983, respectively. The bank balance at December 31, 2016 and 2015 is \$196,860 and \$135,491, respectively, which was FDIC insured.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, 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.

Forest Hills Metropolitan District
Notes to Financial Statements (continued)
December 31, 2016 and 2015

3. Cash and Investments (continued)

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.

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 the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Bankers acceptances of certain banks
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Guaranteed investment contracts
- * Local government investment pools

The local government investment pools, which includes the Colorado Local Government Liquid Asset Trust (Colotrust) is rated AAAM by Standard & Poor's.

As of December 31, 2016, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
COLOTRUST	Weighted average under 60 days	\$ 99,362

As of December 31, 2015, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
COLOTRUST	Weighted average under 60 days	\$ 80,086

Forest Hills Metropolitan District
Notes to Financial Statements (continued)
December 31, 2016 and 2015

4. Capital Assets

An analysis of the changes in net capital asset during 2016 follows:

	<u>Balance</u> <u>12/31/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2016</u>
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Erosion System	\$ 61,089	\$ -	\$ -	\$ 61,089
Total capital assets not being depreciated	<u>\$ 61,089</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,089</u>
	<u>Balance</u> <u>12/31/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2016</u>
Capital assets being depreciated:				
Streets	\$ 1,666,682	\$ -	\$ -	\$ 1,666,682
Landscaping	80,606	-	-	80,606
Recreation	<u>230,380</u>	<u>-</u>	<u>-</u>	<u>230,380</u>
Total capital assets being depreciated	1,977,668	-	-	1,977,668
Accumulated depreciation	<u>(1,789,986)</u>	<u>(17,208)</u>	<u>-</u>	<u>(1,807,194)</u>
Net capital assets being depreciated	<u>187,682</u>	<u>(17,208)</u>	<u>-</u>	<u>170,474</u>
Governmental assets, net	<u>\$ 248,771</u>	<u>\$ (17,208)</u>	<u>\$ -</u>	<u>\$ 231,563</u>
<u>Business Type Activities:</u>				
Capital assets being depreciated:				
Water system	\$ 2,520,143	\$ 7,092	\$ -	\$ 2,527,235
Sewer system	<u>2,636,041</u>	<u>41,654</u>	<u>-</u>	<u>2,677,695</u>
Total capital assets being depreciated	5,156,184	48,746	-	5,204,930
Accumulated depreciation	<u>(2,244,159)</u>	<u>(110,319)</u>	<u>-</u>	<u>(2,354,478)</u>
Net capital assets being depreciated	<u>2,912,025</u>	<u>(61,573)</u>	<u>-</u>	<u>2,850,452</u>
Business type activities, net	<u>\$ 2,912,025</u>	<u>\$ (61,573)</u>	<u>\$ -</u>	<u>\$ 2,850,452</u>

Depreciation expense charged in 2016 to the governmental and enterprise functions of the District were \$17,208 and \$110,319, respectively.

Forest Hills Metropolitan District
Notes to Financial Statements (continued)
December 31, 2016 and 2015

4. Capital Assets (continued)

An analysis of the changes in net capital asset during 2015 follows:

	<u>Balance</u> <u>12/31/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2015</u>
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Erosion System	\$ 61,089	\$ -	\$ -	\$ 61,089
Total capital assets not being depreciated	<u>\$ 61,089</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,089</u>
	<u>Balance</u> <u>12/31/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2015</u>
Capital assets being depreciated:				
Streets	\$ 1,637,077	\$ 29,605	\$ -	\$ 1,666,682
Landscaping	80,606	-	-	80,606
Recreation	<u>220,265</u>	<u>10,115</u>	<u>-</u>	<u>230,380</u>
Total capital assets being depreciated	1,937,948	39,720	-	1,977,668
Accumulated depreciation	<u>(1,759,974)</u>	<u>(30,012)</u>	<u>-</u>	<u>(1,789,986)</u>
Net capital assets being depreciated	<u>177,974</u>	<u>9,708</u>	<u>-</u>	<u>187,682</u>
Governmental assets, net	<u>\$ 239,063</u>	<u>\$ 9,708</u>	<u>\$ -</u>	<u>\$ 248,771</u>
<u>Business Type Activities:</u>				
Capital assets being depreciated:				
Water system	\$ 2,510,324	\$ 9,819	\$ -	\$ 2,520,143
Sewer system	<u>2,636,041</u>	<u>-</u>	<u>-</u>	<u>2,636,041</u>
Total capital assets being depreciated	5,146,365	9,819	-	5,156,184
Accumulated depreciation	<u>(2,135,077)</u>	<u>(109,082)</u>	<u>-</u>	<u>(2,244,159)</u>
Net capital assets being depreciated	<u>3,011,288</u>	<u>(99,263)</u>	<u>-</u>	<u>2,912,025</u>
Business type activities, net	<u>\$ 3,011,288</u>	<u>\$ (99,263)</u>	<u>\$ -</u>	<u>\$ 2,912,025</u>

Depreciation expense charged in 2015 to the governmental and enterprise functions of the District were \$30,012 and \$109,082, respectively.

Forest Hills Metropolitan District
Notes to Financial Statements (continued)
December 31, 2016 and 2015

5. Long-Term Liabilities

The following is an analysis of changes in the District's long-term debt for the years ended December 31, 2016 and 2015:

	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016	Current Portion
General Obligation Refunding Bonds Series 2009	\$ 1,730,000	\$ -	\$ (185,000)	\$ 1,545,000	\$ 195,000
General Obligation Bonds Series 2009B	<u>475,000</u>	<u>-</u>	<u>(30,000)</u>	<u>445,000</u>	<u>30,000</u>
	2,205,000	-	(215,000)	1,990,000	225,000
Original issue discount	<u>(1,539)</u>	<u>-</u>	<u>315</u>	<u>(1,225)</u>	<u>(285)</u>
	<u>\$ 2,203,461</u>	<u>\$ -</u>	<u>\$ (214,685)</u>	<u>\$ 1,998,775</u>	<u>\$ 224,715</u>

	Balance 12/31/2014	Additions	Deletions	Balance 12/31/2015	Current Portion
General Obligation Refunding Bonds Series 2009	\$ 1,905,000	\$ -	\$ (175,000)	\$ 1,730,000	\$ 185,000
General Obligation Bonds Series 2009B	<u>505,000</u>	<u>-</u>	<u>(30,000)</u>	<u>475,000</u>	<u>30,000</u>
	2,410,000	-	(205,000)	2,205,000	215,000
Original issue discount	<u>(1,881)</u>	<u>-</u>	<u>342</u>	<u>(1,539)</u>	<u>(315)</u>
	<u>\$ 2,408,119</u>	<u>\$ -</u>	<u>\$ (204,658)</u>	<u>\$ 2,203,461</u>	<u>\$ 214,685</u>

General Obligation Refunding Bonds Series 2009

On March 18, 2009 the District issued \$2,855,000 of General Obligation Refunding Bonds Series 2009 to refund all of the Series 1998 Bonds. The Series 2009 bonds carry coupon rates of 2.25% to 4.75% and mature annually commencing in 2009 through 2023 with interest payable on May 1st and November 1st and principal payable on November 1st. The bonds maturing on and before November 1, 2018 are not subject to redemption prior to their respective maturity dates. The Bonds maturing on and after November 1, 2019 are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$5,000, in any order of maturity, on November 1, 2018, and on any date thereafter, upon payment of par and accrued interest, without redemption premium.

Forest Hills Metropolitan District
Notes to Financial Statements (continued)
December 31, 2016 and 2015

5. Long-Term Liabilities (continued)

General Obligation Bonds Series 2009B

On December 29, 2009 the District issued \$650,000 of General Obligation Bonds Series 2009B dated December 29, 2009 for the purpose of financing the cost of improvements to the water and wastewater system and paying the costs of issuance of the Bonds. The Series 2009B bonds carry coupon rates of 1.5% to 4.875% and mature annually commencing in 2010 through 2027 with interest payable on May 1st and November 1st and principal payable on November 1st. The Bonds maturing on and before November 1, 2019 are not subject to redemption prior to their respective maturity dates. The Bonds maturing on and after November 1, 2020 are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$5,000, in any order of maturity, on November 1, 2019, and on any date thereafter, upon payment of par and accrued interest, without redemption premium.

Below is a summary of the future maturities of the Bonds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	225,000	90,917	315,917
2018	235,000	81,917	316,917
2019	245,000	72,196	317,196
2020	250,000	61,469	311,469
2021	270,000	49,549	319,549
2022-2026	715,000	81,206	796,206
2027	<u>50,000</u>	<u>2,438</u>	<u>52,438</u>
	<u>\$ 1,990,000</u>	<u>\$ 439,692</u>	<u>\$ 2,429,692</u>

As of December 31, 2016, the District had remaining voted debt authorization of approximately \$60,000. The District has not budgeted to issue any additional debt in 2017.

6. Net Position

The District has net position consisting of three components – 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 attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2016 and 2015, the District had a net investment in capital assets in the amount of \$1,093,241 and \$957,335, respectively.

Forest Hills Metropolitan District
Notes to Financial Statements (continued)
December 31, 2016 and 2015

6. Net Position (continued)

Restricted net position includes net position that is restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2016 and 2015 as follows:

	<u>2016</u>	<u>2015</u>
Emergencies (see Note 8)	\$ 4,683	\$ 6,555
Conservation trust fund	2,058	-
Debt service (see Note 5)	<u>51,478</u>	<u>74,944</u>
	<u>\$ 58,219</u>	<u>\$ 81,499</u>

The District's unrestricted net position as of December 31, 2016 totaled \$86,396. The District's unrestricted net position as of December 31, 2015 totaled \$(254).

7. 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 acts of God.

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 liability, property and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Forest Hills Metropolitan District

Notes to Financial Statements (continued)

December 31, 2016 and 2015

8. 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.

Enterprises, defined as government-owned business authorized to issue revenue bonds and receiving less than 10% of annual revenue from grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes a significant portion of its operations qualify for this exclusion.

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. As of December 31, 2016, the District had \$4,683 restricted for emergencies. At December 31, 2015 the District had \$6,555 restricted for emergencies.

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

Forest Hills Metropolitan District
Statement of Revenue, Expenditures and Changes
in Fund Balance—Actual and Budget—Debt Service Fund
For the Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue:				
Property taxes	\$ 293,051	\$ 293,051	\$ 294,411	\$ 1,360
Collection reserve	(2,000)	(2,000)	-	2,000
Interest income	-	-	1,356	1,356
Total revenue	<u>291,051</u>	<u>291,051</u>	<u>295,767</u>	<u>4,716</u>
Expenditures:				
Treasurer's fees	4,396	4,396	4,392	4
Bond principal payments	215,000	215,000	215,000	-
Bond interest	99,442	99,442	99,441	1
Paying agent fees	400	400	400	-
Total expenditures	<u>319,238</u>	<u>319,238</u>	<u>319,233</u>	<u>5</u>
Excess (deficiency)	<u>(28,187)</u>	<u>(28,187)</u>	<u>(23,466)</u>	<u>4,721</u>
Fund balance—beginning of year	<u>76,848</u>	<u>74,944</u>	<u>74,944</u>	<u>-</u>
Fund balance—end of year	<u>\$ 48,661</u>	<u>\$ 46,757</u>	<u>\$ 51,478</u>	<u>\$ 4,721</u>

Forest Hills Metropolitan District
Statement of Revenue, Expenditures and Changes
in Fund Balance—Actual and Budget—Capital Projects Fund
For the Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures:				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses):				
Interfund transfers in (out)	-	-	25,206	25,206
Net change in fund balance	-	-	25,206	25,206
Fund balance—beginning of year	-	-	(25,206)	(25,206)
Fund balance—end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Forest Hills Metropolitan District
Statement of Revenue, Expenditures and Changes
in Fund Balance—Actual and Budget—Water and Sewer Fund
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Water use fees	\$ 135,784	\$ 135,784	\$ 141,142	\$ 5,358
Sewer use fees	153,300	153,300	154,515	1,215
Cost recovery fees	-	-	-	-
Availiability of service	2,880	2,880	1,940	(940)
Miscellaneous income	500	500	7,608	7,108
Total revenues	292,464	292,464	305,205	12,741
Expenditures:				
Administration	35,520	35,520	34,451	1,069
Insurance and bonds	5,500	5,500	3,755	1,745
Professional fees	2,500	2,500	2,808	(308)
Plant operations	116,160	112,660	103,798	8,862
Utilities	29,000	29,000	28,905	95
Repairs and maintenance	87,500	112,555	84,291	28,264
Allocated overhead and other expenses	6,250	22,200	9,600	12,600
Water rights annual compliance	10,016	10,016	5,705	4,311
Total Expenditures	292,446	329,951	273,313	56,638
Excess (deficiency) non-GAAP basis	18	(37,487)	31,892	69,379
Other financing sources (uses)				
Transfers in (out)	95,500	179,200	95,500	(83,700)
Total other financing sources (uses)	95,500	179,200	95,500	(83,700)
Excess (deficiency) of revenues and other sources over expenditures and other uses				
	95,518	141,713	127,392	(14,321)
Reconciling differences between budgetary basis and generally accepted accounting principles (GAAP):				
Depreciation expense			(110,319)	
Change in net position per Statement of Revenues Expenses and Changes in Net Position			\$ 17,073	

**Forest Hills Metropolitan District
Ten-Year Summary of Assessed Valuation,
Mill Levy, and Property Taxes Collected
For the Year Ended December 31, 2016**

<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 Taxes</u>		<u>Percent Collected to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
2007	7,728,920	53.280	411,797	411,797	100.00%
2008	8,702,070	53.280	463,647	463,576	99.98%
2009	8,711,780	53.288	464,234	464,209	99.99%
2010	8,549,990	60.272	515,325	513,639	99.67%
2011	8,657,850	60.272	521,826	520,776	99.80%
2012	8,196,097	60.272	493,995	493,464	99.89%
2013	8,124,511	55.785	453,226	453,568	100.08%
2014	8,706,180	55.785	485,675	483,586	99.57%
2015	8,658,652	57.785	500,340	500,340	100.00%
2016	8,747,778	57.785	505,490	507,868	100.47%

Estimated for the year
ending 12/31/2017 8,746,265 60.785 531,642

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.