

**TREE HAUS METROPOLITAN DISTRICT**

Financial Statements

December 31, 2020

**TREE HAUS METROPOLITAN DISTRICT**

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## Independent Auditor's Report

To the Board of Directors  
Tree Haus Metropolitan District  
Routt County, Colorado

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Tree Haus Metropolitan District (the District), as of and for the year ended December 31, 2020, 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 U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 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, business-type activities, and each major fund of the Tree Haus Metropolitan District as of December 31, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Report on Summarized Comparative Financial Information

We have previously audited the District's December 31, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 4, 2020. In our opinion, the summarized comparative financial information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### Other Matters

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual on page 20 be presented to supplement the basic financial statements. Such 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Enterprise Fund Schedule of Revenues, Expenditures and Changes in Net Position – Budget and Actual on page 21 is presented for purpose of additional analysis and is not a required part of the basic financial statements.

This supplementary information 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 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 the basic financial statement themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, this supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Steamboat Springs, Colorado  
July 2, 2021

**TREE HAUS METROPOLITAN DISTRICT**  
**Statement of Net Position**  
**December 31, 2020**

(with comparative financial information as of December 31, 2019)

	2020			2019 Total
	Governmental Activities	Business-Type Activities	Total	
<b>Assets:</b>				
Cash and cash equivalents	\$ 8,015	\$ 522,801	\$ 530,816	\$ 519,225
Accounts receivable	-	1,069	1,069	2,824
Interfund balances	51,705	(51,705)	-	-
Property taxes receivable	112,606	-	112,606	107,620
Capital assets, net	824,326	933,937	1,758,263	1,809,891
<b>Total assets</b>	<b>996,652</b>	<b>1,403,102</b>	<b>2,402,754</b>	<b>2,439,560</b>
<b>Liabilities:</b>				
Accounts payable	-	6,006	6,006	8,775
Accrued interest payable	2,305	1,772	4,077	4,109
Road damage deposits	3,500	-	3,500	-
Noncurrent liabilities:				
Due within one year	37,356	56,296	93,652	91,202
Due in more than one year	773,386	522,317	1,295,703	1,389,355
<b>Total liabilities</b>	<b>816,547</b>	<b>586,391</b>	<b>1,402,938</b>	<b>1,493,741</b>
<b>Deferred inflows of resources:</b>				
Deferred property taxes	112,606	-	112,606	107,620
<b>Total deferred inflows of resources</b>	<b>112,606</b>	<b>-</b>	<b>112,606</b>	<b>107,620</b>
<b>Net position:</b>				
Net investment in capital assets	13,584	355,324	368,908	329,334
Restricted for:				
Emergencies	-	10,294	10,294	10,561
Operations and maintenance reserve	-	37,000	37,000	41,000
Unrestricted	56,915	414,093	471,008	457,304
<b>Total net position</b>	<b>\$ 70,499</b>	<b>\$ 816,711</b>	<b>\$ 887,210</b>	<b>\$ 838,199</b>

See accompanying notes to the financial statements.

**TREE HAUS METROPOLITAN DISTRICT**  
**Statement of Activities**  
**For the Year Ended December 31, 2020**  
**(with summarized financial information for the year ended December 31, 2019)**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Changes for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	2019 Total	
<b>Governmental activities:</b>								
Snowplowing	\$ 22,712	\$ -	\$ -	\$ (22,712)	\$ -	\$ (22,712)	\$ (26,407)	
Road maintenance	43,225	-	-	(43,225)	-	(43,225)	(45,863)	
Tax collection fees	3,034	-	-	(3,034)	-	(3,034)	-	
Interest on long-term debt	28,307	-	-	(28,307)	-	(28,307)	(29,675)	
Total governmental activities	97,278	-	-	(97,278)	-	(97,278)	(101,945)	
<b>Business-type activities:</b>								
Operations	143,967	145,260	-	-	1,293	1,293	(2,264)	
Administrative	52,888	-	-	-	(52,888)	(52,888)	(65,627)	
Total business-type activities	196,855	145,260	-	-	(51,595)	(51,595)	(67,891)	
Total primary government	\$ 294,133	\$ 145,260	\$ -	(97,278)	(51,595)	(148,973)	(169,836)	
<b>General revenues:</b>								
Taxes:								
Property				100,718	80,330	181,048	187,717	
Specific ownership				-	13,186	13,186	12,358	
Interest				-	3,650	3,650	5,174	
Total general revenues				100,718	97,166	197,884	205,279	
Change in net position				3,440	45,571	49,011	35,443	
Net position, beginning of year				67,059	771,170	838,199	802,756	
Net position, end of year				\$ 70,499	\$ 816,711	\$ 887,210	\$ 838,199	

See accompanying notes to the financial statements.

**TREE HAUS METROPOLITAN DISTRICT**

**General Fund**

**Balance Sheet**

**December 31, 2020**

(with summarized financial information as of December 31, 2019)

	<u>2020</u>	<u>2019</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 3,015	\$ 2,621
Interfund balance	54,705	57,552
Property taxes receivable	<u>12,606</u>	<u>107,620</u>
<b>Total assets</b>	<u>\$ 70,326</u>	<u>\$ 167,793</u>
<b>Liabilities, deferred inflows of resources, and fund balance:</b>		
<b>Liabilities:</b>		
Road damage deposits	<u>\$ 3,500</u>	<u>\$ -</u>
<b>Total liabilities</b>	<u>3,500</u>	<u>-</u>
<b>Deferred inflows resources:</b>		
Deferred property taxes	<u>12,606</u>	<u>107,620</u>
<b>Total deferred inflows of resources</b>	<u>12,606</u>	<u>107,620</u>
<b>Fund balance:</b>		
Unassigned	<u>59,220</u>	<u>60,173</u>
<b>Total fund balance</b>	<u>59,220</u>	<u>60,173</u>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<u>\$ 75,326</u>	<u>\$ 167,793</u>

See accompanying notes to the financial statements.

**TREE HAUS METROPOLITAN DISTRICT**  
**Reconciliation of the General Fund Balance**  
**to the Statement of Net Position**  
**For the Year Ended December 31, 2020**

Governmental fund balance	\$	59,220
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the general fund:		
Costs of capital assets, net of accumulated depreciation		824,326
Long-term liabilities and accrued interest payable with in governmental activities are not due and payable in the current period and, therefore, are not reported in the general fund:		
General obligation loan		(810,742)
Accrued interest payable		(2,305)
		70,499
Net position of governmental activities	\$	70,499

See accompanying notes to the financial statements.

**TREE HAUS METROPOLITAN DISTRICT**

**General Fund**

**Statement of Revenues, Expenditures, and Changes in Fund Balance**

**For the Year Ended December 31, 2020**

**(with summarized financial information for the year ended December 31, 2019)**

	<u>2020</u>	<u>2019</u>
<b>Revenues:</b>		
Property taxes	\$ 100,718	\$ 111,301
<b>Total revenues</b>	<u>100,718</u>	<u>111,301</u>
<b>Expenditures:</b>		
Snowplowing	22,712	26,407
Road maintenance	11,319	13,958
Tax collection fees	3,034	-
Debt service:		
Principal	36,117	31,920
Interest	23,489	29,686
Capital outlay	-	-
<b>Total expenditures</b>	<u>101,671</u>	<u>104,971</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(953)	6,330
<b>Fund balance, beginning of year</b>	<u>60,173</u>	<u>53,843</u>
<b>Fund balance, end of year</b>	<u>\$ 59,220</u>	<u>\$ 60,173</u>

See accompanying notes to the financial statements.

**TREE HAUS METROPOLITAN DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**General Fund Balance to the Statement of Activities**  
**For the Year Ended December 31, 2020**

Changes in fund balance - governmental fund	\$	(953)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Capital outlays are reported as expenditures in the governmental funds. However, in the statement of activities, the cost is allocated over the estimated useful lives of the assets as depreciation expense:</p>		
Capital outlays		-
Depreciation		(31,906)
<p>Principal repayments of long-term debt are expenditures in the general fund, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		36,117
<p>Interest expense in the statement of activities is reported on the accrual basis while interest payments are reported as expenditures in the general fund.</p>		
		<u>182</u>
Change in net position of governmental activities	\$	<u>3,440</u>

See accompanying notes to the financial statements.

**TREE HAUS METROPOLITAN DISTRICT**

Enterprise Fund

Statement of Net Position

December 31, 2020

(with summarized financial information as of December 31, 2019)

	<u>2020</u>	<u>2019</u>
<b>Assets:</b>		
Current assets:		
Cash and cash equivalents	\$ 522,801	\$ 516,604
Accounts receivable	1,089	2,824
	<u>523,870</u>	<u>519,428</u>
Total current assets		
Noncurrent assets:		
Capital assets, net of depreciation	933,937	953,659
	<u>933,937</u>	<u>953,659</u>
Total noncurrent assets		
Total assets	<u>1,457,807</u>	<u>1,473,087</u>
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable	6,006	8,775
Accrued interest payable	1,772	1,922
Interfund balance	54,705	57,552
Current portion of notes payable	56,296	55,085
	<u>118,779</u>	<u>123,334</u>
Total current liabilities		
Noncurrent liabilities:		
Notes payable	522,317	578,613
	<u>522,317</u>	<u>578,613</u>
Total liabilities	<u>641,096</u>	<u>701,947</u>
<b>Net position:</b>		
Net investment in capital assets	355,324	319,981
Restricted for:		
Emergencies	10,294	10,561
Operations and maintenance reserve	37,000	41,000
Unrestricted	<u>414,093</u>	<u>399,618</u>
Total net position	<u>\$ 816,711</u>	<u>\$ 771,140</u>

See accompanying notes to the financial statements.

**TREE HAUS METROPOLITAN DISTRICT**  
**Enterprise Fund**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**For the Year Ended December 31, 2020**  
(with summarized financial information for the year ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
<b>Operating revenues:</b>		
Charges for services:		
Water and sewer	\$ 138,600	\$ 140,100
Availability to serve	6,660	6,660
	<u>145,260</u>	<u>146,760</u>
<b>Operating expenses:</b>		
Operations	97,895	102,556
Administrative	50,468	59,978
Depreciation	33,339	32,549
	<u>181,702</u>	<u>195,083</u>
Operating income (loss)	<u>(36,442)</u>	<u>(48,323)</u>
<b>Non-operating revenues (expenses):</b>		
Tax revenues	93,516	88,804
Interest income	3,650	5,174
Interest expense	(12,733)	(13,919)
Tax collection fees	(2,420)	(5,649)
	<u>82,013</u>	<u>74,410</u>
Net non-operating revenues	<u>82,013</u>	<u>74,410</u>
Change in net position	45,571	26,087
Net position, beginning of year	<u>771,140</u>	<u>745,053</u>
Net position, end of year	<u>\$ 816,711</u>	<u>\$ 771,140</u>

See accompanying notes to the financial statements.

**TREE HAUS METROPOLITAN DISTRICT**  
**Enterprise Fund**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2020**  
(with summarized financial information for the year ended December 31, 2019)

	2020	2019
<b>Cash flows from operating activities:</b>		
Cash receipts from customers	\$ 147,015	\$ 147,108
Cash payments to suppliers of goods and services	(151,133)	(160,772)
Net cash provided (used) by operating activities	(4,118)	(13,664)
<b>Cash flows from non-capital financing activities:</b>		
Cash receipts from taxes	93,516	88,804
Cash payments for tax collection fees	(2,420)	(5,649)
Cash payments (to) from other fund	(2,847)	37,438
Net cash provided by non-capital financing activities	88,249	120,593
<b>Cash flows from capital and related financing activities:</b>		
Principal payments on note payable	(55,085)	(53,901)
Interest payments on note payable	(12,883)	(14,067)
Cash payments for capital assets	(13,616)	(19,532)
Net cash provided by (used) capital and related financing activities	(81,584)	(87,500)
<b>Cash flows from investing activities:</b>		
Interest received	3,650	5,174
Net cash provided by investing activities	3,650	5,174
Net change in cash and cash equivalents	6,197	24,603
Cash and cash equivalents, beginning of year	516,601	492,001
Cash and cash equivalents, end of year	\$ 522,801	\$ 516,604
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ (36,442)	\$ (48,323)
Depreciation	33,339	32,549
(Increase) decrease in:		
Accounts receivable	1,755	348
(Decrease) increase in:		
Accounts payable	(2,770)	1,762
Net cash provided (used) by operating activities	\$ (4,118)	\$ (13,664)

See accompanying notes to the financial statements.

**TREE HAUS METROPOLITAN DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020**

(With summarized financial information as of and for the year ended December 31, 2019)

**Note 1: Summary of Significant Accounting Policies**

The Tree Haus Metropolitan District (the District) is incorporated as a separate local government entity under Colorado Revised Statutes (CRS) and is governed by an elected Board of Directors that reside within the District. The District provides water, sewer and road maintenance services in the geographical area organized as the Tree Haus Metropolitan District in Routt County, Colorado.

The District's financial statements are prepared in accordance with U.S. generally accepted accounting principles (US GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for the establishment of US GAAP in governmental entities. The following summary of the more significant accounting policies of the District is presented to assist the reader in interpreting these financial statements and should be viewed as an integral part of this report.

*Reporting Entity*

The reporting entity consists of (a) the primary government, i.e., the District, and (b) organizations for which the District is financially accountable. The District does not have any component units for which it is financially accountable.

*Measurement Focus and Basis of Accounting*

The government-wide financial statements and proprietary (enterprise) fund financial statements use a flow of economic resources measurement focus to determine net economic and financial position. The accounting principles used are similar to those applicable to businesses in the private sector and maintained on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Governmental fund financial statements use a current financial resources measurement focus and are maintained on the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual that is, when they become both measurable and available to finance expenditures of the current period. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues collected within 60 days after year end to be available and thus recognizes them as revenues in the current year.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

*Financial Statement Presentation*

Government-Wide Financial Statements

The statement of net position and the statement of activities report information about the nonfiduciary activities of the District. The District's activities are categorized as either governmental activities or business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental functions and business-type activities. The governmental functions are supported by general revenues (e.g., taxes, interest). The statement of activities reduces gross expenses (including depreciation) by related program revenues. Direct expenses are those that are clearly identified with a specific program. Program revenues include (a) charges for services, and (b) grants and contributions that are restricted for the operating or capital requirements of a specific program. All taxes and other revenues not meeting the criteria for classification as program revenues are reported as general revenues.

**TREE HAUS METROPOLITAN DISTRICT**

**Notes to Financial Statements**

**December 31, 2020**

(With summarized financial information as of and for the year ended December 31, 2019)

**Note 1: Summary of Significant Accounting Policies (continued)**

**Fund Financial Statements**

The fund financial statements report information about the District's funds.

The District reports the following major governmental fund:

The *General Fund* is used to account for the District's road maintenance activities. The major source of revenues from property taxes.

The District reports the following major proprietary or business-type fund

The *Enterprise Fund* accounts for the activities of the water and sewer services provided to the District's residents. The major sources of revenue are from charges for services and property taxes.

**Fund Balance Presentation**

Fund balances of the governmental fund are classified as follows:

- **Non-spendable**—includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- **Restricted**—includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.
- **Committed**— includes amounts that can be spent only for specific purposes pursuant to constraints imposed by formal action of the District. Such formal action may be in form of an ordinance or resolution and may only be modified or rescinded by a subsequent formal action.
- **Assigned**—includes amounts that are intended by the District to be used for specific purposes, but are neither restricted nor committed. Assignments may be made only by the Board of Directors.
- **Unassigned**—represents the residual positive balance within the General Fund, which has not been restricted, committed or assigned.

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

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, demand deposits and certificates of deposit.

**Accounts Receivable**

Accounts receivable consists of charges for services due from District residents. Receivables are reviewed periodically to establish an allowance for uncollectible accounts. The District considers all receivables to be fully collectible as of December 31, 2020 and 2019. Therefore, no allowance for uncollectible accounts has been established.

**Capital Assets**

Capital assets include property, water and sewer systems, equipment and infrastructure assets. Capital assets are defined by the District as assets with an initial cost of \$1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Water and sewer systems	10-40
Infrastructure	30-50

**TREE HAUS METROPOLITAN DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020**

(With summarized financial information as of and for the year ended December 31, 2019)

**Note 1: Summary of Significant Accounting Policies (continued)**

*Assets, Liabilities, Deferred Inflows of Resources and Net Position (continued)*

Deferred Inflows of Resources

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources consist of unavailable revenues from property taxes for its governmental activities.

*Operating and Non-Operating Revenues and Expenses*

The proprietary fund financial statements distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses are those that result from providing services associated with the principal activities of the District's business-type activities. Operating expenses include the cost of ongoing operations, related administrative expenses, and depreciation expense. Non-operating revenues and expenses are all those that do not meet the criteria described previously.

*Property Taxes*

Property taxes are levied on December 15 of each year and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The Routt County Treasurer's office collects property taxes and remits collections to the District on a monthly basis.

*Use of Estimates*

The preparation of financial statements in conformity with US GAAP requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Comparative Financial Statements*

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the District's audited financial statements for the year ended December 31, 2019, from which the summarized information was derived.

**TREE HAUS METROPOLITAN DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020**

(With summarized financial information as of and for the year ended December 31, 2019)

**Note 2: Stewardship, Compliance and Accountability**

*Budgetary Information*

Annual budgets are adopted on a basis consistent with US GAAP for the General Fund. The Enterprise Fund adopts a budget on a non-US GAAP basis wherein depreciation is not budgeted; capital expenditures and principal payments on capital debt are budgeted and recorded as expenditures. All annual appropriations lapse at year end.

The District conforms to the following procedures, in compliance with CRS, Title 29, Article 1, in establishing the budgetary data reflected in the financial statements:

- Prior to October 15, the District Administrator submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted by the Board of Directors to obtain taxpayer comments.
- Prior to December 31, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures must be approved by the Board of Directors.
- All appropriations lapse at the end of each fiscal year.

The District did not adopt any supplemental appropriations for the year ended December 31, 2020.

*Compliance*

Expenditures did not exceed appropriations in either District fund for the year ended December 31, 2020.

*TABOR Amendment*

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayers Bill of Rights (TABOR). TABOR contains tax spending, revenue and debt limitations which apply to the State of Colorado and all local governments, excluding enterprises. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Future 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.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

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 has reserved \$10,294 of the December 31, 2020 fund balance in the Enterprise Fund for this purpose.

The District's voters passed a ballot question on May 2, 2000, authorizing the District to collect, retain and expend the full proceeds of the District's tax levy, non-federal grants and all other revenues for the fiscal year 2000 and every year thereafter.

The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions may require judicial interpretation.

**TREE HAUS METROPOLITAN DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020**

(With summarized financial information as of and for the year ended December 31, 2019)

**Note 3: Detailed Notes on the Funds**

*Deposits*

The carrying amount of the District's deposits as of December 31, 2020 and 2019 was \$530,816 and \$519,227, respectively, and bank balances were \$550,449 and \$527,137, respectively. All of the bank balances as of December 31, 2020 and 2019 were covered by federal deposit insurance.

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 collateral pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must equal or exceed 102% of the aggregate uninsured deposits.

*Capital Assets*

Capital asset activity for the year ended December 31, 2020 is summarized below:

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental activities:</b>				
Roads	\$ 1,001,582	\$ -	\$ -	\$ 1,001,582
Less accumulated depreciation	(145,350)	(31,906)	-	(177,256)
Governmental activities capital assets, net	<u>\$ 856,232</u>	<u>\$ (31,906)</u>	<u>\$ -</u>	<u>\$ 824,326</u>
<b>Business-type activities:</b>				
Land	\$ 9,002	\$ -	\$ -	\$ 9,002
Other capital assets:				
Water and sewer system	1,683,828	13,616	-	1,697,444
Total other capital assets at cost	<u>1,683,828</u>	<u>13,616</u>	<u>-</u>	<u>1,697,444</u>
Less accumulated depreciation for:				
Water and sewer system	(739,171)	(33,338)	-	(772,509)
Total accumulated depreciation	<u>(739,171)</u>	<u>(33,338)</u>	<u>-</u>	<u>(772,509)</u>
Other capital assets, net	<u>944,657</u>	<u>(19,722)</u>	<u>-</u>	<u>924,935</u>
Business-type activities capital assets, net	<u>\$ 953,659</u>	<u>\$ (19,722)</u>	<u>\$ -</u>	<u>\$ 933,937</u>

**TREE HAUS METROPOLITAN DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020**

(With summarized financial information as of and for the year ended December 31, 2019)

**Note 3: Detailed Notes on the Funds (continued)**

*Capital Assets (continued)*

Depreciation expense was charged to functions of the District as follows for the years ended December 31, 2020 and 2019:

	2020	2019
<b>Governmental activities:</b>		
Road maintenance	\$ 31,906	\$ 31,905
<b>Business-type activities:</b>		
Operations	\$ 33,338	\$ 32,519

*Long-Term Debt*

The District had the following long-term debt outstanding as of December 31, 2020:

Colorado Water Resources and Power Development Authority (CWRPDA) Note Payable

The District entered into a \$1,080,000 loan agreement with the CWRPDA on November 3, 2010. Effective June 1, 2015, the loan principal was reduced by the remaining unused project funds of \$137,815. Proceeds were used to upgrade filtration equipment, raw water pumps and disinfection of the District's systems.

The loan agreement requires the District to maintain an operations and maintenance reserve fund equal to three months of operations and maintenance expenses. The District has reserved \$37,000 for this purpose as of December 31, 2020.

The first loan payment of \$16,446, including principal and interest, was paid on November 1, 2011. Remaining principal and interest payments of \$33,235 were due semi-annually on May 1 and November 1 until principal reduction on June 1, 2015. After the reduction of principal, the semi-annual loan payments, including interest at 2%, are \$28,190 through maturity on May 1, 2031.

National Rural Water Association (NRWA) Note Payable

On March 23, 2015 the District entered into a \$100,000 loan from the NRWA. The loan requires monthly payments of \$966, including interest at 3%, commencing on May 1, 2015 through maturity on April 1, 2025. The proceeds from the loan were used for replacement of the District's siphon system. The note is secured by an interest in the assets of the District in the amount of principal owed.

Mountain Valley Bank General Obligation Loan Series 2017

The District entered into a \$932,000 general obligation loan agreement with Citywide Banks on July 18, 2017. In May 2019, the Steamboat Springs branch of Citywide Banks was acquired by Mountain Valley Bank and assumed terms of the loan. The loan carries an annual interest rate of 3.4% until July 1, 2027 then resets to a fixed rate at the 10-Year US Treasury rate + 1.15%, with a floor of 3.4% and ceiling of 5.75% through maturity on June 1, 2037. The first loan payment of \$28,166, including principal and interest, was paid on December 1, 2017. Remaining principal and interest payments of \$32,303 are due semi-annually on June 1 and December 1 until maturity. The proceeds from the loan were used for paving and resurfacing of the District's roadways. The loan is secured by a pledge of property tax revenues.

**TREE HAUS METROPOLITAN DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020**

(With summarized financial information as of and for the year ended December 31, 2019)

**Note 3: Detailed Notes on the Funds (continued)**

*Long-Term Debt (continued)*

Long-term debt activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Business-type activities:</b>					
CWRPDA note payable	\$ 576,655	\$ -	\$ (15,072)	\$ 531,583	\$ 45,978
NRWA note payable	57,043	-	(10,013)	47,030	10,319
	<u>633,698</u>	<u>-</u>	<u>(25,085)</u>	<u>578,613</u>	<u>56,296</u>
<b>Governmental activities:</b>					
Mountain Valley Bank general obligation loan	846,859	-	(36,117)	810,742	37,356
	<u>846,859</u>	<u>-</u>	<u>(36,117)</u>	<u>810,742</u>	<u>37,356</u>
<b>Total long-term debt</b>	<u>\$ 1,480,557</u>	<u>\$ -</u>	<u>\$ (91,202)</u>	<u>\$ 1,389,355</u>	<u>\$ 93,652</u>

Aggregate debt service requirements as of December 31, 2020 were as follows:

Year	Principal	Interest	Total
2021	\$ 93,652	\$ 38,923	\$ 132,575
2022	96,170	36,404	132,574
2023	98,760	33,814	132,574
2024	101,426	31,145	132,574
2025	96,375	28,474	124,849
2026-2030	501,119	103,815	604,934
2031-2035	308,148	42,794	350,942
2036-2037	<u>93,705</u>	<u>3,204</u>	<u>96,909</u>
	<u>\$ 1,389,355</u>	<u>\$ 318,576</u>	<u>\$ 1,707,931</u>

*Governmental Fund Balance*

When expenditures are incurred and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed. The District has no restricted, committed, or assigned governmental fund balances as of December 31, 2020.

**TREE HAUS METROPOLITAN DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020**

(With summarized financial information as of and for the year ended December 31, 2019)

**Note 4: Other Information**

*Risk Management*

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District maintains insurance for these risks by participation in an insurance pool.

The District is a member in the Colorado Special Districts Property and Liability Pool (the Pool). The Pool creates an opportunity for members to control their own insurance costs through the joint pooling of resources making it possible to self-insure property, liability and workers' compensation insurance. The Pool is member-owned, and all surplus revenues support the stabilization of rates, coverage enhancements, innovation, and technology to bring the most value to its members. The Pool provides property, liability, workers' compensation and associated coverage, and claims and risk management services to its members.

The Pool has contracted with a third party to operate, administer and manage the Pool. In the event aggregated losses incurred by the Pool exceeds amounts recoverable from the reinsurance contracts and capital surplus accumulated by the Pool, the Pool may require additional contributions from its members.

*Subsequent Events*

The District has evaluated subsequent events through July 2, 2021, the date these financial statements were available to be issued.

**TREE HAUS METROPOLITAN DISTRICT**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2020**

	Original and Final Budget	Actual	Variance
<b>Revenues:</b>			
Property taxes	\$ 107,620	\$ 100,718	\$ (6,902)
<b>Total revenues</b>	<b>107,620</b>	<b>100,718</b>	<b>(6,902)</b>
<b>Expenditures:</b>			
Snowplowing	28,000	22,712	5,288
Road maintenance	15,014	11,319	3,695
Tax collection fees	-	3,034	(3,034)
Debt service:			
Principal	36,117	36,117	-
Interest	28,489	28,489	-
Capital outlay	-	-	-
<b>Total expenditures</b>	<b>107,620</b>	<b>101,671</b>	<b>5,949</b>
Change in fund balance - budgetary basis	\$ -	(953)	\$ (953)
Fund balance, beginning of year		60,173	
Fund balance, end of year		\$ 59,220	

**TREE HAUS METROPOLITAN DISTRICT**  
**Enterprise Fund**  
**Schedule of Revenues, Expenditures and Changes in Net Position**  
**Budget (Non-US GAAP Basis) and Actual With Reconciliation to US GAAP Basis**  
**For the Year Ended December 31, 2020**

	Original and Final Budget	Actual	Variance
<b>Revenues:</b>			
Taxes:			
Property	\$ 97,018	\$ 80,330	\$ (16,688)
Specific ownership	13,000	13,186	186
Charges for services:			
Water and sewer	140,074	138,600	(1,474)
Availability to serve	6,660	6,660	-
Interest:	5,000	3,650	(1,350)
<b>Total revenues</b>	<b>261,752</b>	<b>242,426</b>	<b>(19,326)</b>
<b>Expenditures:</b>			
Operations:			
Repairs and maintenance	72,400	52,194	20,206
Sewage transmission	33,034	30,962	2,072
Filters	11,000	4,714	6,286
Other	11,250	10,025	1,225
Administrative:			
Professional fees	36,000	32,787	3,213
Engineers fees	7,500	1,758	5,742
Insurance	8,000	8,140	(140)
Directors fees	5,500	5,800	(300)
Tax collection fees	6,500	2,420	4,080
Other	2,600	1,983	617
Debt service:			
Principal	55,085	55,085	-
Interest	12,883	12,733	150
Capital outlay	-	13,616	(13,616)
<b>Total expenditures</b>	<b>261,752</b>	<b>232,217</b>	<b>29,535</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ -</b>	<b>10,209</b>	<b>\$ (48,861)</b>
<b>Adjustments to US GAAP basis:</b>			
Debt principal payments		55,085	
Capitalized expenditures		13,616	
Depreciation		(33,339)	
<b>Change in net position - US GAAP basis</b>		<b>45,571</b>	
<b>Net position, beginning of year</b>		<b>771,140</b>	
<b>Net position, end of year</b>		<b>\$ 816,711</b>	