

**FOREST HILLS METROPOLITAN DISTRICT**

ANNUAL FINANCIAL REPORT

**DECEMBER 31, 2021**





# Table of Contents

	Page
<b>INDEPENDENT AUDITOR’S REPORT</b> .....	I
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-Wide Financial Statements:	
Statements of Net Position .....	1-2
Statements of Activities .....	3-4
Fund Financial Statements:	
Governmental Funds Balance Sheet and Reconciliation of Fund Balances to Net Position .....	5
Governmental Fund Revenues, Expenditures, and Changes in Fund Balances .....	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	7
Statements of Net Position—Water and Sewer Fund .....	8
Statements of Revenues, Expenses and Changes in Net Position —Water and Sewer Fund .....	9
Statements of Cash Flows—Water and Sewer Fund .....	10
Statement of Revenues, Expenditures and Changes in Fund Balance —Actual and Budget—General Fund .....	11
Notes to Basic Financial Statements.....	12-28
<b>SUPPLEMENTARY INFORMATION</b>	
Statement of Revenues, Expenditures and Changes in Fund Balance —Actual and Budget—Debt Service Fund .....	29
Statement of Revenue, Expenditures and Changes in Fund Balance —Actual and Budget—Capital Project Fund .....	30
Statement of Revenues, Expenditures and Changes in Fund Balance —Actual and Budget—Water and Sewer Fund .....	31
Ten-Year Summary of Assessed Valuation, Mill Levy and Property Taxes Collected .....	32



1221 W. Mineral Avenue, Suite 202  
Littleton, CO 80120

 303-734-4800

 303-795-3356

 [www.HaynieCPAs.com](http://www.HaynieCPAs.com)

Board of Directors and Management  
Forest Hills Metropolitan District

## **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Forest Hills Metropolitan District (the “District”) as of and for the years ended December 31, 2021 and 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the District, as of December 31, 2021 and 2020, and the respective changes in financial position, budgetary comparison schedules, and, where applicable cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Basis for Opinions**

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

## **Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Auditor’s Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the 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. Such 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.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or 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 supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Sincerely,

*Haynie & Company*

Littleton, Colorado  
June 18, 2022

**Forest Hills Metropolitan District**  
**Statement of Net Position**  
**December 31, 2021**

	<b>Governmental Activities 2021</b>	<b>Business- Type Activities 2021</b>	<b>Total 2021</b>
<b>Assets</b>			
Cash and cash equivalents - unrestricted	\$ 152,570	\$ 111,342	\$ 263,912
Cash and cash equivalents - restricted	711,067	-	711,067
Receivable - County Treasurer	2,230	-	2,230
Loan proceeds receivable	-	640,148	640,148
Property taxes receivable	508,266	-	508,266
Accounts receivable net of allowance for doubtful accounts	-	7,893	7,893
Prepaid Expenses	1,515	726	2,241
Due from other funds	85,516	-	85,516
Capital assets, net of depreciation	758,639	2,447,083	3,205,722
Total assets	2,219,803	3,207,192	5,426,995
<b>Liabilities</b>			
Accounts payable	77,171	21,051	98,222
Due to other funds	-	85,516	85,516
Deposits	1,000	-	1,000
Accrued interest payable	3,534	1,091	4,625
Notes payable:			
Due within one year	105,000	23,537	128,537
Due in more than one year	1,619,000	605,227	2,224,227
Total liabilities	1,805,705	736,422	2,542,127
<b>Deferred Inflow of Resources</b>			
Property tax revenue	508,266	-	508,266
Total deferred inflow of resources	508,266	-	508,266
<b>Net Position</b>			
Net investment in capital assets	(965,361)	2,458,467	1,493,106
Restricted for:			
Emergencies	11,837	-	11,837
Conservation trust fund	12,943	-	12,943
Debt service	2,860	-	2,860
Capital projects	639,914	-	639,914
Unrestricted	203,639	12,303	215,942
Total net position	(94,168)	2,470,770	2,376,602
Total liabilities, deferred inflow of resources and net position	\$ 2,219,803	\$ 3,207,192	\$ 5,426,995

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

**Forest Hills Metropolitan District**  
**Statement of Net Position**  
**December 31, 2020**

	<b>Governmental Activities 2020</b>	<b>Business- Type Activities 2020</b>	<b>Total 2020</b>
<b>Assets</b>			
Cash and cash equivalents - unrestricted	\$ 91,284	\$ 81,135	\$ 172,419
Cash and cash equivalents - restricted	761,434	-	761,434
Loan proceeds receivable	-	490,148	490,148
Property taxes receivable	467,455	-	467,455
Accounts receivable net of allowance for doubtful accounts	-	5,748	5,748
Prepaid expenses	6,285	5,834	12,119
Due from other funds	86,527	-	86,527
Capital assets, net of depreciation	558,585	2,534,464	3,093,049
Total assets	1,971,570	3,117,329	5,088,899
<b>Liabilities</b>			
Accounts payable	25,263	22,645	47,908
Due to other funds	-	86,527	86,527
Deposits	1,000	-	1,000
Accrued interest payable	3,539	-	3,539
Bonds payable:			
Due within one year	104,000	11,384	115,384
Due in more than one year	1,724,000	478,764	2,202,764
Total liabilities	1,857,802	599,320	2,457,122
<b>Deferred Inflows of Resources</b>			
Property tax revenue	467,455	-	467,455
Total deferred inflows of resources	467,455	-	467,455
<b>Net Position</b>			
Net investment in capital assets	(519,415)	2,534,464	2,015,049
Restricted for:			
Emergencies	11,958	-	11,958
Conservation trust fund	9,099	-	9,099
Debt service	2,282	-	2,282
Capital projects	750,053	-	750,053
Unrestricted	(607,664)	(16,455)	(624,119)
Total net position	(353,687)	2,518,009	2,164,322
Total liabilities, deferred inflow of resources and net position	\$ 1,971,570	\$ 3,117,329	\$ 5,088,899

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

**Forest Hills Metropolitan District**  
**Statement of Activities**  
**For the Year Ended December 31, 2021**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 163,403	\$ -	\$ -	\$ (163,403)	\$ -	\$ (163,403)
Conservation trust funds	-	-	2,399	2,399	-	2,399
Depreciation	31,107	-	-	(31,107)	-	(31,107)
Interest and related costs on long term debt	43,715	-	-	(43,715)	-	(43,715)
	<u>\$ 238,225</u>	<u>\$ -</u>	<u>\$ 2,399</u>	<u>\$ (235,826)</u>	<u>\$ -</u>	<u>\$ (235,826)</u>
Business-type activities						
Water and sewer	282,091	322,838	-	-	40,747	40,747
Depreciation	<u>112,986</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(112,986)</u>	<u>(112,986)</u>
	<u>395,077</u>	<u>322,838</u>	<u>-</u>	<u>-</u>	<u>(72,239)</u>	<u>(72,239)</u>
General revenues:						
Property taxes				467,457	-	467,457
Specific ownership taxes				35,765	-	35,765
Other income				16,378	-	16,378
Investment income				745	-	745
Transfers in (out)				<u>(25,000)</u>	<u>25,000</u>	<u>-</u>
Total general revenues and transfers				<u>495,345</u>	<u>25,000</u>	<u>520,345</u>
Change in net position				259,519	(47,239)	212,280
Net position - beginning of year				<u>(353,687)</u>	<u>2,518,009</u>	<u>2,164,322</u>
Net position - end of year				<u>\$ (94,168)</u>	<u>\$ 2,470,770</u>	<u>\$ 2,376,602</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, 2020**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 190,486	\$ -	\$ -	\$ (190,486)	\$ -	\$ (190,486)
Conservation trust funds	-	-	2,045	2,045	-	\$ 2,045
Depreciation	25,580	-	-	(25,580)	-	\$ (25,580)
Interest and related costs on long term debt	137,775	-	-	(137,775)	-	(137,775)
	<u>\$ 353,841</u>	<u>\$ -</u>	<u>\$ 2,045</u>	<u>\$ (351,796)</u>	<u>\$ -</u>	<u>\$ (351,796)</u>
Business-type activities						
Water and sewer	292,842	309,500	-	-	16,658	16,658
Depreciation	112,074	-	-	-	(112,074)	(112,074)
	<u>404,916</u>	<u>309,500</u>	<u>-</u>	<u>-</u>	<u>(95,416)</u>	<u>(95,416)</u>
General revenues:						
Property taxes				525,464	-	525,464
Specific ownership tax				35,551	-	35,551
Investment income				2,733	-	2,733
Total general revenues and transfers				<u>563,748</u>	<u>-</u>	<u>563,748</u>
Change in net position				211,952	(95,416)	116,536
Net position - beginning of year				(565,639)	2,613,425	2,047,786
Net position - end of year				<u>\$ (353,687)</u>	<u>\$ 2,518,009</u>	<u>\$ 2,164,322</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, 2021 and 2020**

	General Fund	Debt Service Fund	Capital Projects	2021 Total	2020 Total
<b>Assets</b>					
Cash and investments	\$ 152,570	\$ -	\$ -	\$ 152,570	\$ 91,284
Cash and investments - restricted	12,943	2,860	695,264	711,067	761,434
Receivable - County Treasurer	2,230	-	-	2,230	-
Property taxes receivable	356,654	151,612	-	508,266	467,455
Prepaid Expenses	1,515	-	-	1,515	6,285
Due from other funds	85,516	-	-	85,516	86,527
Total assets	\$ 611,428	\$ 154,472	\$ 695,264	\$ 1,461,164	\$ 1,412,985
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 21,821	\$ -	\$ 55,350	\$ 77,171	\$ 25,263
Deposits	1,000	-	-	1,000	1,000
Total liabilities	22,821	-	55,350	78,171	26,263
<b>Deferred Inflows of Resources</b>					
Property tax revenue	356,654	151,612	-	508,266	467,455
Total deferred inflows of resources	356,654	151,612	-	508,266	467,455
<b>Fund Balances</b>					
Nonspendable					
Prepaid expenses	1,515	-	-	1,515	6,285
Restricted for:					
Emergencies	11,837	-	-	11,837	11,958
Conservation trust fund	12,943	-	-	12,943	9,099
Debt service	-	2,860	-	2,860	2,282
Capital projects	-	-	639,914	639,914	750,053
Unassigned	205,658	-	-	205,658	139,590
Total Fund Balances	231,953	2,860	639,914	874,727	919,267
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
	\$ 611,428	\$ 154,472	\$ 695,264	\$ 1,461,164	\$ 1,412,985
Total governmental fund balance per above				\$ 874,727	\$ 919,267
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.				758,639	558,585
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 liabilities consist of:					
Bonds payable				(1,724,000)	(1,828,000)
Accrued interest payable				(3,534)	(3,539)
Net position of governmental activities				\$ (94,168)	\$ (353,687)

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, 2021 and 2020**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>2021 Total</u>	<u>2020 Total</u>
<b>Revenues:</b>					
Property taxes	\$ 316,934	\$ 150,523	\$ -	\$ 467,457	\$ 525,464
Specific ownership taxes	35,765	-	-	35,765	35,551
Conservation trust fund	2,399	-	-	2,399	2,045
Interest income	358	34	353	745	2,733
Other income	16,378	-	-	16,378	-
Total General Revenues	<u>371,834</u>	<u>150,557</u>	<u>353</u>	<u>522,744</u>	<u>565,793</u>
<b>Expenditures:</b>					
General government					
Administration	29,505	-	-	29,505	37,528
Audit	3,050	-	-	3,050	2,950
Insurance and bonds	5,687	-	-	5,687	4,535
Legal	18,713	-	-	18,713	32,271
Office expenses	8,047	-	-	8,047	23,682
Maintenance	87,280	-	-	87,280	79,108
Capital outlay	120,669	-	110,492	231,161	208,099
Treasurer's Fees	4,757	2,259	-	7,016	7,833
Miscellaneous	4,105	-	-	4,105	2,579
Debt service					
Bond principal payments	-	104,000	-	104,000	1,285,000
Bond interest	-	43,720	-	43,720	69,314
Bond issuance costs	-	-	-	-	74,300
Paying agent fees	-	-	-	-	400
Total Expenditures	<u>281,813</u>	<u>149,979</u>	<u>110,492</u>	<u>542,284</u>	<u>1,827,599</u>
Excess (Deficiency) of Revenues over expenditures	<u>90,021</u>	<u>578</u>	<u>(110,139)</u>	<u>(19,540)</u>	<u>(1,261,806)</u>
Other financing sources (uses):					
Loan proceeds	-	-	-	-	1,828,000
Interfund transfers in (out)	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>(25,000)</u>	<u>-</u>
	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>(25,000)</u>	<u>1,828,000</u>
Net change in fund balance	65,021	578	(110,139)	(44,540)	566,194
Fund balances:					
Beginning of the year	<u>166,932</u>	<u>2,282</u>	<u>750,053</u>	<u>919,267</u>	<u>353,073</u>
End of the year	<u>\$ 231,953</u>	<u>\$ 2,860</u>	<u>\$ 639,914</u>	<u>\$ 874,727</u>	<u>\$ 919,267</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, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balance—total governmental funds	\$ (44,540)	\$ 566,194
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.		
Capital outlay	231,161	208,099
Depreciation	(31,107)	(25,580)
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.		
Taxable Loan principal reduction	104,000	1,285,000
Loan proceeds	-	(1,828,000)
Amortization of bond discount	-	(467)
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	5	6,706
Change in net position of governmental activities	\$ 259,519	\$ 211,952

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, 2021 and 2020**

	<b>Water and Sewer</b>	
	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Cash and cash equivalents - unrestricted	\$ 111,342	\$ 81,135
Accounts receivable (net of allowance for doubtful accounts)	7,893	5,748
Prepaid expenses	726	5,834
Loan proceeds receivable	640,148	490,148
Capital assets, net of depreciation	<u>2,447,083</u>	<u>2,534,464</u>
Total assets	<u>3,207,192</u>	<u>3,117,329</u>
<b>Liabilities</b>		
Accounts payable	21,051	22,645
Due to other funds	85,516	86,527
Accrued interest expense	1,091	-
Loan payable:		
Due within one year	23,537	11,384
Due in more than one year	<u>605,227</u>	<u>478,764</u>
Total liabilities	<u>736,422</u>	<u>599,320</u>
<b>Net Position</b>		
Net investment in capital asset	2,458,467	2,534,464
Unrestricted	<u>12,303</u>	<u>(16,455)</u>
Total net position	<u>2,470,770</u>	<u>2,518,009</u>
Total liabilities and net position	<u><u>\$ 3,207,192</u></u>	<u><u>\$ 3,117,329</u></u>

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, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Operating Revenues</b>		
Service charges - water	\$ 155,890	\$ 149,661
Service charges - sewer	161,390	156,669
Availability of service	960	960
Miscellaneous	4,598	2,210
Total operating revenues	<u>322,838</u>	<u>309,500</u>
<b>Operating Expenses</b>		
Administration	35,308	47,832
Insurance and bonds	4,921	4,535
Professional Fees	19,484	21,958
Plant Operations	92,131	93,606
Utilities	29,442	27,496
Repairs and maintenance	65,324	64,989
Allocated overhead and other expenses	16,182	15,866
Water rights annual compliance	11,080	16,560
Depreciation	112,986	112,074
Total operating expenses	<u>386,858</u>	<u>404,916</u>
<b>Net Operating (Loss)</b>	<u>(64,020)</u>	<u>(95,416)</u>
<b>Non-Operating Revenues (Expenses)</b>		
Transfer from General Fund	25,000	-
Interest expense	(8,219)	-
Total non-operating revenues (expenses)	<u>16,781</u>	<u>-</u>
<b>Change in Net Position</b>	(47,239)	(95,416)
<b>Net Position—Beginning of Year</b>	<u>2,518,009</u>	<u>2,613,425</u>
<b>Net Position—End of Year</b>	<u>\$ 2,470,770</u>	<u>\$ 2,518,009</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, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from customers	\$ 320,693	\$ 304,435
Cash paid to suppliers for goods and services	<u>(270,278)</u>	<u>(309,735)</u>
Net cash from operating activities	<u>50,415</u>	<u>(5,300)</u>
<b>Cash Flows from Investing Activities</b>		-
Purchase of capital assets	<u>(25,605)</u>	<u>(30,988)</u>
Net cash from non-capital financing activities	<u>(25,605)</u>	<u>(30,988)</u>
<b>Cash Flows from Non-Capital Financing Activities</b>		
Transfers from other funds	<u>25,000</u>	<u>-</u>
Net cash from non-capital financing activities	<u>25,000</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Payment of principal on long-term debt	(11,384)	-
Payment of interest on long-term debt	<u>(8,219)</u>	<u>-</u>
Net cash from capital and related financing activities	<u>(19,603)</u>	<u>-</u>
<b>Net Change in Cash and Cash Equivalents</b>	30,207	(36,288)
<b>Cash and Cash Equivalents—Beginning of Year</b>	<u>81,135</u>	<u>117,423</u>
<b>Cash and Cash Equivalents—End of Year</b>	<u>\$ 111,342</u>	<u>\$ 81,135</u>
<b>Reconciliation of Net Operating Loss to</b>		
<b>Net Cash From Operating Activities:</b>		
Net operating loss	\$ (64,020)	\$ (95,416)
Adjustments to reconcile net operating loss to net		
Cash from operating activities:		
Depreciation	112,986	112,074
Changes in assets and liabilities:		
Change in accounts receivable	(2,145)	(5,065)
Change in prepaid expenses	5,108	(4,118)
Change in accounts payable	<u>(1,514)</u>	<u>(12,775)</u>
Total adjustments	<u>114,435</u>	<u>90,116</u>
<b>Net Cash From Operating Activities</b>	<u>\$ 50,415</u>	<u>\$ (5,300)</u>

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

**Forest Hills Metropolitan District**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance—Actual and Budget—General Fund**  
**For the Year Ended December 31, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Property taxes	\$ 316,933	\$ 316,933	\$ 316,934	\$ 1
Specific Ownership Taxes	30,800	30,800	35,765	4,965
Conservation trust funds	1,940	1,940	2,399	459
Interest income	1,224	1,224	358	(866)
Other income	-	-	16,378	16,378
Total revenues	<u>350,897</u>	<u>350,897</u>	<u>371,834</u>	<u>20,937</u>
<b>Expenditures:</b>				
Administration	22,200	22,200	29,505	(7,305)
Audit	3,050	3,050	3,050	-
Insurance and bonds	4,560	4,560	5,687	(1,127)
Legal	6,000	6,000	18,713	(12,713)
Office expense	5,365	5,365	8,047	(2,682)
Open Space Management	238,340	238,340	207,949	30,391
Treasurer's Fees	4,754	4,754	4,757	(3)
Miscellaneous	6,000	31,000	4,105	26,895
Total Expenditures	<u>290,269</u>	<u>315,269</u>	<u>281,813</u>	<u>33,456</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>60,628</u>	<u>35,628</u>	<u>90,021</u>	<u>54,393</u>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other uses</b>	60,628	35,628	65,021	29,393
<b>Fund balance—beginning of year</b>	<u>161,914</u>	<u>161,914</u>	<u>166,932</u>	<u>5,018</u>
<b>Fund balance—end of year</b>	<u>\$ 222,542</u>	<u>\$ 197,542</u>	<u>\$ 231,953</u>	<u>\$ 34,411</u>

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

# **Forest Hills Metropolitan District**

## **Notes to Financial Statements**

### **December 31, 2021 and 2020**

---

#### **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, 2021 and 2020

---

## 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.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities and is included with the general fund in the financial statements.

**Forest Hills Metropolitan District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

---

**2. Summary of Significant Accounting Policies (continued)**

---

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, 2021 and 2020**

---

**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 2021 and 2020, 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, 2021 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

**Deposits and Investments**

The District's cash and 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, 2021 and 2020**

---

**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, 2021 and 2020

---

## 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, 2021 and 2020

---

## 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.

### Subsequent Events

The District has evaluated subsequent events through June 18, 2022, the date which the financial statements were available to be issued. During this period, the District was not aware of any material recognizable subsequent events.

---

## 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, 2021 and 2020, the District's cash deposits had a carrying balance of \$974,348 and \$933,853, respectively. The bank balance at December 31, 2021 and 2020 is \$988,476 and \$950,860, respectively, of which \$385,947 and \$355,436, respectively, 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, 2021 and 2020

### 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

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

<u>Investment</u>	<u>Maturity</u>	<u>Net Asset Value</u>
COLOTRUST	Weighted average under 60 days	\$ 852,529

As of December 31, 2020, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Net Asset Value</u>
COLOTRUST	Weighted average under 60 days	\$ 848,895

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement.

**Forest Hills Metropolitan District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

---

**3. Cash and Investments (continued)**

---

The custodian acts as a safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust.

COLOTRUST is rated AAAM by Standard & Poor's COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

---

**4. Capital Assets**

---

An analysis of the changes in net capital assets during 2021 follows:

	<u>Balance</u> <u>12/31/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2021</u>
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Erosion System	\$ 61,089	\$ -	\$ -	\$ 61,089
Construction in Progress	-	125,425	-	125,425
Total capital assets not being depreciated	<u>61,089</u>	<u>125,425</u>	<u>-</u>	<u>186,514</u>
Capital assets being depreciated:				
Streets	1,949,285	6,829	-	1,956,114
Landscaping/Fire Mitigation	152,954	-	-	152,954
Recreation	290,886	98,907	-	389,793
Total capital assets being depreciated	<u>2,393,125</u>	<u>105,736</u>	<u>-</u>	<u>2,498,861</u>
Accumulated depreciation	<u>(1,895,630)</u>	<u>(31,107)</u>	<u>-</u>	<u>(1,926,737)</u>
Net capital assets being depreciated	<u>497,496</u>	<u>74,629</u>	<u>-</u>	<u>572,125</u>
Governmental assets, net	<u>\$ 558,585</u>	<u>\$ 200,054</u>	<u>\$ -</u>	<u>\$ 758,639</u>
				<u>(1,724,000)</u>
				<u>\$ (965,361)</u>

**Forest Hills Metropolitan District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

**4. Capital Assets (continued)**

	<u>Balance</u> <u>12/31/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2021</u>
<u>Business Type Activities</u>				
Capital assets not being depreciated:				
Construction in progress	\$ 61,218	\$ 13,985	\$ -	\$ 75,203
Total capital assets not being depreciated	<u>61,218</u>	<u>13,985</u>	<u>-</u>	<u>75,203</u>
Capital assets being depreciated:				
Water system	2,589,516	-	-	2,589,516
Sewer system	<u>2,681,882</u>	<u>11,620</u>	<u>-</u>	<u>2,693,502</u>
Total capital assets being depreciated	5,271,398	11,620	-	5,283,018
Accumulated depreciation	<u>(2,798,152)</u>	<u>(112,986)</u>	<u>-</u>	<u>(2,911,138)</u>
Net capital assets being depreciated	<u>2,473,246</u>	<u>(101,366)</u>	<u>-</u>	<u>2,371,880</u>
Business type assets, net	<u>\$ 2,534,464</u>	<u>\$ (87,381)</u>	<u>\$ -</u>	<u>\$ 2,447,083</u>
				(628,764)
				<u>640,148</u>
				<u>\$ 2,458,467</u>

Depreciation expense charged in 2021 to the governmental and enterprise functions of the District were \$31,107 and \$112,986, respectively.

*The remainder of this page was intentionally left blank*

**Forest Hills Metropolitan District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

**4. Capital Assets (continued)**

An analysis of the changes in net capital assets during 2020 follows:

	<u>Balance</u> <u>12/31/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2020</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>
Capital assets being depreciated:				
Streets	1,794,920	154,365	-	1,949,285
Landscaping/Fire Mitigation	152,954	-	-	152,954
Recreation	237,152	53,734	-	290,886
Total capital assets being depreciated	<u>2,185,026</u>	<u>208,099</u>	<u>-</u>	<u>2,393,125</u>
Accumulated depreciation	<u>(1,870,050)</u>	<u>(25,580)</u>	<u>-</u>	<u>\$(1,895,630)</u>
Net capital assets being depreciated	<u>314,977</u>	<u>182,519</u>	<u>-</u>	<u>497,496</u>
Governmental assets, net	<u>\$ 376,066</u>	<u>\$ 182,519</u>	<u>\$ -</u>	<u>\$ 558,585</u>
				Less outstanding capital debt used to purchase assets
				(1,828,000)
				Plus unspent bond proceeds
				750,000
				<u>Net investment in capital assets</u>
				<u>\$ (519,415)</u>

*The remainder of this page was intentionally left blank*

**Forest Hills Metropolitan District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

**4. Capital Assets (continued)**

	<u>Balance</u> <u>12/31/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2020</u>
<u>Business Type Activities</u>				
Capital assets not being depreciated:				
Construction in progress	\$ 51,031	\$ 10,187	\$ -	\$ 61,218
Total capital assets not being depreciated	51,031	10,187	-	61,218
Capital assets being depreciated:				
Water system	\$ 2,572,902	\$ 16,614	\$ -	\$ 2,589,516
Sewer system	2,677,695	4,187	-	2,681,882
Total capital assets being depreciated	5,250,597	20,801	-	5,271,398
Accumulated depreciation	(2,686,078)	(112,074)	-	(2,798,152)
Net capital assets being depreciated	2,564,519	(91,273)	-	2,473,246
Business type assets, net	<u>\$ 2,615,550</u>	<u>\$ (81,086)</u>	<u>\$ -</u>	<u>\$ 2,534,464</u>
				(490,148)
				490,148
				<u>\$ 2,534,464</u>

Depreciation expense charged in 2020 to the governmental and enterprise functions of the District were \$25,580 and \$112,074, respectively.

**5. Long-Term Liabilities**

The following is an analysis of changes in the District's long-term debt for the governmental activities of the District for the years ended December 31, 2021 and 2020:

<u>Governmental Activities</u>					
	<u>Balance</u> <u>12/31/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2021</u>	<u>Current</u> <u>Portion</u>
Tax Free Refunding Bond Series 2020A	\$ 1,045,000	\$ -	\$ -	\$ 1,045,000	\$ -
Taxable Refunding Bond Series 2020B	783,000	-	(104,000)	\$ 679,000	105,000
	<u>1,828,000</u>	<u>-</u>	<u>(104,000)</u>	<u>1,724,000</u>	<u>105,000</u>
	<u>\$ 1,828,000</u>	<u>\$ -</u>	<u>\$ (104,000)</u>	<u>\$ 1,724,000</u>	<u>\$ 105,000</u>

**Forest Hills Metropolitan District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

**5. Long-Term Liabilities (continued)**

	<u>Balance</u> <u>12/31/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2020</u>	<u>Current</u> <u>Portion</u>
General Obligation Refunding					
Bond Series 2009	\$ 940,000	\$ -	\$ (940,000)	\$ -	\$ -
General Obligation Bonds					
Series 2009B	345,000	-	(345,000)	-	-
Tax Free Refunding Bond					
Series 2020A	-	1,045,000	-	1,045,000	-
Taxable Refunding Bond					
Series 2020B	-	783,000	-	783,000	104,000
	<u>1,285,000</u>	<u>1,828,000</u>	<u>(1,285,000)</u>	<u>1,828,000</u>	<u>104,000</u>
Original issue discount	(468)	-	468	-	-
	<u>\$ 1,284,532</u>	<u>\$ 1,828,000</u>	<u>\$ (1,284,532)</u>	<u>\$ 1,828,000</u>	<u>\$ 104,000</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. The Series 2009 Bonds were refunded on December 11, 2020, with the Tax Free Refunding Bond, Series 2020A.

**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. The Series 2009B Bonds were refunded on December 11, 2020 with the Tax Free Refunding Bond, Series 2020A.

**Forest Hills Metropolitan District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

**5. Long-Term Liabilities (continued)**

**Tax Free Refunding Bond, Series 2020**

On December 11, 2020 the District issued \$1,045,000 of Tax Free Refunding Bonds Series 2020A to current refund all of the Series 2009 Bonds. The Series 2020 bonds carry an interest rate of 2.46% and mature annually commencing in 2021 through 2035 with interest payable on June 1<sup>st</sup> and December 1<sup>st</sup> and principal payable on December 1<sup>st</sup>. The bonds may be prepaid at any time, subject to yield maintenance. In the event of a prepayment, the District shall compensate the Bank for any loss, cost, and expense attributable to the Bank's interest rate exposure associated with the principal prepayment.

**Taxable Bond, Series 2020B**

On December 11, 2020 the District issued \$783,000 of Taxable Bonds Series 2020B for the purpose of funding additional public improvements in the District and for costs of issuance associated with the Bonds. The Series 2020B bonds carries an interest rate of 2.46% and mature annually commencing in 2021 through 2035 with interest payable on June 1<sup>st</sup> and December 1<sup>st</sup> and principal payable on December 1<sup>st</sup>. The bonds may be prepaid at any time, subject to yield maintenance. In the event of a prepayment, the District shall compensate the Bank for any loss, cost, and expense attributable to the Bank's interest rate exposure associated with the principal prepayment.

Bond requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 105,000	\$ 42,410	\$ 147,410
2023	107,000	39,827	146,827
2024	110,000	37,195	147,195
2025	113,000	34,489	147,489
2026	115,000	31,709	146,709
2027-2031	620,000	114,637	734,637
2032-2035	554,000	34,514	588,514
	<u>\$1,724,000</u>	<u>\$ 334,781</u>	<u>\$ 2,058,781</u>

**Forest Hills Metropolitan District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

**5. Long-Term Liabilities (continued)**

The following is an analysis of changes in the District's long-term debt for the enterprise activities of the District for the years ended December 31, 2021 and 2020:

<b>Business Type Activities</b>					
	<b>Balance</b>			<b>Balance</b>	<b>Current</b>
	<b><u>12/31/2020</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>12/31/2021</u></b>	<b><u>Portion</u></b>
2020 CWR & PDA Loans	\$ 490,148	\$ -	\$ (11,384)	\$ 478,764	\$ 19,964
2021 CWR & PDA Loans	-	150,000	-	150,000	3,573
	\$ 490,148	\$ 150,000	\$ (11,384)	\$ 628,764	\$ 23,537
	<b>Balance</b>			<b>Balance</b>	<b>Current</b>
	<b><u>12/31/2019</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>12/31/2020</u></b>	<b><u>Portion</u></b>
2020 CWR & PDA Loans	\$ -	\$ 490,148	\$ -	\$ 490,148	\$ 11,384
	\$ -	\$ 490,148	\$ -	\$ 490,148	\$ 11,384

**Drinking Water Revolving Fund Direct Loan**

On September 30, 2020 the District entered into a loan agreement (the "Agreement") with the Colorado Water Resource and Power Development Authority ("CWR & PDA") for a principal amount of \$490,148. The loan accrues interest at 2.5% and is payable in semi-annual principal and interest payments beginning on May 1, 2021. The loan is secured by the net revenues of the District, as defined within the Agreement.

Loan requirements to maturity are as follows:

	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2022	\$ 19,964	\$ 11,845	\$ 31,809
2023	20,466	11,343	31,809
2024	20,981	10,828	31,809
2025	21,509	10,300	31,809
2026	22,050	9,759	31,809
2027-2031	118,854	40,191	159,045
2032-2036	134,574	24,470	159,044
2037-2040	120,366	6,869	127,235
	\$ 478,764	\$ 125,605	\$ 604,369

**Forest Hills Metropolitan District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

**5. Long-Term Liabilities (continued)**

**Supplemental Drinking Water Revolving Fund Direct Loan**

On May 27, 2021 the District entered into a supplemental loan agreement (the “Agreement”) with the Colorado Water Resource and Power Development Authority (“CWR & PDA”) for a principal amount of \$150,000. The loan accrues interest at 2.5% and is payable in semi-annual principal and interest payments beginning on May 1, 2022. The loan is secured by the net revenues of the District, as defined within the Agreement.

Loan requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 3,573	\$ 1,963	\$ 5,536
2023	6,254	3,260	9,514
2024	6,395	3,118	9,513
2025	6,540	2,973	9,513
2026	6,688	2,825	9,513
2027-2031	35,780	11,788	47,568
2032-2036	40,016	7,552	47,568
2037-2041	44,754	2,816	47,570
	<u>\$ 150,000</u>	<u>\$ 36,295</u>	<u>\$ 186,295</u>

As of December 31, 2021, the District had no voted debt. The District has not budgeted to issue any additional debt in 2021.

**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, excluding unspent bond proceeds. As of December 31, 2021 and 2020, the District had a net investment in capital assets in the amount of \$1,493,106 and \$2,0145,049, respectively.

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, 2021 and 2020 as follows:

**Forest Hills Metropolitan District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

---

**6. Net Position (continued)**

---

	<u>2021</u>	<u>2020</u>
Emergencies (See Note 8)	\$ 11,837	\$ 11,958
Conservation trust fund	12,943	9,099
Debt service (See Note 5)	<u>2,860</u>	<u>2,282</u>
	<u>\$ 27,640</u>	<u>\$ 23,339</u>

The District's unrestricted net position as of December 31, 2021 totaled \$(534,058). The District's unrestricted net position as of December 31, 2020 totaled \$(624,119).

---

**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.

---

**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.

# **Forest Hills Metropolitan District**

## **Notes to Financial Statements (continued)**

### **December 31, 2021 and 2020**

---

#### **8. Tax, Spending and Debt Limitations (continued)**

---

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, 2021, the District had \$11,837 restricted for emergencies. At December 31, 2020 the District had \$11,958 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.

---

#### **9. Risks and Uncertainties**

---

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. In response, many state and local governments instituted restrictions that substantially limited the operations of non-essential businesses and the activities of individuals. As the world and business community continues to deal with the pandemic, the District has not been immune to its effects, but has positioned itself to sustain operations with a hybrid workforce. The District believes it will be able to continue to adapt to the pandemic impacts and any local, state, or federal government guidelines..

## **Supplementary Information**

**Forest Hills Metropolitan District**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance—Actual and Budget—Debt Service Fund**  
**For the Year Ended December 31, 2021**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Property taxes	\$ 150,523	\$ 150,523	\$ -
Interest income	960	34	(926)
Total revenues	<u>151,483</u>	<u>150,557</u>	<u>(926)</u>
<b>Expenditures:</b>			
Treasurer's fees	2,259	2,259	-
Bond principal payments	104,000	104,000	-
Bond interest	43,720	43,720	-
Total expenditures	<u>149,979</u>	<u>149,979</u>	<u>-</u>
<b>Excess (deficiency)</b>	<u>1,504</u>	<u>578</u>	<u>(926)</u>
<b>Net change in fund balance</b>	<u>1,504</u>	<u>578</u>	<u>(926)</u>
<b>Fund balance—beginning of year</b>	<u>-</u>	<u>2,282</u>	<u>2,282</u>
<b>Fund balance—end of year</b>	<u>\$ 1,504</u>	<u>\$ 2,860</u>	<u>\$ 1,356</u>

**Forest Hills Metropolitan District**  
**Statement of Revenue, Expenditures and Changes**  
**in Fund Balance—Actual and Budget—Capital Project Fund**  
**For the Year Ended December 31, 2021**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenue:</b>			
Interest income	\$ -	\$ 353	\$ 353
Total revenue	-	353	353
<b>Expenditures:</b>			
Capital outlay	500,000	110,492	389,508
Total expenditures	500,000	110,492	389,508
<b>Excess (deficiency)</b>	(500,000)	(110,139)	389,861
<b>Net change in fund balance</b>	(500,000)	(110,139)	389,861
<b>Fund balance—beginning of year</b>	750,000	750,053	53
<b>Fund balance—end of year</b>	\$ 250,000	\$ 639,914	\$ 389,914

**Forest Hills Metropolitan District**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance—Actual and Budget—Water and Sewer Fund**  
**For the Year Ended December 31, 2021**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Water use fees	\$ 117,216	\$ 117,216	\$ 155,890	\$ 38,674
Sewer use fees	157,176	157,176	161,390	4,214
Water base fees	23,088	23,088	-	(23,088)
Availability of service	720	720	960	240
SRF Loan	500,000	500,000	490,148	(9,852)
Grant income	-	25,000	-	(25,000)
Miscellaneous income	504	504	4,598	4,094
Total revenues	798,704	823,704	812,986	(10,718)
<b>Expenditures:</b>				
Administration	25,289	25,289	35,308	(10,019)
Insurance and bonds	4,560	4,560	4,921	(361)
Professional fees	19,250	19,250	19,484	(234)
Plant operations	177,888	177,888	92,131	85,757
Utilities	27,600	27,600	29,442	(1,842)
Repairs and maintenance	32,000	32,000	65,324	(33,324)
Capital outlay	500,000	500,000	30,988	469,012
Allocated overhead and other expenses	12,780	12,780	16,182	(3,402)
Water rights annual compliance	4,290	4,290	11,080	(6,790)
Total Expenditures	803,657	803,657	304,860	498,797
<b>Excess (deficiency) non-GAAP basis</b>	(4,953)	20,047	508,126	488,079
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>	(4,953)	20,047	533,126	513,079
<b>Reconciling differences between budgetary basis and generally accepted accounting principles (GAAP):</b>				
Water Loan proceeds			(490,148)	
Depreciation expense			(112,986)	
Capital assets additions			30,988	
Change in net position per Statement of Revenues Expenses and Changes in Net Position			\$ (39,020)	

**Forest Hills Metropolitan District  
Ten-Year Summary of Assessed Valuation,  
Mill Levy, and Property Taxes Collected  
For the Year Ended December 31, 2021**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>	<u>Total Property Taxes</u>		<u>Percent Collected to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
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%
2017	8,746,265	60.785	531,642	530,367	99.76%
2018	8,958,166	60.785	544,522	544,523	100.00%
2019	8,963,176	59.785	535,864	535,864	100.00%
2020	9,267,027	56.285	522,101	525,464	100.64%
2021	9,291,512	50.310	467,455	467,457	100.00%
Estimated for the year ending 12/31/2022	10,456,000	48.610	508,266		

**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.