

Foxhill Metropolitan District No. 1
FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2021

Table of Contents

	<u>Page</u>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	3
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	6
STATEMENT OF ACTIVITIES	7
FUND FINANCIAL STATEMENTS	
BALANCE SHEET - GOVERNMENTAL FUND - GENERAL FUND	9
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND DEFICIT - GOVERNMENTAL FUND - GENERAL FUND	10
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND DEFICIT - BUDGET TO ACTUAL - GOVERNMENTAL FUND - GENERAL FUND	11
STATEMENT OF NET POSITION - PROPRIETARY FUND - WATER ENTERPRISE FUND	12
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - PROPRIETARY FUND - WATER ENTERPRISE FUND	13
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - WATER ENTERPRISE FUND	14
NOTES TO FINANCIAL STATEMENTS	15
SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET (Non-GAAP Budgetary Basis) - TO ACTUAL PROPRIETARY FUND - WATER ENTERPRISE FUND	24

REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS

Board of Directors
Foxhill Metropolitan District No. 1
Douglas County, Colorado

We have audited the accompanying financial statements of governmental activities, the business-type activities and each major fund of the Foxhill Metropolitan District No. 1 (the "District"), as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Foxhill Metropolitan District No. 1 as of December 31, 2021, and the respective changes in financial position, and where applicable, cash flow thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("US 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 opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

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 US 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements – continued

In performing an audit in accordance with US 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

Supplementary Information

Our audit was conducted with the purpose of forming an opinion on the basic financial statements of the Foxhill Metropolitan District No. 1 taken as a whole. The supplementary information on page 24 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management of the District and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to our auditing procedures applied in the audit of the financial statements and certain other 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 basic financial statements taken as a whole.

Management's Discussion and Analysis

The Board of Directors has omitted the Management's Discussion and Analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Government 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. Our opinion on the basic financial statements is not affected by this omitted information.

Marc, James and Associates, PC

Highlands Ranch, Colorado
June 2, 2023

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Fox Hill Metropolitan District No. 1

STATEMENT OF NET POSITION

December 31, 2021

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 42,957	\$ 63,202	\$ 106,159
Accounts receivable, net of allowance for doubtful accounts	21,548	2,756	24,304
Due from other funds	-	106,958	106,958
Restricted cash	-	720,009	720,009
Total current assets	64,505	892,925	957,430
NON-CURRENT ASSETS			
Capital assets, net of accumulated depreciation	-	3,753,891	3,753,891
Total assets	64,505	4,646,816	4,711,321
LIABILITIES			
CURRENT LIABILITIES			
Current portion, bond payable	-	369,000	369,000
Accounts payable	14,973	7,627	22,600
Accrued interest payable	14,304	84,503	98,807
Due to Fox Hill Metropolitan District No. 2	2,920	-	2,920
Due to other funds	106,958	-	106,958
Total current liabilities	139,155	461,130	600,285
LONG-TERM DEBT, net of current portion			
Bonds payable	-	1,389,000	1,389,000
Promissory notes	161,792	1,508,642	1,670,434
Total long-term debt	161,792	2,897,642	3,059,434
Total liabilities	300,947	3,358,772	3,659,719
NET POSITION			
Net investment in capital assets, less related debt Restricted for emergencies	2,350	856,249	856,249
Unassigned	(238,792)	-	2,350
	431,795	193,003	193,003
Total net position	\$ (236,442)	\$ 1,288,044	\$ 1,051,602

The accompanying notes are an integral part of these financial statements

Fox Hill Metropolitan District No. 1

STATEMENT OF ACTIVITIES

For the Year ended December 31, 2021

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
OPERATING REVENUE			
Water fees	\$ -	\$ 34,053	\$ 34,053
Availability of service fees	-	6,258	6,258
District service fees	108,389	-	108,389
Tap fees	-	1,140,000	1,140,000
Connection fees and meter sets	-	155,250	155,250
Administrative transfer fees	3,000	-	3,000
Other	69	7	76
	<u>111,458</u>	<u>1,335,568</u>	<u>1,447,026</u>
OPERATING EXPENSES			
Operating	4,914	78,899	83,813
General and administration	73,399	11,510	84,909
Depreciation	-	96,254	96,254
	<u>78,313</u>	<u>186,663</u>	<u>264,976</u>
	<u>33,145</u>	<u>1,148,905</u>	<u>1,182,050</u>
OPERATING INCOME			
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental	3,531	-	3,531
Interest expense	(8,494)	(211,507)	(220,001)
	<u>(4,963)</u>	<u>(211,507)</u>	<u>(216,470)</u>
	<u>28,182</u>	<u>937,398</u>	<u>965,580</u>
CHANGE IN NET POSITION			
NET POSITION - beginning (restated)	<u>(264,624)</u>	<u>350,646</u>	<u>86,022</u>
NET POSITION - ending	<u>\$ (236,442)</u>	<u>\$ 1,288,044</u>	<u>\$ 1,051,602</u>

The accompanying notes are an integral part of these financial statements

FUND FINANCIAL STATEMENTS

Foxhill Metropolitan District No. 1

BALANCE SHEET - GOVERNMENTAL FUND - GENERAL FUND

December 31, 2021

ASSETS

Cash and cash equivalents	\$ 42,957
Accounts receivable	<u>21,548</u>
Total assets	<u><u>\$ 64,505</u></u>

LIABILITIES

Accounts payable	\$ 14,973
Due to other funds	106,958
Due to Foxhill Metropolitan District No. 2	<u>2,920</u>
Total liabilities	124,851

FUND DEFICIT

Restricted for emergencies	2,350
Unassigned	<u>(62,696)</u>
Total fund deficit	<u>(60,346)</u>
Total liabilities and fund deficit	<u><u>\$ 64,505</u></u>

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund deficit	\$ (60,346)
--------------------	-------------

Amounts reported for governmental activities in the Statement of Net Position are different due to:

Long-term debt, including accrued interest, are not due and payable in the current period and, therefore, are reported in the governmental fund	<u>(176,096)</u>
---	------------------

Net position - governmental activities	<u><u>\$ (236,442)</u></u>
--	----------------------------

Foxhill Metropolitan District No. 1

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND DEFICIT - GOVERNMENTAL FUND - GENERAL FUND

For the Year ended December 31, 2021

REVENUES	
District fees	\$ 108,389
Transfer fees	3,000
Miscellaneous	69
	<hr/>
Total revenues	111,458
EXPENDITURES	
General and administration	73,399
Trash service	4,914
	<hr/>
Total expenditures	78,313
REVENUES IN EXCESS OF EXPENDITURES	33,145
OTHER SOURCES	
Intergovernmental	3,531
	<hr/>
CHANGE IN FUND DEFICIT	36,676
FUND DEFICIT - beginning	(97,022)
	<hr/>
FUND DEFICIT - ending	<u>\$ (60,346)</u>
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND DEFICIT - GOVERNMENTAL FUND - GENERAL FUND TO STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES	
Change in fund deficit	\$ 36,676
Amounts reported for governmental activities in the Statement of Activates are different to:	
Accrued interest is recognized in the governmental activities as incurred	<hr/> (8,494)
Change in net position - governmental activities	<u>\$ 28,182</u>

The accompanying notes are an integral part of the financial statements

Foxhill Metropolitan District No. 1

STATEMENT OF REVENUES AND EXPENDITURES AND CHANGE IN FUND DEFICIT -
BUDGET TO ACTUAL - GOVERNMENTAL FUND - GENERAL FUND

For the Year ended December 31, 2021

	Original and Final Budget	Actual	Variance
REVENUES			
District service fee	\$ 66,000	\$ 108,389	\$ 42,389
Architectural review/transfer fees	10,000	3,000	(7,000)
Miscellaneous	-	69	69
	<u>76,000</u>	<u>111,458</u>	<u>35,458</u>
EXPENDITURES			
OPERATIONS			
General and administrative	59,000	73,399	(14,399)
Trash service	12,000	4,914	7,086
	<u>71,000</u>	<u>78,313</u>	<u>(7,313)</u>
EXCESS OF REVENUES OVER EXPENDITURES	5,000	33,145	28,145
OTHER SOURCES AND USES			
Developer advance reimbursement	(10,000)	-	10,000
Intergovernmental	7,192	3,531	(3,661)
	<u>(2,808)</u>	<u>3,531</u>	<u>6,339</u>
Net other sources and uses	(2,808)	3,531	6,339
CHANGE IN FUND BALANCE	<u>\$ 2,192</u>	36,676	<u>\$ 34,484</u>
Fund deficit - beginning		<u>(97,022)</u>	
Fund deficit - ending		<u>\$ (60,346)</u>	

The accompanying notes are an integral part of the financial statements

Foxhill Metropolitan District No. 1

STATEMENT OF NET POSITION - PROPRIETARY FUND -
WATER ENTERPRISE FUND

December 31, 2021

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 63,202
User accounts receivable, net of allowance for doubtful accounts	2,756
Due from other funds	106,958
Restricted cash	<u>720,009</u>

Total current assets 892,925

NON-CURRENT ASSETS

Capital assets, net of accumulated depreciation	<u>3,753,891</u>
---	------------------

Total assets 4,646,816

LIABILITIES

CURRENT LIABILITIES

Bonds payable - current portion	369,000
Accounts payable	7,627
Accrued interest payable	<u>84,503</u>

Total current liabilities 461,130

LONG-TERM DEBT

Bonds payable	1,389,000
Promissory notes	<u>1,508,642</u>

Total long-term debt 2,897,642

NET POSITION

Net investment in capital assets, net of related debt	856,249
Unassigned	<u>431,795</u>

Total net position \$ 1,288,044

The accompanying notes are an integral part of the financial statements

Foxhill Metropolitan District No. 1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN NET POSITION -
PROPRIETARY FUND - WATER ENTERPRISE FUND

For the Year ended December 31, 2021

OPERATING REVENUES	
User fees	\$ 34,053
Availability of service fees	6,258
System development fees	1,140,000
Connection fees and meter sets	155,250
Other	<u>7</u>
Total operating revenues	1,335,568
OPERATING EXPENDITURES	
Operating	78,899
General and administration	11,510
Depreciation	<u>96,254</u>
Total operating expenditures	<u>186,663</u>
OPERATING INCOME	1,148,905
NON-OPERATING EXPENDITURES	
Interest expense	<u>(211,507)</u>
CHANGE IN NET POSITION	937,398
NET POSITION - beginning	<u>350,646</u>
NET POSITION - ending	<u><u>\$ 1,288,044</u></u>

The accompanying notes are an integral part of the financial statements

Foxhill Metropolitan District No. 1

STATEMENT OF CASH FLOWS -
 PROPRIETARY FUND - WATER ENTERPRISE FUND

For the Year ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 1,344,415
Payments to suppliers	<u>(89,326)</u>
Net cash provided by operating activities	1,255,089
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on loans payable	(370,000)
Interest payments on loans payable	<u>(127,680)</u>
Net cash used by capital and related financing activities	(497,680)
NET INCREASE IN CASH AND CASH EQUIVALENTS	757,409
CASH AND CASH EQUIVALENTS - beginning	<u>25,802</u>
CASH AND CASH EQUIVALENTS - ending	<u><u>\$ 783,211</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES	
Operating income	\$ 1,148,905
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	96,254
Changes in assets and liabilities	
Accounts receivable	8,845
Accounts payable	<u>1,085</u>
Net cash provided by operating activities	<u><u>\$ 1,255,089</u></u>

The accompanying notes are an integral part of the financial statements

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Foxhill Metropolitan District No. 1 (the “District”) conform to the accounting principles generally accepted in the United States of America (“US GAAP”) as applicable to governmental entities. The following is a summary of the more significant policies consistently applied in the preparation of the basic financial statements of the District.

1. *Reporting Entity*

The District was established under State of Colorado statutes as a quasi-municipal corporation and is governed by a five-member Board of Directors pursuant to the provisions of the Colorado Special District Act. The District is located in Douglas County, Colorado and was formed along with Foxhill Metropolitan District No. 2 (the “Districts”).

The Districts were formed to provide financing for the construction of public improvements and an irrigation water distribution system for the Foxhill development located near Franktown, Colorado.

The Districts’ operations and administrative functions are provided through contract service arrangements.

As required by US GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local government entities. The District has no component units as defined by Governmental Accounting Standards Board (“GASB”), Statement No. 14, *The Reporting Entity* and GASB No. 39, *Determining Whether Certain Organizations are Component Units*.

2. *Measurement Focus, Financial Accounting Framework and Presentation*

Business-Type Activities

The accounting policies of the District's business-type activities conform to generally accepted accounting principles as applicable to governmental units accounted for as an enterprise fund. The enterprise fund is used for the business-type activities since the District's irrigation water operations are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

The District's business-type financial statements are maintained using accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when a liability is incurred regardless of when the cash is received and distributed.

The District distinguishes between operating revenues and expenses and non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing business of providing irrigation water. The District's primary business-type activities operating revenues are from charges to customers for water taps and sales of irrigation water. Operating expenses include the cost of sales and service, administrative expenses and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenue and expenses.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2. *Measurement Focus and Financial Accounting Framework - continued*

Governmental Activities

The governmental activities financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as they are both measurable and available. Revenue is considered to be available if the revenues are collectible within the current period, or soon thereafter, to pay liabilities of the current period. For that purpose, the District considers revenue to be available if they are expected to be collected within 60 days of the end of the current fiscal period.

For 2021, the District has one Governmental Fund:

- *General Fund* – The General Fund is the general operating fund of the District. It is used to account for all of the financial resources not accounted for and reported in another fund,

Additionally, the District has one proprietary fund:

- *Water Enterprise Fund* - The Water Enterprise Fund is used to account for those operations financed and operated in a manner similar to a private business or where the Board of Directors has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The intent of the District is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

3. *Cash and Cash Equivalents*

The District considers unrestricted cash and cash equivalents to include cash on hand, demand deposits and money market accounts.

4. *User Fees and User Fees Receivable*

The District extends credit to property owners within the District for potable and irrigation water usage and other user fees. User fees receivables are reviewed by District management on a regular basis. It is the District's policy to certify past due user fees receivables annually with the Douglas County Treasurer for collection. In addition, the District may file a lien upon or foreclose on the owner's property for past due user accounts receivables.

As of December 31, 2021, District management believes that all user fees and user fees receivable were fully collectible and no allowance for doubtful accounts was deemed necessary.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

5. *Fair Value of Financial Instruments*

The District's financial instruments include cash and cash equivalents, user fees receivable, and accounts payable. The District estimates that the fair value of these financial instruments as of December 31, 2021, does not differ materially from the aggregate carrying values used in the accompanying financial statements. The carrying amount of these financial instruments approximates the fair value due to the short maturity of these financial instruments.

6. *Capital Assets*

The District records capital assets, within the business-type activities, as assets with an initial, individual cost of more than \$5,000 and estimated useful life in excess of one year. The cost 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 stated at cost except for any capital assets that are contributed, which are stated at fair value when contributed.

Depreciation expense has been computed using the straight-line method over the estimated economic useful life of 40 years.

7. *Use of Estimates*

The preparation of financial statements in conformity with US GAAP involves the use of management's estimates that affect the reported amounts of assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. These estimates are based upon management's best judgment, after considering past events and assumptions about future events. Actual results could differ from those estimates. The District has estimated the useful lives of its depreciable capital assets and the allowance for doubtful user accounts receivable.

NOTE B – BUDGET INFORMATION

The District's annual budget is prepared on a Non-GAAP basis. An annual appropriated budget is adopted. All annual appropriations lapse at the end of the District's fiscal year.

The District conforms to the following procedures, in accordance with the State of Colorado Revised Statutes, in the establishment of the budgetary information reflected in the accompanying financial statements.

On or before October 15, the District's Manager submits a proposed budget for the subsequent fiscal year to the District's Board of Directors. The budget sets forth all proposed expenditures for administration, operations, maintenance, debt service, and capital projects for the budget year; all anticipated revenues for the budget year; estimated beginning and ending fund balances; actual figures for the prior fiscal year and projected figures through the end of the current year; and a written budget message describing the important features of the budget.

Following receipt of the proposed budget, the District publishes notice of the hearing at which the adoption of the proposed budget will be considered, a statement that the proposed budget is available for inspection, and that any interested elector may file objections to the proposed budget prior to its adoption. The budget hearing is held at a regular or special Board of Directors' meeting.

Foxhill Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE B – BUDGET INFORMATION – *continued*

Following the budget hearing, the Board of Directors adopts the budget and makes appropriations for the budget year. The District also certifies a mill levy for collection in the budget year. Because the District certifies a mill levy, the adoption of the budget, appropriations and certification of the mill levy must occur on or before December 15. Expenditures in excess of the amounts appropriated for a Fund or transfer of moneys between Funds must be approved by the Board of Directors in the same manner as the adoption of the budget

The State of Colorado requires a balanced budget. For 2021, the District’s General Fund budgeted revenue exceeded the budgeted expenditures and net other sources and uses by \$2,192 and the District’s Water Enterprise Fund budgeted expenditures exceeded the budgeted revenues by \$112,115. The deficit budget amount was expected to be funded by the use of prior year surpluses.

NOTE C – CASH

The Colorado Public Deposit Protection Act (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine the eligibility. Amounts on deposit in excess of the Federal Deposit Insurance Corporation insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows institutions to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits. The market value of the collateral must be equal to 102% of the aggregate uninsured public deposits. The Colorado Division of Banking for banks and savings associations is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. As of December 31, 2021, all of the District’s funds were held in eligible public depositories.

NOTE D – WATER ENTERPRISE REVENUE BONDS – SERIES 2020

In December 2020, the District issued Water Enterprise Revenue Bonds – Series 2020 (“Water Bonds”) in the amount of \$2,575,000. The Water Bonds were issued to fund the repayment to the Foxhill Development, Inc. for the irrigation water improvements. The Water Bonds require annual principal payment on December 1 and semi-annual interest payments on June 15 and December 15 of each year with a final payment due December 15, 2030. The Water Bonds carry an interest rate of 6%.

In conjunction with the issuance of the Water Bonds, the District and District No. 2 entered into a Pledge Agreement under which District No. 2 agreed to pledge the amounts received from the Water Tap Fees pursuant to the Water System Tap Fee Resolution to the Water Activity Enterprise created within the District. District No.2, while the Water Bonds are outstanding, shall impose Water Tap Fees equal to \$30,000 per dwelling. The Pledged Revenues are pledged for the payment of the annual Water Bonds debt service requirements

As such, the funds held in the Water Tap Fee bank account are considered to be restricted.

The change in the Water Bonds for the year ended December 31, 2021 is as follows:

<u>Balance December 31, 2020</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance December 31, 2021</u>	<u>Due within one year</u>
\$ 2,128,000	\$ -	\$ (370,000)	\$ 1,758,000	\$ 369,000

Foxhill Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE D – WATER ENTERPRISE REVENUE BONDS – SERIES 2020 - *continued*

The estimated debt service requirements to maturity for the Water Bonds are as follows:

Year Ended December 31,	Principal	Interest	Total
2022	\$ 369,000	\$ 105,480	\$ 474,480
2023	368,000	83,340	451,340
2024	401,000	61,260	462,260
2025	428,000	37,200	465,200
2026	33,000	11,520	44,520
2027 to 2030	159,000	24,720	183,720
	<u>\$ 1,758,000</u>	<u>\$ 323,520</u>	<u>\$ 2,081,520</u>

The above estimated debt service requirements are based on the projected revenue at the time of issuance of the Water Bonds. The actual payments may differ from the above estimates.

NOTE E – CAPITAL ASSETS

The changes in the District business-type activities capital assets for the year ended December 31, 2021 are as follows:

	Balance December 31, 2020	Additions	Disposals	Balance December 31, 2021
Capital assets				
Not subject to depreciation				
Construction in progress	\$ 3,850,144	\$ -	\$ (3,850,144)	\$ -
Subject to depreciation				
Water storage tank	-	313,852	-	313,852
Pumping station	-	1,037,360	-	1,037,360
Infrastructure – water system	-	1,584,848	-	1,584,848
Wells	-	914,084	-	914,084
Total capital assets	-	3,850,144	-	3,850,144
Accumulated depreciation				
Water storage tank	-	7,846	-	7,846
Pumping station	-	25,934	-	25,934
Infrastructure – water system	-	39,621	-	39,621
Wells	-	22,852	-	22,852
Total accumulated depreciation	-	96,253	-	96,253
Net capital assets	\$ -	\$ 3,753,891	\$ -	\$ 3,753,891

As further discussed in NOTE L, the capital assets previously reflected as December 31, 2020 were restated.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE F – REVENUE AND LIMITED TAX OBLIGATION SUBORDINATE PROMISSORY NOTES

Governmental Activities Promissory Note

The District issued a promissory to the Developer for the reimbursement of costs related to capital improvements in the amount not to exceed \$500,000. The promissory note carries interest the rate equal to the Federal Reserve Prime Rate plus 2%, with an effective rate of 5.25% as of December 31, 2021. The promissory note matured on December 31, 2022 and was renewed for additional one year period. As of December 31, 2021, the balance outstanding was \$161,792 plus accrued interest of \$14,304.

Business-Type Activities Promissory Note

The District issued a promissory to the Developer for the reimbursement of costs related to capital improvements in the amount not to exceed \$6,000,000. The promissory note carries interest the rate equal to the Federal Reserve Prime Rate plus 2%, with an effective rate of 5.25% as of December 31, 2021. The promissory note matured on December 31, 2022 and was renewed for additional one year period. As of December 31, 2021, the balance outstanding was \$1,508,642 plus accrued interest of \$79,880.

During 2021, there were no additional advances under the promissory notes or payments.

As further discussed in NOTE L, the December 31, 2020, promissory note balances were restated.

NOTE G – FUND BALANCE/NET POSITION

Fund Balance

The District utilizes the fund balance presentation as required under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances, as applicable, are categorized as non-spendable, restricted, committed, assigned, or unassigned.

Non-spendable – represents amounts that cannot be spent because they are either in non-spendable form or legally required to remain intact;

Restricted – represents amounts with external constraints placed on the use of these resources or imposed by enabling legislation;

Committed – represents amounts that may only be used for specific purposes imposed by a formal action of the District's highest level of decision-making authority, the District's Board of Directors. Committed resources cannot be used for any other purpose, unless the District's Board of Directors remove or change the specific use by the same type of action used to commit those amounts, either by resolution or by ordinance;

Assigned – represents amounts that the District intends to use for specific purposes, as expressed by the District's Board of Directors or a District official delegated the authority to assign such amounts;

Unassigned – represents the residual classification for the general fund or deficit balances in other funds, as applicable.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE G – FUND BALANCE/NET POSITION - *continued*

Amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Unrestricted amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of these unrestricted fund balances classifications could be used.

As of December 31, 2021, the District's governmental fund balance consisted of the emergency reserve, restricted, as required by State of Colorado Revised Statutes, with the balance as unrestricted.

Net Position

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

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

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net positions are available, the District will use the most restrictive net position first.

NOTE H – DISTRICT SERVICE FEE

In April 2019, the District amended the District Service Fee, originally imposed in 2017, to establish an annual fee that would encompass District services including operations and administration, covenant enforcement, architectural review, and maintenance. The District Service Fee is to be calculated on an annual basis during the District's annual budget process.

NOTE I – 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 and debt limitations which apply to the State of Colorado and all local governments.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the calculation of the fiscal year spending limits will require judicial interpretation.

Foxhill Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE J – LEASE/PURCHASE AGREEMENT – POTABLE WATER RIGHTS

In 2017, the District entered into a Lease/Purchase Agreement (“Lease Agreement”) with DCLA-2, LLC (“Lessor”), related party, under which the District will lease with the option to purchase water rights to provide potable water to serve the residential lots, open space and landscaping located with the boundaries of the Districts.

The Lease Agreement automatically renews for consecutive one-year terms coinciding with the fiscal year of the District.

The District shall have an option to the purchase the water rights utilized by the District upon proper appropriations and subject to the availability of funds by the District. The purchase price for such water rights shall be the fair market value not to exceed the fair market value as determined by an independent third-party appraisal.

Under the terms of the Lease Agreement, the District shall pay the Lessor a monthly fee a monthly fee based upon the amount of water used by the District. The monthly fee is to be negotiated based upon a formula that most effectively and efficiently provides the necessary water to provide service to all lots with the Districts.

Since the inception of the Lease Agreement, the monthly fee has not been determined, and the District has not remitted the monthly fee to the Lessor, nor has the Lessor requested the monthly fee.

NOTE K – MANAGEMENT’S EVALUATION OF SUBSEQUENT EVENTS

The preparation of the District’s financial statements and accompanying notes in conformity with US GAAP requires management of the District to evaluate transactions and events subsequent to the Statement of Net Position date involving the District. Management has evaluated the subsequent transactions and events of the District through June 2, 2023, which is the date the financial statements and accompanying notes were available for issuance.

NOTE L – RESTATEMENT OF NET POSITION

The Net Position as of December 31, 2020, was restated and reduced by a net amount of \$5,360,766. The restatement resulted in the removal of the construction in progress recorded as capital assets as of December 31, 2020, that pertained to streets, related improvements, and various soft costs conveyed to Douglas County in August 2020, and the correction of the recording of Water Enterprise Fund capital assets recorded as part of the governmental activities capital assets.

In addition, the portion of the promissory note pertaining to the Water Enterprise Fund capital assets was transferred.

	Governmental Activities	Business-type Activities	Total
Net position previously reported	\$ 5,096,142	\$ 350,646	\$ 5,446,788
Adjustment of capital assets	(6,695,328)	1,334,562	(5,360,766)
Transfer of related promissory note	<u>1,334,562</u>	<u>(1,334,562)</u>	<u>-</u>
Net position - restated	<u>\$ (264,624)</u>	<u>\$ 350,646</u>	<u>\$ 86,022</u>

SUPPLEMENTARY INFORMATION

Foxhill Metropolitan District No. 1

SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP-Budgetary Basis) TO ACTUAL

PROPRIETARY FUND - WATER ENTERPRISE FUND

For the Year ended December 31, 2021

	Original and Final Budget	Actual	Variance
REVENUE			
Water usage	\$ 35,000	\$ 34,053	\$ (947)
Availability of service fee	-	6,258	6,258
Water taps	480,000	1,140,000	660,000
Connection fees and meter sets	65,600	155,250	89,650
Other	-	7	7
	<hr/>	<hr/>	<hr/>
Total revenue	580,600	1,335,568	754,968
EXPENDITURES			
OPERATIONS			
Monitoring and administrative	185,000	90,409	(94,591)
Contingency	10,000		
DEBT SERVICE			
Principal	370,000	370,000	-
Interest	127,715	211,507	83,792
	<hr/>	<hr/>	<hr/>
Total expenditures	692,715	671,916	(10,799)
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (112,115)</u>	<u>\$ 663,652</u>	<u>\$ 765,767</u>
RECONCILIATION TO CHANGE IN NET POSITION - US GAAP BASIS			
Principal payments		370,000	
Depreciation		<u>(96,254)</u>	
CHANGE IN NET POSITION - US GAAP BASIS		<u>\$ 937,398</u>	