

**FOREST LAKES METROPOLITAN DISTRICT**  
**FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021**  
**WITH REPORT OF**  
**CERTIFIED PUBLIC ACCOUNTANTS**

# FOREST LAKES METROPOLITAN DISTRICT

## Table of Contents

| <b>Financial Section:</b>   | <u>Page</u> |
|---|-------------|
| Independent Auditors' Report .....  | 1           |
| Management's Discussion and Analysis .....  | 4           |
| Basic Financial Statements:   |             |
| Government-wide Financial Statements:   |             |
| Statement of Net Position .....   | 14          |
| Statement of Activities .....   | 15          |
| Fund Financial Statements:  |             |
| Balance Sheet – Governmental Funds.....   | 16          |
| Reconciliation of the Governmental Funds Balance Sheet<br>to the Statement of Net Position.....   | 17          |
| Statement of Revenues, Expenditures, and Changes in<br>Fund Balances – Governmental Funds.....  | 18          |
| Reconciliation of the Statement of Revenues, Expenditures and Changes<br>in Fund Balances of Governmental Funds to the Statement of Activities..... | 19          |
| Statement of Net Position - Proprietary Funds.....  | 20          |
| Statement of Revenues, Expenses and Changes<br>in Fund Net Position - Proprietary Funds.....  | 21          |
| Statement of Cash Flows - Proprietary Funds.....  | 22          |
| Statement of Fiduciary Net Position – Bond Escrow Agency Fund .....   | 23          |
| Notes to Financial Statements .....   | 24          |
| Required Supplementary Information:   |             |
| Schedule of the Proportionate Share of the Net Pension and OPEB Liability .....   | 55          |
| Schedule of Pension and OPEB Contributions .....  | 56          |
| Notes to Pension and OPEB Plan Schedules.....   | 57          |
| Schedule of Revenues, Expenditures, and Changes in<br>Fund Balances – General Fund - Budget-and-Actual .....  | 59          |
| Supplementary Information:  |             |
| Schedule of Revenues, Expenses, and Changes in<br>Net Position – Enterprise Funds - Budget-and-Actual:  |             |
| Water Fund .....  | 61          |
| Sewer Fund.....   | 62          |



## Independent Auditor's Report

Board of Directors  
Forest Lakes Metropolitan District  
La Plata County, Colorado

### *Opinions*

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Forest Lakes Metropolitan District (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, each major fund, and the aggregate remaining fund information of the District, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year 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) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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*

The District's 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 for one year after the date that the financial statements are 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 opinions. 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.

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the general fund budgetary comparison information, and the pension related schedules and notes as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The proprietary funds budgetary comparison schedules are presented for additional analysis as required by the State of Colorado and are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The proprietary funds budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling

such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the proprietary funds budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*HintonBurdick, PLLC*

HintonBurdick, PLLC  
St. George, Utah  
September 1, 2022

**FOREST LAKES METROPOLITAN DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2021**

As management of Forest Lakes Metropolitan District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2021. Please read it in conjunction with the accompanying basic financial statements.

**FINANCIAL HIGHLIGHTS**

- Total assets and deferred outflows exceeded total liabilities and deferred inflows (net position) by \$6.97 million at the close of the fiscal year.
- Total governmental and business-type net positions decreased by a combined total of \$42,326.
- The total cost of all District programs for 2021 was \$2,003,245.
- The general fund unassigned fund balance at the end of 2021 was \$832,574 which is 84% of total General fund expenditures.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the District as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. (3) Notes to the financial statements.

**Reporting the District as a Whole**

**The Statement of Net Position and the Statement of Activities (Government-wide)**

A frequently asked question regarding the District's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes therein. Net position, the difference between assets plus deferred outflows and liabilities plus deferred inflows, are one way to measure the District's financial health, or financial position. Over time, increases or decreases in net position is an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the condition of the District's roads to accurately assess the overall health of the District.

The Statement of Net Position and the Statement of Activities, present information about the following:

- Government activities – All of the District's basic services are considered to be governmental activities, including general government, public works/streets, parks and recreation, and interest on long-term debt. Property taxes, highway user tax, specific ownership tax and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The District charges a fee to customers to cover most of the cost of the services provided.

### **Reporting the District's Most Significant Funds**

#### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds—not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds which aid in the management of money for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The District's two major kinds of funds, governmental and proprietary, use different accounting approaches as explained below.

- Governmental funds – Most of the District's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and in footnote 2.
- Proprietary funds – When the District charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. The District's combined assets plus deferred outflows exceeded liabilities plus deferred inflows by \$6.97 million as of December 31, 2021 as shown in the following condensed statement of net position. Of this amount, \$301,935 is unrestricted and available to meet the District's ongoing financial obligations.

By far the largest portion of net position is the net investment in capital assets of \$6,635,987 (95.19% of total net position). This amount reflects the investment in all capital assets (e.g. infrastructure, land, buildings, and equipment) less any related debt used to acquire those assets that are still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources since capital assets themselves cannot be used to liquidate these liabilities.

The District has chosen to account for its water and sewer operations in enterprise funds which are shown as Business Activities.

The following table summarizes the District's governmental and business-type net position as of December 31, 2021 and 2020:

### FOREST LAKES METROPOLITAN DISTRICT Statement of Net Position

|                                   | Governmental activities |              | Business-type activities |              | Combined Total |              |
|-----------------------------------|-------------------------|--------------|--------------------------|--------------|----------------|--------------|
|                                   | 12/31/2021              | 12/31/2020   | 12/31/2021               | 12/31/2020   | 12/31/2021     | 12/31/2020   |
| Current and other assets          | \$ 1,340,616            | \$ 1,406,797 | \$ 646,832               | \$ 563,769   | \$ 1,987,448   | \$ 1,970,566 |
| Capital assets                    | 1,223,811               | 1,156,503    | 5,527,752                | 5,418,150    | 6,751,563      | 6,574,653    |
| Total assets                      | 2,564,427               | 2,563,300    | 6,174,584                | 5,981,919    | 8,739,011      | 8,545,219    |
| Deferred outflows of resources    | 31,850                  | 31,850       | 110,955                  | 51,964       | 142,805        | 83,814       |
| Long-term liabilities outstanding | 247,329                 | 261,822      | 424,741                  | 427,045      | 672,070        | 688,867      |
| Other liabilities                 | 72,809                  | 14,663       | 83,129                   | 4,902        | 155,938        | 19,565       |
| Total liabilities                 | 320,138                 | 276,485      | 507,870                  | 431,947      | 828,008        | 708,432      |
| Deferred inflows of resources     | 435,785                 | 420,425      | 646,802                  | 486,629      | 1,082,587      | 907,054      |
| Net position:                     |                         |              |                          |              |                |              |
| Net investment                    |                         |              |                          |              |                |              |
| in capital assets                 | 1,223,811               | 1,156,503    | 5,412,176                | 5,418,150    | 6,635,987      | 6,574,653    |
| Restricted                        | 33,299                  | 24,526       | -                        | -            | 33,299         | 24,526       |
| Unrestricted                      | 583,244                 | 717,211      | (281,309)                | (302,843)    | 301,935        | 414,368      |
| Total net position                | \$ 1,840,354            | \$ 1,898,240 | \$ 5,130,867             | \$ 5,115,307 | \$ 6,971,221   | \$ 7,013,547 |

An additional portion of net position, \$33,299 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$301,935 (4.33% of total net position), may be used to meet the government's ongoing obligations to citizens and creditors.

## Governmental Activities

The cost of all Governmental activities this year was \$853,051 as shown in the Changes in Net Position statement below. \$301,864 of this cost was paid for by those who directly benefited from the programs. \$7,294 was subsidized by grants or contributions received for both capital and operating activities. Overall governmental program revenues, including intergovernmental aid and fees for services were \$309,158. General revenues totaled \$486,007.

The District's programs include: General Government, Public Works/Streets, and Parks & Recreation. Each program's revenues and expenses are presented below.

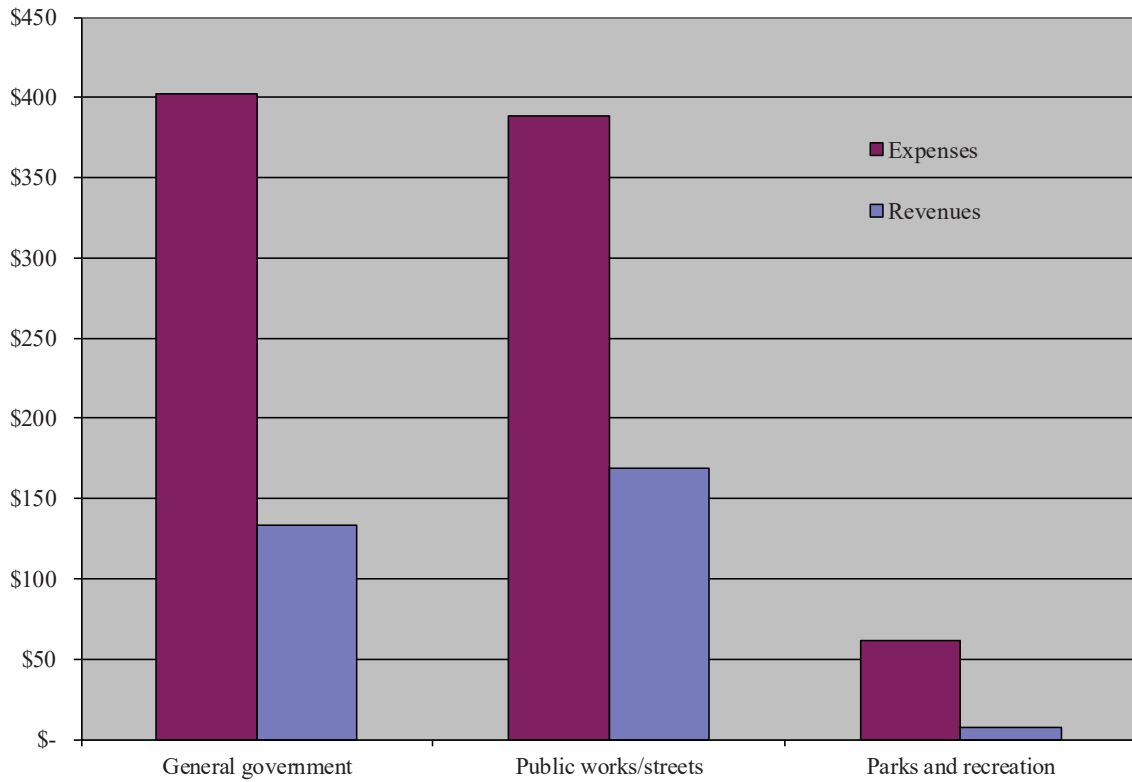
### FOREST LAKES METROPOLITAN DISTRICT Changes in Net Position

|  | Governmental activities |                     | Business-type activities |                     | Combined Total      |                     |
|--|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
|  | 12/31/2021              | 12/31/2020          | 12/31/2021               | 12/31/2020          | 12/31/2021          | 12/31/2020          |
| Revenues:  |                         |                     |                          |                     |                     |                     |
| Program revenues:                                    |                         |                     |                          |                     |                     |                     |
| Charges for services                                 | \$ 301,864              | \$ 253,338          | \$ 827,468               | \$ 687,015          | \$ 1,129,332        | \$ 940,353          |
| Operating grants and contributions                   | 7,294                   | 8,453               | -                        | -                   | 7,294               | 8,453               |
| General revenues:                                    |                         |                     |                          |                     |                     |                     |
| Taxes  | 453,217                 | 469,378             | 337,986                  | 342,167             | 791,203             | 811,545             |
| Investment earnings                                  | 571                     | 3,348               | 300                      | 5,434               | 871                 | 8,782               |
| Gain on sales of assets                              | -                       | 9,381               | -                        | -                   | -                   | 9,381               |
| Other revenue/(expense)                              | 32,219                  | 12,162              | -                        | -                   | 32,219              | 12,162              |
| Total revenues                                       | <u>795,165</u>          | <u>756,060</u>      | <u>1,165,754</u>         | <u>1,034,616</u>    | <u>1,960,919</u>    | <u>1,790,676</u>    |
| Expenses:  |                         |                     |                          |                     |                     |                     |
| General government                                   | 402,707                 | 437,017             | -                        | -                   | 402,707             | 437,017             |
| Public works/streets                                 | 388,325                 | 356,203             | -                        | -                   | 388,325             | 356,203             |
| Parks and recreation                                 | 62,019                  | 67,903              | -                        | -                   | 62,019              | 67,903              |
| Interest on long-term debt                           | -                       | -                   | -                        | -                   | -                   | -                   |
| Water  | -                       | -                   | 680,284                  | 624,070             | 680,284             | 624,070             |
| Sewer  | -                       | -                   | 469,910                  | 526,815             | 469,910             | 526,815             |
| Total expenses                                       | <u>853,051</u>          | <u>861,123</u>      | <u>1,150,194</u>         | <u>1,150,885</u>    | <u>2,003,245</u>    | <u>2,012,008</u>    |
| Increase (decrease) in net position before transfers | (57,886)                | (105,063)           | 15,560                   | (116,269)           | (42,326)            | (221,332)           |
| Net position, beginning                              | <u>1,898,240</u>        | <u>2,003,303</u>    | <u>5,115,307</u>         | <u>5,231,576</u>    | <u>7,013,547</u>    | <u>7,234,879</u>    |
| Net position, ending                                 | <u>\$ 1,840,354</u>     | <u>\$ 1,898,240</u> | <u>\$ 5,130,867</u>      | <u>\$ 5,115,307</u> | <u>\$ 6,971,221</u> | <u>\$ 7,013,547</u> |

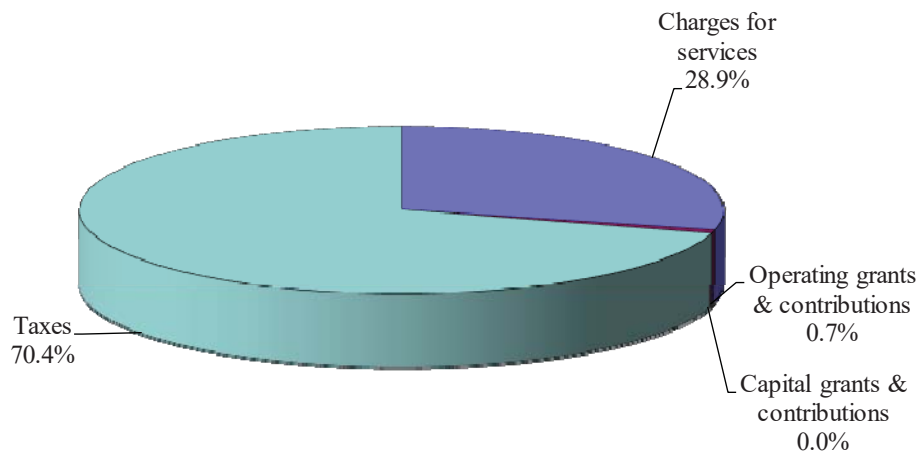
Total resources available during the year to finance governmental operations were \$2,693,405 consisting of net position at January 1, 2021 of \$1,898,240, program revenues of \$309,158, and General Revenues of \$486,007. Total Governmental Activities expenses during the year were \$853,051; thus Governmental Net Position decreased by \$57,886 to \$1,840,354.

The following graphs compare program expenses to program revenues and provide a breakdown of revenues by source for all governmental activities:

**Expenses and Program Revenues - Governmental Activities**  
(in Thousands)



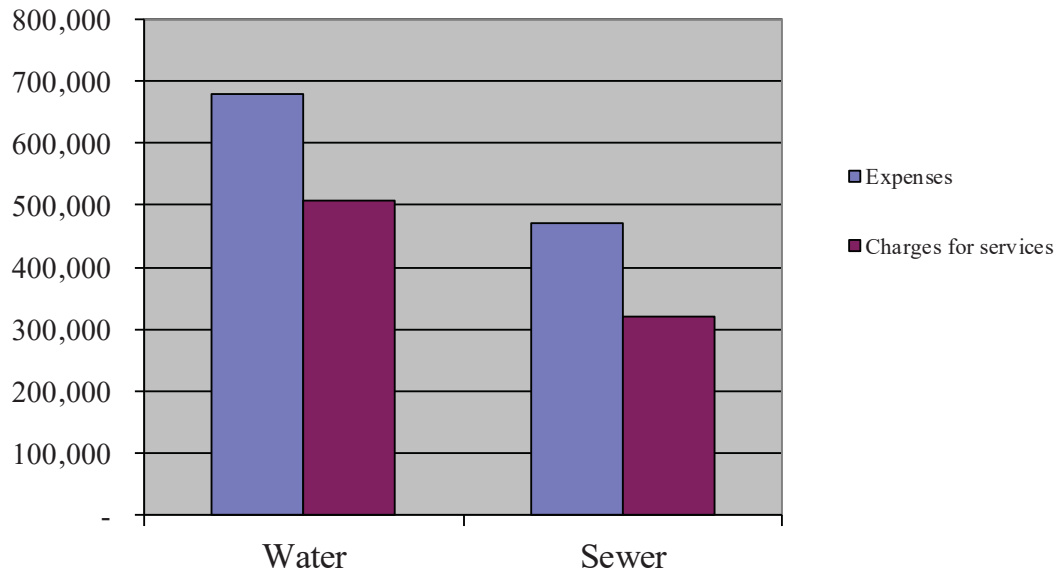
**Revenue By Source - Governmental Activities**



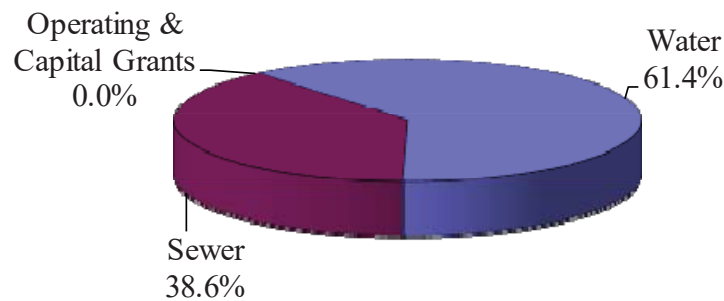
## Business Type Activities

Net position of the Business Type activities at December 31, 2021, as reflected in the Statement of Net Position was \$5.13 million. The cost of providing all Proprietary (Business Type) activities this year was \$1,150,194. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$827,468 and there was \$0 subsidized by capital grants and contributions. General revenues were \$338,286. The Net Position increased by \$15,560. The following graphs compare the total business-type activity expenses by service to the charges for those services and the graph at the bottom of the page provides a breakdown of the total revenues for business-type activities.

### Expenses and Charges for Services - Business-type Activities



### Revenue By Source - Business-type Activities



## Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds:** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The District has one major governmental fund, the general fund.

The General fund is the primary operating fund for the District. At December 31, 2021, unassigned fund balance in the General fund was \$832,574. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Total unassigned fund balance represents 84% of the total General fund expenditures. The fund balance of the District's General fund decreased by \$139,687 for the year ended December 31, 2021. The General fund revenues and expenses increased from the prior year.

**Proprietary funds:** The District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position and changes in net position for the year-ended December 31, 2021 for the District's two enterprise funds (Water and Sewer) are as follows:

|                           | Water      | Sewer        | Total        |
|---------------------------|------------|--------------|--------------|
| Unrestricted net position | \$ 217,286 | \$ (498,595) | \$ (281,309) |
| Total net position        | 3,755,765  | 1,375,102    | 5,130,867    |
| Change in net position    | (26,038)   | 41,598       | 15,560       |

## Budgetary Highlights

General fund revenues of \$795,165 were less than budgeted revenues of \$807,218 by \$12,053. The most significant factor contributing to this shortage amount is related to tax revenues being less than anticipated. Actual expenditures exceeded budgeted expenditures by \$185,422, mainly due to capital outlay.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The capital assets of the District are those assets that are used in performance of District functions including infrastructure assets. Capital Assets include equipment, buildings, land, system improvements, park facilities and roads. At the end of 2021, net capital assets of the government activities totaled \$1.22 million and the net capital assets of the business-type activities were \$5.53 million. The most significant governmental and business-type capital addition was for the construction of the new administration building which is split across the funds. Depreciation on capital assets for both government activities and business-type activities is recognized in the Government-Wide financial statements. (See note 5 to the financial statements.)

### **Debt**

At year-end, the District had \$247,329 in governmental type debt, and \$424,741 in proprietary debt. During the current fiscal year, the District's total debt decreased by \$16,795. (See note 6 to the financial statements for detailed descriptions.) Included in these amounts are pension and OPEB related liabilities. (See note 6 to the financial statements.)

## **NEXT YEAR'S BUDGET AND ECONOMIC FACTORS**

In considering the District's Budget for the year 2022, the Board of Directors and management were cautious as to the growth of revenues and expenditures due to a slow economy.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Manager at: 271 North Mountain View Drive #107 Bayfield, Colorado 81122.

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**BASIC FINANCIAL STATEMENTS**

**FOREST LAKES METROPOLITAN DISTRICT**  
**Statement of Net Position**  
**December 31, 2021**

|   | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>        |
|---|------------------------------------|-------------------------------------|---------------------|
| <b>Assets</b>                                     |                                    |                                     |                     |
| Cash and cash equivalents                         | \$ 885,828                         | \$ 181,441                          | \$ 1,067,269        |
| Receivables (net of allowance)                    | 395,497                            | 400,676                             | 796,173             |
| Inventories                                       | 59,291                             | 64,715                              | 124,006             |
| Capital assets (net of accumulated depreciation): |                                    |                                     |                     |
| Land  | 788,548                            | 777,342                             | 1,565,890           |
| Water reservoir                                   | -                                  | 249,042                             | 249,042             |
| Water rights                                      | -                                  | 94,167                              | 94,167              |
| Construction in progress                          | 88,246                             | 176,492                             | 264,738             |
| Buildings   | 48,240                             | 13,458                              | 61,698              |
| Recreational facilities                           | 64,007                             | -                                   | 64,007              |
| Machinery and equipment                           | 158,416                            | 143,942                             | 302,358             |
| Infrastructure and systems                        | 76,354                             | 4,073,309                           | 4,149,663           |
| Total assets                                      | <u>2,564,427</u>                   | <u>6,174,584</u>                    | <u>8,739,011</u>    |
| <b>Deferred Outflows of Resources</b>             |                                    |                                     |                     |
| Deferred outflows related to pensions             | 27,495                             | 103,512                             | 131,007             |
| Deferred outflows related to OPEB                 | 4,355                              | 7,443                               | 11,798              |
| Total deferred outflows of resources              | <u>31,850</u>                      | <u>110,955</u>                      | <u>142,805</u>      |
| <b>Liabilities</b>                                |                                    |                                     |                     |
| Accounts payable and other current liabilities    | 72,809                             | 83,129                              | 155,938             |
| Noncurrent liabilities:                           |                                    |                                     |                     |
| Due within one year                               | 70,373                             | 136,025                             | 206,398             |
| Net pension liability                             | 155,349                            | 253,465                             | 408,814             |
| Net OPEB liability                                | 21,607                             | 35,251                              | 56,858              |
| Total liabilities                                 | <u>320,138</u>                     | <u>507,870</u>                      | <u>828,008</u>      |
| <b>Deferred Inflows of Resources</b>              |                                    |                                     |                     |
| Deferred revenue - property taxes                 | 342,643                            | 361,340                             | 703,983             |
| Deferred inflows related to pensions              | 88,442                             | 274,109                             | 362,551             |
| Deferred inflows related to OPEB                  | 4,700                              | 11,353                              | 16,053              |
| Total deferred inflows of resources               | <u>435,785</u>                     | <u>646,802</u>                      | <u>1,082,587</u>    |
| <b>Net Position</b>                               |                                    |                                     |                     |
| Net investment in capital assets                  | 1,223,811                          | 5,412,176                           | 6,635,987           |
| Restricted for:                                   |                                    |                                     |                     |
| Emergency reserve                                 | 33,299                             | -                                   | 33,299              |
| Unrestricted                                      | 583,244                            | (281,309)                           | 301,935             |
| Total Net Position                                | <u>\$ 1,840,354</u>                | <u>\$ 5,130,867</u>                 | <u>\$ 6,971,221</u> |

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

**FOREST LAKES METROPOLITAN DISTRICT**  
**Statement of Activities**  
**For the Year Ended December 31, 2021**

| Functions/Programs                 | Program Revenues |                      |                                    | Net (Expense) Revenue and Changes in Net Position |                         |                          |              |
|------------------------------------|------------------|----------------------|------------------------------------|---|-------------------------|--------------------------|--------------|
|                                    | Expenses         | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions                  | Primary Government      |                          | Total        |
|                                    |                  |                      |                                    |   | Governmental Activities | Business-type Activities |              |
| Governmental activities:           |                  |                      |                                    |   |                         |                          |              |
| General government                 | \$ 402,707       | \$ 133,269           | \$ -                               | \$ -  | \$ (269,438)            | \$ -                     | \$ (269,438) |
| Public works/streets               | 388,325          | 168,595              | -                                  | -   | (219,730)               | -                        | (219,730)    |
| Parks and recreation               | 62,019           | -                    | 7,294                              | -   | (54,725)                | -                        | (54,725)     |
| Total governmental activities      | 853,051          | 301,864              | 7,294                              | -   | (543,893)               | -                        | (543,893)    |
| Business-type activities:          |                  |                      |                                    |   |                         |                          |              |
| Water                              | 680,284          | 508,297              | -                                  | -   | -                       | (171,987)                | (171,987)    |
| Sewer                              | 469,910          | 319,171              | -                                  | -   | -                       | (150,739)                | (150,739)    |
| Total business-type activities     | 1,150,194        | 827,468              | -                                  | -   | -                       | (322,726)                | (322,726)    |
| Total primary government           | \$ 2,003,245     | \$ 1,129,332         | \$ 7,294                           | \$ -  | (543,893)               | (322,726)                | (866,619)    |
| General Revenues:                  |                  |                      |                                    |   |                         |                          |              |
| Taxes:                             |                  |                      |                                    |   |                         |                          |              |
| Property tax                       |                  |                      |                                    |   | 324,733                 | 337,986                  | 662,719      |
| Specific ownership                 |                  |                      |                                    |   | 73,771                  | -                        | 73,771       |
| Highway users tax                  |                  |                      |                                    |   | 54,713                  |                          | 54,713       |
| Unrestricted investment earnings   |                  |                      |                                    |   | 571                     | 300                      | 871          |
| Other revenues                     |                  |                      |                                    |   | 32,219                  | -                        | 32,219       |
| Total general revenues & transfers |                  |                      |                                    |   | 486,007                 | 338,286                  | 824,293      |
| Change in net position             |                  |                      |                                    |   | (57,886)                | 15,560                   | (42,326)     |
| Net position - beginning           |                  |                      |                                    |   | 1,898,240               | 5,115,307                | 7,013,547    |
| Net position - ending              |                  |                      |                                    |   | \$ 1,840,354            | \$ 5,130,867             | \$ 6,971,221 |

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

**FOREST LAKES METROPOLITAN DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2021**

|  | General<br>Fund |
|--|-----------------|
| <b>Assets</b>  |                 |
| Cash and cash equivalents  | \$ 885,828      |
| Accounts receivable, net of allowances                                 | 31,776          |
| Property tax receivable  | 362,353         |
| Due from county treasurer  | 1,368           |
| Inventories  | 59,291          |
| Total assets   | \$ 1,340,616    |
| <b>Liabilities</b>   |                 |
| Accounts payable   | \$ 62,626       |
| Accrued liabilities  | 10,183          |
| Total liabilities  | 72,809          |
| <b>Deferred Inflows of Resources</b>                                   |                 |
| Deferred revenue - property taxes                                      | 342,643         |
| Total deferred inflows of resources                                    | 342,643         |
| <b>Fund Balances</b>   |                 |
| Nonspendable:  |                 |
| Inventories  | 59,291          |
| Restricted for:  |                 |
| Emergency reserve  | 33,299          |
| Unassigned   | 832,574         |
| Total fund balances  | 925,164         |
| Total liabilities, deferred inflows of resources, and<br>fund balances | \$ 1,340,616    |

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

**FOREST LAKES METROPOLITAN DISTRICT**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**December 31, 2021**

Amounts reported for governmental activities in the statement of net position are different because:

|   |  |    |              |
|---|--|----|--------------|
| Total fund balances - governmental funds  |  | \$ | 925,164      |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.   |  |    |              |
| Governmental capital assets   |  |    | 1,987,690    |
| Accumulated depreciation  |  |    | (763,879)    |
|   |  |    | 1,223,811    |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.  |  |    |              |
| Capital leases payable  |  |    |              |
| Notes payable   |  |    | (57,788)     |
| Net pension liability   |  |    | (155,349)    |
| Net OPEB liability  |  |    | (21,607)     |
| Compensated absences  |  |    | (12,585)     |
|   |  |    | (247,329)    |
| Deferred outflows and inflows of resources related to pensions and net pension assets are applicable to future reporting periods and therefore are not reported in the funds. |  |    |              |
| Deferred outflows   |  |    | 31,850       |
| Deferred inflows  |  |    | (93,142)     |
|   |  |    | (61,292)     |
| Total net position - governmental activities  |  |    | \$ 1,840,354 |

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

**FOREST LAKES METROPOLITAN DISTRICT**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balances - Governmental Funds**  
**For the Year Ended December 31, 2021**

|   | General<br>Fund |
|---|-----------------|
| <b>Revenues</b>                                 |                 |
| Taxes   | \$ 453,217      |
| Intergovernmental                               | 7,294           |
| Charges for services                            | 279,038         |
| Impact fees                                     | 7,794           |
| Interest income                                 | 571             |
| Special assessment fees                         | 2,655           |
| Other revenues                                  | 44,596          |
| Total revenues                                  | 795,165         |
| <b>Expenditures</b>                             |                 |
| Current   |                 |
| Roads   | 424,304         |
| Recreation                                      | 62,482          |
| General and administrative                      | 408,130         |
| Capital outlay                                  | 88,246          |
| Treasurer and paying agent fees                 | 9,478           |
| Total expenditures                              | 992,640         |
| Excess of revenues<br>over (under) expenditures | (197,475)       |
| <b>Other financing sources (uses):</b>          |                 |
| Debt proceeds                                   | 57,788          |
| Total other financing<br>sources (uses)         | 57,788          |
| Net change in fund balances                     | (139,687)       |
| Fund balance, beginning of year                 | 1,064,851       |
| Fund balance, end of year                       | \$ 925,164      |

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

**FOREST LAKES METROPOLITAN DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Year Ended December 31, 2021**

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Amounts reported for governmental activities in the statement of activities are different because:

|  |  |    |           |
|--|--|----|-----------|
| Net change in fund balances - total governmental funds   |  | \$ | (139,687) |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.</p>  |  |    |           |
| Capital outlay   |  |    | 114,013   |
| Depreciation expense   |  |    | (45,686)  |
|  |  |    | 68,327    |
| <p>The net effect of various transactions involving capital assets (i.e. sales and donations) is to decrease net position.</p>   |  |    |           |
|  |  |    | (1,019)   |
| <p>Repayment of long term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>  |  |    |           |
|  |  |    | -         |
| <p>Issuance of long-term debt provides current financial resources in the governmental funds but increases long-term liabilities in the statement of net position.</p>   |  |    |           |
|  |  |    | (57,788)  |
| <p>Compensated absences 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.</p>   |  |    |           |
|  |  |    | 7,615     |
| <p>Pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension and OPEB liability is measured a year before the District's report date. Pension/OPEB expense, which is the change in the net pension and OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pension/OPEB, is reported in the Statement of Activities.</p> |  |    |           |
| Pension and OPEB contributions   |  |    | 32,288    |
| Pension and OPEB expense   |  |    | 32,378    |
|  |  |    | 64,666    |
| Change in net position of governmental activities  |  | \$ | (57,886)  |

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

**FOREST LAKES METROPOLITAN DISTRICT**  
**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2021**

|   | Water<br>Fund       | Sewer<br>Fund       | Combined<br>Total   |
|---|---------------------|---------------------|---------------------|
| <b>Assets</b>                               |                     |                     |                     |
| Current assets:                             |                     |                     |                     |
| Cash and cash equivalents                   | \$ 181,441          | \$ -                | \$ 181,441          |
| Due from county treasurer                   | 973                 | 701                 | 1,674               |
| Accounts receivable (net of allowance)      | 34,150              | 17,160              | 51,310              |
| Property taxes receivable                   | 153,060             | 194,632             | 347,692             |
| Due from other funds                        | 276,077             | -                   | 276,077             |
| Prepaid expenses                            | -                   | -                   | -                   |
| Inventory                                   | 55,068              | 9,647               | 64,715              |
| Total current assets                        | <u>700,769</u>      | <u>222,140</u>      | <u>922,909</u>      |
| Noncurrent assets:                          |                     |                     |                     |
| Land  | 529,309             | 248,033             | 777,342             |
| Water reservoir                             | 249,042             | -                   | 249,042             |
| Water rights                                | 94,167              | -                   | 94,167              |
| Construction in progress                    | 88,246              | 88,246              | 176,492             |
| Buildings                                   | 37,781              | 37,781              | 75,562              |
| Improvements and system                     | 4,489,222           | 2,836,540           | 7,325,762           |
| Machinery and equipment                     | 294,393             | 233,460             | 527,853             |
| Accumulated depreciation                    | <u>(2,185,893)</u>  | <u>(1,512,575)</u>  | <u>(3,698,468)</u>  |
| Total noncurrent assets                     | <u>3,596,267</u>    | <u>1,931,485</u>    | <u>5,527,752</u>    |
| <b>Total assets</b>                         | <u>4,297,036</u>    | <u>2,153,625</u>    | <u>6,450,661</u>    |
| <b>Deferred outflows of resources</b>       |                     |                     |                     |
| Deferred outflows related to pensions       | 60,104              | 43,408              | 103,512             |
| Deferred outflows related to OPEB           | 4,322               | 3,121               | 7,443               |
| <b>Total deferred outflows of resources</b> | <u>64,426</u>       | <u>46,529</u>       | <u>110,955</u>      |
| <b>Liabilities</b>                          |                     |                     |                     |
| Current liabilities:                        |                     |                     |                     |
| Accounts payable                            | 44,556              | 33,671              | 78,227              |
| Accrued liabilities                         | 2,846               | 2,056               | 4,902               |
| Due to other funds                          | -                   | 276,077             | 276,077             |
| Loans payable - current                     | 57,788              | 57,788              | 115,576             |
| Compensated absences                        | 11,896              | 8,553               | 20,449              |
| Total current liabilities                   | <u>117,086</u>      | <u>378,145</u>      | <u>495,231</u>      |
| Noncurrent liabilities:                     |                     |                     |                     |
| Net pension liability                       | 147,173             | 106,292             | 253,465             |
| Net OPEB liability                          | 20,468              | 14,783              | 35,251              |
| Total noncurrent liabilities                | <u>167,641</u>      | <u>121,075</u>      | <u>288,716</u>      |
| Total liabilities                           | <u>284,727</u>      | <u>499,220</u>      | <u>783,947</u>      |
| <b>Deferred inflows of resources</b>        |                     |                     |                     |
| Deferred property tax revenue               | 155,218             | 206,122             | 361,340             |
| Deferred inflows related to pensions        | 159,160             | 114,949             | 274,109             |
| Deferred inflows related to OPEB            | 6,592               | 4,761               | 11,353              |
| <b>Total deferred inflows of resources</b>  | <u>320,970</u>      | <u>325,832</u>      | <u>646,802</u>      |
| <b>Net position</b>                         |                     |                     |                     |
| Net investment in capital assets            | 3,538,479           | 1,873,697           | 5,412,176           |
| Unrestricted                                | 217,286             | (498,595)           | (281,309)           |
| Total net position                          | <u>\$ 3,755,765</u> | <u>\$ 1,375,102</u> | <u>\$ 5,130,867</u> |

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

**FOREST LAKES METROPOLITAN DISTRICT**  
**Statement Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2021**

|  | Water<br>Fund       | Sewer<br>Fund       | Combined<br>Total   |
|--|---------------------|---------------------|---------------------|
| <b>Operating revenues</b>                |                     |                     |                     |
| Charges for services                     | \$ 389,144          | \$ 201,106          | \$ 590,250          |
| Total operating revenues                 | 389,144             | 201,106             | 590,250             |
| <b>Operating expenses</b>                |                     |                     |                     |
| Source of supply                         | 89,691              | -                   | 89,691              |
| Treatment                                | 13,063              | 119,643             | 132,706             |
| Transmission                             | 157,217             | 126,836             | 284,053             |
| Administrative                           | 304,099             | 142,460             | 446,559             |
| Depreciation                             | 111,958             | 75,361              | 187,319             |
| Total operating expenses                 | 676,028             | 464,300             | 1,140,328           |
| Operating income (loss)                  | (286,884)           | (263,194)           | (550,078)           |
| <b>Non-operating revenues (expenses)</b> |                     |                     |                     |
| General property taxes                   | 145,571             | 191,889             | 337,460             |
| Special assessment                       | 2,655               | 2,680               | 5,335               |
| Penalty and interest                     | 227                 | 299                 | 526                 |
| Tap fees                                 | 106,258             | 108,058             | 214,316             |
| Impact fees                              | 8,381               | 5,681               | 14,062              |
| Late fees and tap interest               | 1,859               | 1,646               | 3,505               |
| Interest income                          | 151                 | 149                 | 300                 |
| Treasurer and paying agent fees          | (4,256)             | (5,610)             | (9,866)             |
| Total non-operating revenues (expenses)  | 260,846             | 304,792             | 565,638             |
| <b>Change in net position</b>            | (26,038)            | 41,598              | 15,560              |
| Total net position, beginning of year    | 3,781,803           | 1,333,504           | 5,115,307           |
| <b>Total net position, end of year</b>   | <u>\$ 3,755,765</u> | <u>\$ 1,375,102</u> | <u>\$ 5,130,867</u> |

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

**FOREST LAKES METROPOLITAN DISTRICT**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2021**

|   | Water<br>Fund       | Sewer<br>Fund       | Combined<br>Total   |
|---|---------------------|---------------------|---------------------|
| <b>Cash flows from operating activities:</b>                                      |                     |                     |                     |
| Cash received from customers  | \$ 378,155          | \$ 197,869          | \$ 576,024          |
| Cash paid to suppliers  | (254,222)           | (155,695)           | (409,917)           |
| Cash paid to employees  | (278,964)           | (206,221)           | (485,185)           |
| Net cash flows from operating activities  | <u>(155,031)</u>    | <u>(164,047)</u>    | <u>(319,078)</u>    |
| <b>Cash flows from noncapital financing activities:</b>                           |                     |                     |                     |
| Property taxes  | 149,749             | 201,796             | 351,545             |
| Treasurer and paying agent fees   | (4,256)             | (5,610)             | (9,866)             |
| Other receipts  | 1,859               | 1,646               | 3,505               |
| Repayment of interfund loan   | (53,001)            | (63,009)            | (116,010)           |
| Net cash flows from noncapital financing activities                               | <u>94,351</u>       | <u>134,823</u>      | <u>229,174</u>      |
| <b>Cash flows from capital and related financing activities:</b>                  |                     |                     |                     |
| Purchase of capital assets  | (154,469)           | (142,452)           | (296,921)           |
| Principal paid on long-term debt  |                     |                     | -                   |
| Debt proceeds   | 57,788              | 57,788              | 115,576             |
| Tap and impact fees   | 114,637             | 113,739             | 228,376             |
| Net cash flows from capital and related financing activities                      | <u>17,956</u>       | <u>29,075</u>       | <u>47,031</u>       |
| <b>Cash flows from investing activities:</b>                                      |                     |                     |                     |
| Interest income   | 151                 | 149                 | 300                 |
| Net change in cash and cash equivalents   | (42,573)            | -                   | (42,573)            |
| Cash and cash equivalents,<br>including restricted cash beginning of year         | 224,014             | -                   | 224,014             |
| <b>Cash and cash equivalents,<br/>including restricted cash end of year</b>       | <u>\$ 181,441</u>   | <u>\$ -</u>         | <u>\$ 181,441</u>   |
| Reconciliation of operating income to net cash provided by operating activities:  |                     |                     |                     |
| Net operating income (loss)   | \$ (286,884)        | \$ (263,194)        | \$ (550,078)        |
| Adjustments to reconcile net income to net cash provided by operating activities: |                     |                     |                     |
| Depreciation/amortization   | 111,958             | 75,361              | 187,319             |
| Pension/OPEB expense  | 21,306              | 15,387              | 36,693              |
| Employer pension/OPEB contributions   | (39,307)            | (28,388)            | (67,695)            |
| Changes in operating assets and liabilities:                                      |                     |                     |                     |
| (Increase)/decrease in receivables  | (10,989)            | (3,237)             | (14,226)            |
| (Increase)/decrease in prepaid expenses   | 11,526              | 11,529              | 23,055              |
| (Increase)/decrease in inventory  | -                   | -                   | -                   |
| Increase/(decrease) in payables   | 44,556              | 33,671              | 78,227              |
| Increase/(decrease) in accrued liabilities  | (7,197)             | (5,176)             | (12,373)            |
| Increase/(decrease) in deferred revenue   | -                   | -                   | -                   |
| Net cash flows from operating activities  | <u>\$ (155,031)</u> | <u>\$ (164,047)</u> | <u>\$ (319,078)</u> |

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

**FOREST LAKES METROPOLITAN DISTRICT**  
**Statement of Fiduciary Net Position**  
**Bond Escrow Agency Fund**  
**For the Year Ended December 31, 2021**

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|                           | <u>Bond Escrow<br/>Agency Fund</u> |
|---------------------------|------------------------------------|
| <b>Assets</b>             |                                    |
| Cash and cash equivalents | <u>\$ 126,654</u>                  |
| Total assets              | <u><u>\$ 126,654</u></u>           |
| <b>Liabilities</b>        |                                    |
| Matured principal payable | \$ 95,000                          |
| Matured interest payable  | <u>31,654</u>                      |
| Total liabilities         | <u><u>\$ 126,654</u></u>           |

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

**FOREST LAKES METROPOLITAN DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2021**

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

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Forest Lakes Metropolitan District is a political subdivision of the State of Colorado. The District was organized and established pursuant to a court order on July 18, 1973. The District currently provides water and sanitation facilities, recreation services and road maintenance operations within the District boundaries.

**Reporting Entity**

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria above, the District is not financially accountable for any other entity, nor is the District a component unit of any other government.

**Description of Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**Basis of Presentation – Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

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

**FOREST LAKES METROPOLITAN DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2021**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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**Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the government's funds. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

The **General Fund** is used to account for all financial resources of the District except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Colorado and the bylaws of the District.

The District reports the following major enterprise funds:

The **Water Fund** accounts for the activities related to the District's water wells, treatment facilities and distribution operations.

The **Sewer Fund** accounts for the activities related to the District's sewer collection and treatment operations.

Additionally, the District reports a fiduciary fund:

The **Bond Escrow Fund** is used to account for bearer bonds related to general obligation bonds from prior years. The District is acting as escrow agent on the bonds.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

**FOREST LAKES METROPOLITAN DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2021**

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**Note 1.           Summary of Significant Accounting Policies, Continued**

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Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

**Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, other taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

**FOREST LAKES METROPOLITAN DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2021**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

***Deposits and Investments***

The District's cash and cash equivalents are considered to be cash-on-hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition for purposes of this note and the statement of cash flows.

***Receivables and Payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to" or "due from other funds. All trade accounts receivable are shown net of an allowance for uncollectible accounts.

***Inventories***

Governmental fund-type inventories consist of gravel materials for streets and are valued at the lower of cost or market. Inventories for business type activities consist of various parts and supplies and are valued at the lower of cost or market.

***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 activity columns in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of more than \$1,000 and an estimated useful life of three years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

|                                   |                |
|-----------------------------------|----------------|
| Buildings and improvements        | 10 to 40 years |
| Utility plant and improvements    | 20 to 50 years |
| Machinery, equipment and vehicles | 5 to 10 years  |
| Infrastructure                    | 15 to 50 years |

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government has two item that qualifies for

**FOREST LAKES METROPOLITAN DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2021**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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reporting in this category. It is pension and OPEB related items reported on the proprietary funds statement of net position and the government-wide financial statement. See Note 8 and 9 for more information.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has three items that qualify for reporting in this category. Accordingly, the item, *deferred revenue – property taxes*, is reported in both the governmental funds balance sheet and the statement of net position. The items, *deferred inflows related to pensions* and *deferred inflows related to OPEB*, are reported only in the government-wide financial statements (see Note 8 and 9). These amounts are deferred and recognized as an inflow of resources in the period that the amounts were levied for or become available.

***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position of the Colorado Public Employees' Retirement Association (PERA) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Postemployment Benefits Other than Pensions (OPEB)***

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Town's OPEB plan and additions to/deductions from the Plans' fiduciary net position have been determined based on annual actuarial reports. Benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Net Position Flow Assumption***

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

***Fund Balance Flow assumptions***

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental

**FOREST LAKES METROPOLITAN DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2021**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

***Fund Balance Policies***

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The District's Board of Directors is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. District management is authorized to assign amounts to a specific purpose in accordance with the District's budget policy. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**Revenues and Expenditures/Expenses**

***Program Revenues***

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**FOREST LAKES METROPOLITAN DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2021**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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***Property Taxes***

Property tax revenues are recognized as revenues in the year collected or if collected within 60 days thereafter unless they are prepaid. Property taxes levied in the current year and not collected within 60 days of year-end are not deemed available to pay current liabilities and therefore the receivable is recorded as a deferred inflow in the governmental funds. Property taxes for the current year are levied by the County and attach as a lien on property the following January 1. They are payable in full by April 30 or in two equal installments due February 28 and June 15. The County also levies various personal property taxes during the year.

***Compensated Absences***

Vacation and sick leave with pay are provided to employees of the District. Vacation leave is accrued based on length of employment with two weeks per year for four or less years of service, three weeks with five to nine years of service and four weeks for ten or more years of service. Accrued vacation not taken is paid upon termination. Employees are not allowed to carryover more than two weeks of vacation to a succeeding year without board approval. Sick leave is accrued at a rate of eight hours per month and unused sick leave over 192 hours is paid annually to employees. Upon termination, unused sick leave is paid out based on employee length of service. Employees with 0-4 years of service are not paid for any accrued sick leave. Employees with 5-9 years of service are paid 50% of their accrued sick leave. Employees with 10+ years of service receive 100% of their accrued sick leave at termination.

***Proprietary Funds Operating and Nonoperating Revenues and Expenses***

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 a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**FOREST LAKES METROPOLITAN DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2021**

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**Note 2. Reconciliation of Government-Wide and Fund Financial Statements**

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The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. These differences primarily result from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation.

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**Note 3. Stewardship, Compliance, and Accountability**

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Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the District. The use of budgets and monitoring of equity status facilitate the District's compliance with legal requirements.

**Budgets and Budgetary Accounting**

The District's Board of Directors adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- In accordance with State statutes, prior to October 15, the proposed operating budget is submitted to the Board of Directors. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The State statutes require more detailed line item budgets be submitted in summary form. In addition, more detailed line item budgets are included for administration control. The level of control for the detailed budgets is at the Fund level.
- Public hearings are conducted to obtain taxpayer comment.
- Prior to December 31, the budget is legally adopted through passage of a resolution.
- Appropriations lapse at the end of each calendar year.
- The Board of Directors may authorize supplemental appropriations during the year.

Budget amounts included in the financial statements report both the original and final amended budget. There were no revisions made to the original budget during the year.

**FOREST LAKES METROPOLITAN DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2021**

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**Note 3. Stewardship, Compliance, and Accountability, Continued**

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Budgets for governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America, except for long-term receivables and advances and capital lease financing which are budgeted when liquidated rather than when the receivable/liability is incurred. Budgets for enterprise funds are adopted on a basis consistent with the spending measurement focus of the governmental funds.

**Expenditures over Appropriations**

Per C.R.S. 29-1-108(2), appropriations are made by fund or spending agency (e.g. department) within a fund at the discretion of the Board of Directors. The Board by Resolution has made appropriations at the fund level and thus, expenditures may not legally exceed budgeted appropriations at the fund level. The individual Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual reports as listed in the table of contents report those funds that exceeded approved budget appropriations.

**Tax, Spending and Debt Limitations**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation.

The Amendment requires that an emergency reserve be maintained at three percent of fiscal year spending (excluding bonded debt service). A portion of the General Fund's fund balance is classified as restricted for emergencies as required by the Amendment. The District is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District believes it is in compliance with the requirements of the Amendment. However, the entity has made certain interpretations in the Amendment's language in order to determine its compliance.

**FOREST LAKES METROPOLITAN DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2021**

**Note 4. Deposits and Investments**

A summary of cash and investments as shown on the statement of net position follows:

|                            |                     |
|----------------------------|---------------------|
| Cash on hand               | \$ 100              |
| Cash in bank               | 491,345             |
| Colostrust                 | <u>702,478</u>      |
| Total cash and investments | <u>\$ 1,193,923</u> |
|                            |                     |
| Governmental activities    | \$ 885,828          |
| Business-type activities   | 181,441             |
| Agency Fund                | <u>126,654</u>      |
|                            | <u>\$ 1,193,923</u> |

**Deposits**

*Custodial Credit Risk*

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it.

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. The PDPA allows the institution 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 the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits. Collateral in the pool is considered to be equal to depository insurance pursuant to definitions listed in GASB Statement No. 40. At December 31, 2021 cash on hand was \$100 and the carrying amount of the District's deposits was \$491,345. As of December 31, 2021 the bank balance of the District's deposits was \$491,327 of which all was insured by federal depository insurance. The \$702,478 in COLOTRUST and any additional bank balance was collateralized by the PDPA as noted above.

**Investments**

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. Authorized investments include obligations of the United States and certain U.S. government agency securities; certain international agency securities; general obligation and revenue bonds of U.S. local government entities; bankers' acceptances of certain banks; commercial paper; local government investment pools; written repurchase agreements collateralized by certain authorized securities; certain money market funds; and, guaranteed investment contracts. The District's investment policy follows Colorado statutes. At December 31, 2020 the District's investments included funds held in the Colorado Government Liquid Asset Trust (COLOTRUST).

The COLOTRUST is an investment vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST operates similarly to a money market fund and each share is equal in value

**FOREST LAKES METROPOLITAN DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2021**

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**Note 4. Deposits and Investments, Continued**

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to \$1.00. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities.

A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with direct investment and withdrawal functions of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTRUST. These pools are not required to and are not registered with the SEC.

As of December 31, 2021 the District had \$702,478 invested in the COLOTRUST and maturities of less than one year. The COLOTRUST's funds are rated AAA by Standard and Poor's, Fitch's and Moody's rating services.

**Interest rate risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the provisions of the Colorado Public Deposit Protection Act (PDPA) which requires that the District's investment portfolio maturities do not exceed five years from the time of purchase.

**Credit risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the provisions of the Colorado Public Deposit Protection Act (PDPA) which limits investment in commercial paper and corporate bonds to the top ratings issued by at least two nationally recognized statistical rating organizations such as Standard & Poor's and Moody's Investor Services.

**Fair value measurements**

Governmental Accounting Standards Board Statement No. 72 (GASB 72) *Fair Value Measurement and Application* establishes a hierarchy of inputs to valuation techniques used to measure fair value and requires disclosures to be made about investment fair value measurements, the level of fair value hierarchy, and valuation techniques. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not hold any investments in 2020 that are measured at fair value.

During the year, the District invested in COLOTRUST, a local government investment pool. The valuation is measured at net asset value and is designed to approximate the share value. The pool's Board of Trustees, elected by the participants, is responsible for overseeing the management of COLOTRUST, including establishing operating standards and policies. COLOTRUST is designed to provide local governments with a convenient method for investing in short-term investments carefully chosen to provide maximum safety and liquidity, while still maximizing interest earnings.

**FOREST LAKES METROPOLITAN DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2021**

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**Note 5. Capital Assets**

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The following table summarizes the changes to capital assets for governmental activities during the year.

| <b>Governmental Activities:</b>              | <b>Balance<br/>12/31/2020</b> | <b>Additions</b> | <b>Deletions</b>  | <b>Balance<br/>12/31/2021</b> |
|--|-------------------------------|------------------|-------------------|-------------------------------|
| Capital assets, not being depreciated:       |                               |                  |                   |                               |
| Land   | \$ 788,548                    | \$ -             | \$ -              | \$ 788,548                    |
| Construction in progress                     | -                             | 88,246           | -                 | 88,246                        |
| Total capital assets, not being depreciated  | <u>788,548</u>                | <u>88,246</u>    | <u>-</u>          | <u>876,794</u>                |
| Capital assets, being depreciated:           |                               |                  |                   |                               |
| Buildings                                    | 122,103                       | -                | -                 | 122,103                       |
| Recreational facilities                      | 145,270                       | 20,727           | -                 | 165,997                       |
| Machinery and equipment                      | 569,005                       | 5,040            | (17,652)          | 556,393                       |
| Infrastructure                               | 266,403                       | -                | -                 | 266,403                       |
| Total capital assets, being depreciated      | <u>1,102,781</u>              | <u>25,767</u>    | <u>(17,652)</u>   | <u>1,110,896</u>              |
| Less accumulated depreciation for:           |                               |                  |                   |                               |
| Buildings                                    | (70,035)                      | (3,828)          | -                 | (73,863)                      |
| Recreational facilities                      | (96,671)                      | (5,319)          | -                 | (101,990)                     |
| Machinery and equipment                      | (383,399)                     | (31,211)         | 16,633            | (397,977)                     |
| Infrastructure                               | (184,721)                     | (5,328)          | -                 | (190,049)                     |
| Total accumulated depreciation               | <u>(734,826)</u>              | <u>(45,686)</u>  | <u>16,633</u>     | <u>(763,879)</u>              |
| Total capital assets, being depreciated, net | <u>367,955</u>                | <u>(19,919)</u>  | <u>(1,019)</u>    | <u>347,017</u>                |
| Governmental activities capital assets, net  | <u>\$ 1,156,503</u>           | <u>\$ 68,327</u> | <u>\$ (1,019)</u> | <u>\$ 1,223,811</u>           |

Depreciation expense was charged to the functions/programs of the Town as follows:

|  |                  |
|--|------------------|
| <b>Governmental Activities:</b>                      |                  |
| General government                                   | \$ 35,039        |
| Public works/streets                                 | 5,328            |
| Parks & recreation                                   | 5,319            |
| Total depreciation expense - governmental activities | <u>\$ 45,686</u> |

**FOREST LAKES METROPOLITAN DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2021**

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**Note 5. Capital Assets, Continued**

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The following table summarizes the changes to capital assets for business-type activities during the year.

| <b>Business Type Activities:</b>             | <b>Balance<br/>12/31/2020</b> | <b>Additions</b>  | <b>Deletions</b> | <b>Balance<br/>12/31/2021</b> |
|--|-------------------------------|-------------------|------------------|-------------------------------|
| Capital assets not being depreciated:        |                               |                   |                  |                               |
| Land and water rights                        | \$ 1,120,551                  | \$ -              | \$ -             | \$ 1,120,551                  |
| Construction in progress                     | -                             | 176,492           | -                | 176,492                       |
| Total capital assets, not being depreciated  | <u>1,120,551</u>              | <u>176,492</u>    | <u>-</u>         | <u>1,297,043</u>              |
| Capital assets being depreciated:            |                               |                   |                  |                               |
| Buildings                                    | 75,562                        | -                 | -                | 75,562                        |
| Plant and transmission lines                 | 7,261,317                     | 64,445            | -                | 7,325,762                     |
| Machinery and equipment                      | 494,049                       | 55,984            | (22,180)         | 527,853                       |
| Total capital assets, being depreciated      | <u>7,830,928</u>              | <u>120,429</u>    | <u>(22,180)</u>  | <u>7,929,177</u>              |
| Less accumulated depreciation for:           |                               |                   |                  |                               |
| Buildings                                    | (60,070)                      | (2,034)           | -                | (62,104)                      |
| Plant and transmission lines                 | (3,095,512)                   | (156,940)         | -                | (3,252,452)                   |
| Machinery and equipment                      | (377,747)                     | (28,344)          | 22,180           | (383,911)                     |
| Total accumulated depreciation               | <u>(3,533,329)</u>            | <u>(187,318)</u>  | <u>22,180</u>    | <u>(3,698,467)</u>            |
| Total capital assets, being depreciated, net | <u>4,297,599</u>              | <u>(66,889)</u>   | <u>-</u>         | <u>4,230,710</u>              |
| Business-type activities capital assets, net | <u>\$ 5,418,150</u>           | <u>\$ 109,603</u> | <u>\$ -</u>      | <u>\$ 5,527,753</u>           |

Depreciation expense was charged to the functions/programs of the Town as follows:

**Business-Type Activities:**

|   |                   |
|---|-------------------|
| Water   | \$ 111,957        |
| Sewer   | 75,361            |
| Total depreciation expense - business-type activities | <u>\$ 187,318</u> |

**FOREST LAKES METROPOLITAN DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2021**

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**Note 6. Long-Term Liabilities**

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The following is a summary of changes in long-term obligations for the year ended December 31, 2021:

|                                      | Balance<br>12/31/2020 | Additions         | Retirements         | Balance<br>12/31/2021 | Current<br>Portion |
|--------------------------------------|-----------------------|-------------------|---------------------|-----------------------|--------------------|
| <b>Governmental Activities:</b>      |                       |                   |                     |                       |                    |
| Direct borrowing - construction loan | \$ -                  | \$ 57,788         | \$ -                | \$ 57,788             | \$ 57,788          |
| Net pension liability                | 216,177               | -                 | (60,828)            | 155,349               | -                  |
| Net OPEB liability                   | 25,444                | -                 | (3,837)             | 21,607                | -                  |
| Compensated absences                 | 20,200                | 16,619            | (24,234)            | 12,585                | 12,585             |
| Total Governmental activity          |                       |                   |                     |                       |                    |
| Long-term liabilities                | <u>\$ 261,821</u>     | <u>\$ 74,407</u>  | <u>\$ (88,899)</u>  | <u>\$ 247,329</u>     | <u>\$ 70,373</u>   |
| <b>Business-Type Activities:</b>     |                       |                   |                     |                       |                    |
| Direct borrowing - construction loan | \$ -                  | \$ 115,577        | \$ -                | \$ 115,577            | \$ 115,577         |
| Net pension liability                | 352,710               | -                 | (99,245)            | 253,465               | -                  |
| Net OPEB liability                   | 41,514                | -                 | (6,262)             | 35,252                | -                  |
| Compensated absences                 | 32,822                | 27,004            | (39,377)            | 20,449                | 20,449             |
| Total Business-type activity         |                       |                   |                     |                       |                    |
| Long-term liabilities                | <u>\$ 427,046</u>     | <u>\$ 142,581</u> | <u>\$ (144,884)</u> | <u>\$ 424,743</u>     | <u>\$ 136,026</u>  |

The construction loan was paid in full in 2022 and replaced by permanent financing for the District's new administration building.

For governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

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**Note 7. Interfund Receivables, Payables and Transfers**

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As of December 31, 2021, interfund receivables and payables that resulted from various interfund transactions were as follows:

|            | Due from<br>Other Funds | Due to<br>Other Funds |
|------------|-------------------------|-----------------------|
| Water Fund | \$ 276,077              | \$ -                  |
| Sewer Fund | -                       | 276,077               |
|            | <u>\$ 276,077</u>       | <u>\$ 276,077</u>     |

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**FOREST LAKES METROPOLITAN DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2021**

**Note 8. Pension Plans**

**Defined Benefit Pension Plan**

**Plan description** – Eligible employees of the District participate in the Local Government Division Trust Fund (LGDTF). This is a cost-sharing multiple-employer defined benefit pension plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 67 and is administered by the Colorado Public Employees’ Retirement Association (PERA). PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained on the PERA’s website at [www.copera.org](http://www.copera.org).

**Benefits provided** - Employees are eligible for retirement benefits upon reaching (a) age 65 with five or more years of credited service, (b) age 60 with 20 or more years of credited service or (c) age 55 with 30 or more years of service. Such benefits are equivalent to 2.4 percent of their Final Average Salary (FAS) during their highest paid three years of service prior to retirement for each year of service up to 20 years, and 1 percent for each year over 20 years. The maximum benefit available is 70 percent of their FAS. Participants may elect to receive their benefits in the form of single life or joint life payments. The Association also provides death and disability benefits. Benefits are established by State statute.

**Contributions** - The District and participant contributions are defined by State Statute. For 2021 and 2020, participants are required to contribute 8.5% and 8.5%, respectively, of their annual salary to the PERA. Participants’ contributions are fully refundable, without interest, upon request at termination of employment from the District. If participants have at least five years of credited service, they are eligible to receive a future monthly retirement benefit. Any refund of contributions paid waives all future rights to any benefits.

PERA’s funding policy also requires contributions by the District of 13.18% in 2020 and 12.68% in 2019 of the participants’ salaries. These contributions are credited to the participant’s division for the purpose of creating actuarial reserves so each employee’s benefits will be fully provided for upon retirement.

The District's contributions for the current and 2 preceding fiscal years, all of which were equal to the required contributions, were as follows:

| Year Ending<br>December 31, | Retirement<br>Fund |
|-----------------------------|--------------------|
| 2019                        | \$ 67,919          |
| 2020                        | 71,609             |
| 2021                        | 78,865             |

**Pension liability** – At December 31, 2021, the District reported a liability of \$408,814 for its proportionate share of the LGDTF net pension asset/liability. The net pension liability/asset was measured as of December 31, 2020. The total pension liability used to calculate the net pension liability was determined using an actuarial valuation as of December 31, 2019. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended December 31, 2020. The District's proportion measured as of December 31, 2020, was 0.078448 percent, which was an increase of 0.000667 percent from the proportions measured as of December 31, 2019.

**FOREST LAKES METROPOLITAN DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2021**

**Note 8. Pension Plans, Continued**

**Pension expense and deferred outflows/inflows of resources** – For the year ended December 31, 2021, the District recognized pension expense for LGDTF of \$35,153. At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---|---|--|
| Differences between expected and actual experience  | \$ 19,766                                     | \$ -   |
| Changes in assumptions  | 98,794  | -  |
| Net difference between projected and actual earnings on pension plan investments                    | -   | 442,110                                      |
| Changes in proportion and differences between contributions and proportional share of contributions | (30,469)                                      | -  |
| Contributions subsequent to the measurement date  | 78,865  | -  |
| Total   | \$ 166,956                                    | \$ 442,110                                   |

The \$78,865 reported as deferred outflows of resources related to LGDTF pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to LGDTF pensions will be recognized in pension expense as follows:

| <b>Year Ending<br/>December 31</b> | <b>Deferred<br/>Outflows<br/>(Inflows) of<br/>Resources</b> |
|------------------------------------|---|
| 2021                               | \$ (63,485)   |
| 2022                               | (66,918)  |
| 2023                               | (153,842)   |
| 2024                               | (69,775)  |
| 2025                               | -   |
| Thereafter                         | -   |

**FOREST LAKES METROPOLITAN DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2021**

**Note 8. Pension Plans, Continued**

**Actuarial Assumptions** – The significant actuarial assumptions used to measure the total pension liability are as follows:

|   |   |
|---|---|
| Price inflation   | 2.40 percent                            |
| Real wage growth  | 1.10 percent                            |
| Wage inflation  | 3.50 percent                            |
| Salary increases, including wage inflation  | 3.50-10.45 percent                      |
| Long-term investment rate of return, net of pension plan investment expenses, including price inflation | 7.25 percent                            |
| Discount rate   | 7.25 percent                            |
| Post-retirement benefit increases:  |   |
| PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)                      | 1.25 percent                            |
| PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)                           | Financed by the Annual Increase Reserve |

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Post-retirement non-disabled mortality assumptions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

**FOREST LAKES METROPOLITAN DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2021**

**Note 8. Pension Plans, Continued**

Several factors were considered in evaluating the long-term rate of return assumption for the LGDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| Asset Class    | Target Allocation | Long-Term Expected Rate of Return |
|----------------|-------------------|-----------------------------------|
| Global Equity  | 54.00%            | 5.60%                             |
| Fixed Income   | 23.00%            | 1.30%                             |
| Private Equity | 8.50%             | 7.10%                             |
| Real Estate    | 8.50%             | 4.40%                             |
| Alternatives * | 6.00%             | 4.70%                             |
| <b>Total</b>   | <b>100%</b>       |                                   |

\* The Opportunity Fund's name changes to Alternatives, effective January 1, 2020.

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25 percent.

**Discount Rate** – The discount rate used to measure the total LGDTF pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial method and assumptions are noted above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.0 percent.
- Employee contributions were assumed to be made at the member contribution rate in effect for each year, including the scheduled increase in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

**FOREST LAKES METROPOLITAN DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2021**

**Note 8. Pension Plans, Continued**

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered AI cap, from 1.50 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the Trust Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

**Sensitivity of the proportionate share of the net pension liability to changes in the discount rate –**

The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25 percent) or 1 percentage point higher (8.25 percent) than the current rate:

|                                 | 1% Decrease | Current<br>Discount Rate | 1% Increase |
|---------------------------------|-------------|--------------------------|-------------|
|                                 | 6.25%       | 7.25%                    | 8.25%       |
|                                 |             |                          |             |
| Net pension (asset) / liability | \$ 941,746  | \$ 408,814               | \$ (36,114) |

**Pension plan fiduciary net position** – Detailed information about the pension plan's fiduciary net position is available in the separately issued PERA financial report.

**FOREST LAKES METROPOLITAN DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2021**

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**Note 8. Pension Plans, Continued**

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**Defined Contribution Pension Plan**

**Plan description** - Employees of the District that are also members of the LGDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report which includes additional information on the Voluntary Investment Program. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**Funding policy** - The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. In addition, the District does not contribute to the plan. Employees are immediately vested in their own contributions and investment earnings. For the year ended December 31, 2021, program members contributed \$500 to the Voluntary Investment Program.

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**Note 9. Other Post Employment Benefit (OPEB) Plan**

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The District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado (PERA).

**Plan description** - Eligible employees of the District are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. PERA issues a publicly available comprehensive annual financial report that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**Benefits provided** - The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

**FOREST LAKES METROPOLITAN DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2021**

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**Note 9. Other Post Employment Benefit (OPEB) Plan, Continued**

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C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

**PERA Benefit Structure** - The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

**DPS Benefit Structure** - The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

**FOREST LAKES METROPOLITAN DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2021**

**Note 9. Other Post Employment Benefit (OPEB) Plan, Continued**

**Contributions** - Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. The District's contributions for the current and 3 preceding fiscal years, all of which were equal to the required contributions, were as follows:

| Year Ending<br>December 31, | Health Care<br>Fund |
|-----------------------------|---------------------|
| 2019                        | \$ 5,464            |
| 2020                        | 5,644               |
| 2021                        | 6,103               |

**OPEB liability** - At December 31, 2021, the District reported a liability of \$56,859 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2020. The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF. At December 31, 2020, the District's proportion was .0059838 percent, which was an increase from its proportion of .000027 percent measured as of December 31, 2019.

**OPEB expense and deferred outflows/inflows of resources** – For the year ended December 31, 2021, the District recognized OPEB expense (benefit) of \$1,411. At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---|---|--|
| Differences between expected and actual experience  | \$ 151  | \$ 12,500                                    |
| Changes in assumptions  | 425   | 3,487  |
| Net difference between projected and actual earnings on OPEB plan investments                       | -   | 2,323  |
| Changes in proportion and differences between contributions and proportional share of contributions | 5,327   | -  |
| Contributions subsequent to the measurement date  | 6,103   | -  |
| Total   | \$ 12,005                                     | \$ 18,310                                    |

**FOREST LAKES METROPOLITAN DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2021**

**Note 9. Other Post Employment Benefit (OPEB) Plan, Continued**

The \$6,103 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <b>Year Ending<br/>December 31</b> | <b>Deferred<br/>Outflows<br/>(Inflows) of<br/>Resources</b> |
|------------------------------------|---|
| 2021                               | \$ (3,263)  |
| 2022                               | (2,937)   |
| 2023                               | (670)   |
| 2024                               | (3,945)   |
| 2025                               | (1,497)   |
| Thereafter                         | (96)  |

**Actuarial assumptions** - The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

|  |  |
|--|--|
| Actuarial cost method  | Entry age  |
| Price inflation  | 2.40%  |
| Real wage growth   | 1.10%  |
| Wage inflation   | 3.50%  |
| Salary increases, including wage inflation   | 3.50% in aggregate                                   |
| Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation | 7.25%  |
| Discount rate  | 7.25%  |
| Health care cost trend rates   |  |
| PERA benefit structure:  |  |
| Service-based premium subsidy  | 0.00%  |
| PERACare Medicare plans  | 8.10% in 2020, gradually decreasing to 4.50% in 2029 |
| Medicare Part A premiums   | 3.50% in 2020, gradually increasing to 4.50% in 2029 |
| DPS benefit structure:   |  |
| Service-based premium subsidy  | 0.00%  |
| PERACare Medicare plans  | N/A  |
| Medicare Part A premiums   | N/A  |

**FOREST LAKES METROPOLITAN DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2021**

**Note 9. Other Post Employment Benefit (OPEB) Plan, Continued**

The actuarial assumptions used in the December 31, 2019 valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by PERA’s Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA Board’s actuary, as needed.

Based on the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period of January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA’s Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total OPEB liability from December 31, 2019, to December 31, 2020.

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2018, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

| Year  | PERACare Medicare Plans | Medicare Part A Premiums |
|-------|-------------------------|--------------------------|
| 2020  | 8.10%                   | 3.50%                    |
| 2021  | 6.40%                   | 3.75%                    |
| 2022  | 6.00%                   | 3.75%                    |
| 2023  | 5.70%                   | 3.75%                    |
| 2024  | 5.50%                   | 3.75%                    |
| 2025  | 5.30%                   | 4.00%                    |
| 2026  | 5.10%                   | 4.00%                    |
| 2027  | 4.90%                   | 4.25%                    |
| 2028  | 4.70%                   | 4.25%                    |
| 2029+ | 4.50%                   | 4.50%                    |

**FOREST LAKES METROPOLITAN DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2021**

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**Note 9. Other Post Employment Benefit (OPEB) Plan, Continued**

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Mortality assumptions used in the December 31, 2019 valuation for the State Division, School Division, Local Government Division, and Judicial Division Trust Funds as shown below were applied, as applicable, in the December 31, 2019 valuation for the Trust Fund. Affiliated employers of these Division Trust Funds in the Trust Fund.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions used in the December 31, 2019, valuation were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following health care cost assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2020 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by the Board's actuary, as discussed above.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

**FOREST LAKES METROPOLITAN DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2021**

**Note 9. Other Post Employment Benefit (OPEB) Plan, Continued**

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

| Asset Class    | Target Allocation | Long-Term Expected<br>Geometric Real Rate of<br>Return |
|----------------|-------------------|--|
| Global Equity  | 54.00%            | 5.60%  |
| Fixed Income   | 23.00%            | 1.30%  |
| Private Equity | 8.50%             | 7.10%  |
| Real Estate    | 8.50%             | 4.40%  |
| Alternatives * | 6.00%             | 4.70%  |
| Total          | 100%              |  |

\*The Opportunity Fund's name changes to Alternatives, effective January 1, 2020.

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

**Sensitivity of the proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates** - The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

**FOREST LAKES METROPOLITAN DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2021**

**Note 9. Other Post Employment Benefit (OPEB) Plan, Continued**

|                                       | 1% Decrease<br>in Trend rates | Current<br>Trend Rates | 1% Increase<br>in Trend Rates |
|---------------------------------------|-------------------------------|------------------------|-------------------------------|
| Initial PERACare Medicare trend rate  | 7.10%                         | 8.10%                  | 9.10%                         |
| Ultimate PERACare Medicare trend rate | 3.50%                         | 4.50%                  | 5.50%                         |
| Initial Medicare Part A trend rate    | 2.50%                         | 3.50%                  | 4.50%                         |
| Ultimate Medicare Part A trend rate   | 3.50%                         | 4.50%                  | 5.50%                         |
| Net OPEB (asset) / liability          | \$ 55,390                     | \$ 56,859              | \$ 58,570                     |

**Discount rate** - The discount rate used to measure the total OPEB liability was 7.25 percent. The basis for the projection of liabilities and the FNP used to determine the discount rate was an actuarial valuation performed as of December 31, 2019 and the financial status of the Trust Fund as of the prior measurement date (December 31, 2019). In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2020, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the Trust Fund representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the HCTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

**FOREST LAKES METROPOLITAN DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2021**

**Note 9. Other Post Employment Benefit (OPEB) Plan, Continued**

**Sensitivity of the proportionate share of the net OPEB liability to changes in the discount rate** – The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

|                              | 1% Decrease<br>6.25% | Current<br>Discount Rate<br>7.25% | 1% Increase<br>8.25% |
|------------------------------|----------------------|-----------------------------------|----------------------|
| Net OPEB (asset) / liability | \$ 65,133            | \$ 56,859                         | \$ 49,790            |

**OPEB plan fiduciary net position** - Detailed information about the HCTF’s fiduciary net position is available in PERA’s comprehensive annual financial report which can be obtained at [www.copera.org/investments/perafinancial-reports](http://www.copera.org/investments/perafinancial-reports).

**Note 10. Provision for Services to Non-District Users**

The District provides water and sewer services to the River Ranch Development which is adjacent to, but not included in, the District under a service agreement. Water services are provided to Horseman’s Lodge which is also outside of the District. The District charges these properties two times the charges of the District users.

**Note 11. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and general liability. The District is a member of the Colorado Special District Property and Liability Pool (“Pool”) for property and liability insurance.

The Pool was formed by an intergovernmental agreement to provide public officials, property, general and automobile liability coverage for claims up to \$1,000,000, except if the claim falls within the government immunity statute, then the coverage is \$150,000 per person and a \$600,000 aggregate claim. The Pool is reinsured for 80% of the first \$250,000 of all claims and 100% for claims in excess of \$250,000. The District may be required to make additional contributions in the event aggregate losses incurred by the Pool exceed amounts recoverable from reinsurance contracts. 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. Any settled claims are not expected to exceed coverage.

**FOREST LAKES METROPOLITAN DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2021**

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**Note 12.      Operating Leases**

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The District leases office space in Bayfield, Colorado. The lease requires monthly rent payments of \$1,744. Total lease expense for the year was \$20,934. The lease is currently on a month to month basis. The District completed construction on a new administration building in 2022 and therefore, beginning in 2022, are no longer leasing office space.

In 2021, the District entered into an operating lease with John Deer Credit, Inc. to lease a grader. The lease requires quarterly lease payments of \$9,653 through June 2023.

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**REQUIRED SUPPLEMENTARY INFORMATION**  
**PENSION AND OPEB PLANS**

**FOREST LAKES METROPOLITAN DISTRICT**  
**Required Supplementary Information**  
**Schedule of the Proportionate Share of the Net Pension and OPEB Liability**  
**December 31, 2021**

**Public Employees' Retirement Association of Colorado (PERA) Pension**

|   | Reporting Fiscal Year<br>(Measurement Date) |                |                |                |                |                |                |
|---|---|----------------|----------------|----------------|----------------|----------------|----------------|
|   | 2020<br>(2019)                              | 2019<br>(2018) | 2018<br>(2017) | 2017<br>(2016) | 2016<br>(2015) | 2015<br>(2014) | 2014<br>(2013) |
| Proportion of the net pension liability (asset)   | 0.077782%                                   | 0.070885%      | 0.071847%      | 0.083632%      | 0.082377%      | 0.078532%      | 0.081479%      |
| Proportionate share of the net pension liability (asset) \$                                     | 408,814                                     | 891,179        | 803,397        | 1,130,754      | 907,444        | 703,892        | 670,512        |
| Covered payroll \$  | 552,199                                     | 464,932        | 453,241        | 484,738        | 467,834        | 430,322        | 434,700        |
| Proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 74.03%                                      | 191.68%        | 177.26%        | 233.27%        | 193.97%        | 163.57%        | 154.25%        |
| Plan fiduciary net position as a percentage of the total pension liability                      | 90.88%                                      | 75.96%         | 79.37%         | 76.65%         | 76.87%         | 80.72%         | 81.00%         |

Note: The Town implemented GASB 68 in 2015. Prior year information is not available.

**Public Employees' Retirement Association of Colorado (PERA) OPEB**

|  | Reporting Fiscal Year<br>(Measurement Date) |                |                |                |                |
|--|---|----------------|----------------|----------------|----------------|
|  | 2021<br>(2020)                              | 2020<br>(2019) | 2019<br>(2018) | 2018<br>(2017) | 2017<br>(2016) |
| Proportion of the net OPEB liability (asset)   | 0.0059837837%                               | 0.0059571402%  | 0.0054971629%  | 0.0055828783%  | 0.0064198578%  |
| Proportionate share of the net OPEB liability (asset) \$                                     | 56,859                                      | 66,958         | 74,791         | 72,555         | 83,236         |
| Covered payroll \$   | 552,199                                     | 535,641        | 464,932        | 453,241        | 484,738        |
| Proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll | 10.30%                                      | 12.50%         | 16.09%         | 16.01%         | 17.17%         |
| Plan fiduciary net position as a percentage of the total OPEB liability                      | 32.78%                                      | 24.49%         | 17.03%         | 17.53%         | 16.72%         |

Note: The Town implemented GASB 75 in 2016. Prior year information is not available.

**FOREST LAKES METROPOLITAN DISTRICT**  
**Required Supplementary Information**  
**Schedule of Pension and OPEB Contributions**  
**December 31, 2021**

**Public Employees' Retirement Association of Colorado (PERA) Pension**

|  | Reporting Fiscal Year |             |             |             |             |             |             |             |             |        |
|--|-----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------|
|  | 2021                  | 2020        | 2019        | 2018        | 2017        | 2016        | 2015        | 2014        | 2013        |        |
| Contractually required contribution                                  | \$ 78,865             | \$ 71,609   | \$ 67,919   | \$ 58,953   | \$ 57,471   | \$ 61,465   | \$ 59,321   | \$ 54,565   | \$ 55,120   |        |
| Contributions in relation to the contractually required contribution | \$ (78,865)           | \$ (71,609) | \$ (67,919) | \$ (58,953) | \$ (57,471) | \$ (61,465) | \$ (59,321) | \$ (54,565) | \$ (55,120) |        |
| Contribution deficiency (excess)                                     | \$ -                  | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        |        |
| Covered payroll  | \$ 598,371            | \$ 552,199  | \$ 535,641  | \$ 464,932  | \$ 453,241  | \$ 484,738  | \$ 467,834  | \$ 430,322  | \$ 434,700  |        |
| Contributions as a percentage of covered payroll                     | 13.18%                | 12.97%      | 12.68%      | 12.68%      | 12.68%      | 12.68%      | 12.68%      | 12.68%      | 12.68%      | 12.68% |

Note: The Town implemented GASB 68 in 2015. Prior year information is not available.

**Public Employees' Retirement Association of Colorado (PERA) OPEB**

|  | Reporting Fiscal Year |            |            |            |            |            |
|--|-----------------------|------------|------------|------------|------------|------------|
|  | 2021                  | 2020       | 2019       | 2018       | 2017       | 2016       |
| Contractually required contribution                                  | \$ 6,103              | \$ 5,644   | \$ 5,464   | \$ 4,742   | \$ 4,623   | \$ 4,944   |
| Contributions in relation to the contractually required contribution | \$ (6,103)            | \$ (5,644) | \$ (5,464) | \$ (4,742) | \$ (4,623) | \$ (4,944) |
| Contribution deficiency (excess)                                     | \$ -                  | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       |
| Covered payroll  | \$ 598,371            | \$ 552,199 | \$ 535,641 | \$ 464,932 | \$ 453,241 | \$ 484,738 |
| Contributions as a percentage of covered payroll                     | 1.02%                 | 1.02%      | 1.02%      | 1.02%      | 1.02%      | 1.02%      |

Note: The Town implemented GASB 75 in 2016. Prior year information is not available.

**FOREST LAKES METROPOLITAN DISTRICT**  
**Required Supplementary Information**  
**Notes to Pension and OPEB Plan Schedules**  
**December 31, 2021**

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**Note 1. Actuarially Determined Contribution Rates**

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Actuarially determined contribution rates for PERA are calculated as of December 31, or two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

|   |                    |
|---|--------------------|
| Price inflation   | 2.40 percent       |
| Real wage growth  | 1.10 percent       |
| Wage inflation  | 3.50 percent       |
| Salary increases, including wage inflation  | 3.50% in aggregate |
| Long-term investment rate of return, net of pension plan investment expenses, including price inflation | 7.25 percent       |
| Discount rate   | 7.25 percent       |

**FOREST LAKES METROPOLITAN DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULES**  
**FOR THE FOLLOWING MAJOR FUNDS:**

The **General Fund** is used to account for all financial resources of the District except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Colorado and the bylaws of the District.

**FOREST LAKES METROPOLITAN DISTRICT**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2021**

| <b>Revenues</b>                                 | <u>Budgeted Amounts</u> |                     | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|---------------------|-----------------------|-----------------------------------|
|   | <u>Original</u>         | <u>Final</u>        |                       |                                   |
| Taxes   |                         |                     |                       |                                   |
| Property tax                                    | \$ 340,577              | \$ 340,577          | \$ 324,227            | \$ (16,350)                       |
| Specific ownership                              | 65,000                  | 65,000              | 73,771                | 8,771                             |
| Penalties and interest                          | 700                     | 700                 | 506                   | (194)                             |
| Highway users tax                               | 69,185                  | 69,185              | 54,713                | (14,472)                          |
| Intergovernmental                               |                         |                     |                       |                                   |
| State lottery proceeds                          | 8,300                   | 8,300               | 7,294                 | (1,006)                           |
| Charges for services                            | 243,606                 | 243,606             | 279,038               | 35,432                            |
| Impact fees                                     | 23,350                  | 23,350              | 7,794                 | (15,556)                          |
| Interest income                                 | 20,000                  | 20,000              | 571                   | (19,429)                          |
| Special assessment fees                         | 5,500                   | 5,500               | 2,655                 | (2,845)                           |
| Miscellaneous revenues                          | 31,000                  | 31,000              | 44,596                | 13,596                            |
| <b>Total revenues</b>                           | <u>807,218</u>          | <u>807,218</u>      | <u>795,165</u>        | <u>(12,053)</u>                   |
| <b>Expenditures</b>                             |                         |                     |                       |                                   |
| Current   |                         |                     |                       |                                   |
| Roads   | 376,381                 | 376,381             | 424,304               | (47,923)                          |
| Recreation                                      | 77,005                  | 77,005              | 62,482                | 14,523                            |
| General and administrative                      | 348,832                 | 348,832             | 408,130               | (59,298)                          |
| Capital outlay                                  | 5,000                   | 5,000               | 88,246                | (83,246)                          |
| Treasurer and paying agent fees                 | -                       | -                   | 9,478                 | (9,478)                           |
| <b>Total expenditures</b>                       | <u>807,218</u>          | <u>807,218</u>      | <u>992,640</u>        | <u>(185,422)</u>                  |
| Excess of revenues over<br>(under) expenditures | <u>-</u>                | <u>-</u>            | <u>(197,475)</u>      | <u>(197,475)</u>                  |
| <b>Other financing sources (uses):</b>          |                         |                     |                       |                                   |
| Debt proceeds                                   | -                       | -                   | 57,788                | 57,788                            |
| Total other financing sources (uses)            | <u>-</u>                | <u>-</u>            | <u>57,788</u>         | <u>57,788</u>                     |
| Net change in fund balance                      | -                       | -                   | (139,687)             | (139,687)                         |
| Fund balance, beginning of year                 | <u>1,064,851</u>        | <u>1,064,851</u>    | <u>1,064,851</u>      | <u>-</u>                          |
| Fund balance, end of year                       | <u>\$ 1,064,851</u>     | <u>\$ 1,064,851</u> | <u>\$ 925,164</u>     | <u>\$ (139,687)</u>               |

**FOREST LAKES METROPOLITAN DISTRICT**

**SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULES**

**FOR THE FOLLOWING FUNDS:**

**Enterprise Funds**

Enterprise Funds are used to account 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. The budgets for the enterprise funds have been prepared and presented on a modified accrual basis which is an accounting basis other than GAAP for enterprise funds.

The **Water Fund** accounts for the activities related to the District's water wells, treatment facilities and distribution operations.

The **Sewer Fund** accounts for the activities related to the District's sewer collection and treatment operations.

**FOREST LAKES METROPOLITAN DISTRICT**  
**Water Fund**  
**Schedule of Revenues, Expenses and Changes in Net Position**  
**Budget and Actual with Reconciliation to US GAAP Basis**  
**For the Year Ended December 31, 2021**

|                                       | Budgeted Amounts   |                    | Actual<br>Amounts          | Variance with<br>Final Budget |
|---------------------------------------|--------------------|--------------------|----------------------------|-------------------------------|
|                                       | Original           | Final              |                            |                               |
| <b>Revenues</b>                       |                    |                    |                            |                               |
| Property tax                          | \$ 154,356         | \$ 154,356         | \$ 145,571                 | \$ (8,785)                    |
| Penalties and interest                | 200                | 200                | 227                        | 27                            |
| Charges for services                  | 407,712            | 407,712            | 389,144                    | (18,568)                      |
| Interest income                       | 25,000             | 25,000             | 151                        | (24,849)                      |
| Late fees                             | 1,800              | 1,800              | 1,859                      | 59                            |
| Tap fees                              | 53,000             | 53,000             | 106,258                    | 53,258                        |
| Special assessment                    | 8,700              | 8,700              | 2,655                      | (6,045)                       |
| Impact fees                           | 52,100             | 52,100             | 8,381                      | (43,719)                      |
| Other revenues                        | 500                | 500                | -                          | (500)                         |
| Total revenues                        | <u>703,368</u>     | <u>703,368</u>     | <u>654,246</u>             | <u>(49,122)</u>               |
| <b>Expenses</b>                       |                    |                    |                            |                               |
| Source of supply                      | 75,552             | 75,552             | 89,691                     | (14,139)                      |
| Water treatment                       | 16,840             | 16,840             | 13,063                     | 3,777                         |
| Transmission                          | 207,362            | 207,362            | 157,217                    | 50,145                        |
| Administrative                        | 244,114            | 244,114            | 304,099                    | (59,985)                      |
| Capital outlay                        | 175,000            | 175,000            | -                          | 175,000                       |
| Treasurer and paying agent fees       | 4,500              | 4,500              | 4,256                      | 244                           |
| Transfers out                         | -                  | -                  | -                          | -                             |
| Total expenses                        | <u>723,368</u>     | <u>723,368</u>     | <u>568,326</u>             | <u>155,042</u>                |
| Change in net position - budget basis | <u>\$ (20,000)</u> | <u>\$ (20,000)</u> | 85,920                     | <u>\$ 105,920</u>             |
| GAAP Basis Adjustments                |                    |                    |                            |                               |
| Depreciation                          |                    |                    | (111,958)                  |                               |
| Change in net position - GAAP basis   |                    |                    | (26,038)                   |                               |
| Net position, beginning of year       |                    |                    | <u>3,781,803</u>           |                               |
| <b>Net position, end of year</b>      |                    |                    | <u><u>\$ 3,755,765</u></u> |                               |

**FOREST LAKES METROPOLITAN DISTRICT**  
**Sewer Fund**  
**Schedule of Revenues, Expenses and Changes in Net Position**  
**Budget and Actual with Reconciliation to US GAAP Basis**  
**For the Year Ended December 31, 2021**

|                                       | Budgeted Amounts   |                    | Actual<br>Amounts          | Variance with<br>Final Budget |
|---------------------------------------|--------------------|--------------------|----------------------------|-------------------------------|
|                                       | Original           | Final              |                            |                               |
| <b>Revenues</b>                       |                    |                    |                            |                               |
| Property tax                          | \$ 201,560         | \$ 201,560         | \$ 191,889                 | \$ (9,671)                    |
| Penalties and interest                | 300                | 300                | 299                        | (1)                           |
| Charges for services                  | 205,427            | 205,427            | 201,106                    | (4,321)                       |
| Interest income                       | 20,000             | 20,000             | 149                        | (19,851)                      |
| Late fees                             | 1,200              | 1,200              | 1,646                      | 446                           |
| Tap fees                              | 50,000             | 50,000             | 108,058                    | 58,058                        |
| Special assessment                    | 10,757             | 10,757             | 2,680                      | (8,077)                       |
| Impact fees                           | -                  | -                  | 5,681                      | 5,681                         |
| Transfers in                          | 42,497             | 42,497             | -                          | (42,497)                      |
| Other revenues                        | 900                | 900                | -                          | (900)                         |
|                                       | <u>532,641</u>     | <u>532,641</u>     | <u>511,508</u>             | <u>(21,133)</u>               |
| <b>Expenses</b>                       |                    |                    |                            |                               |
| Sewer treatment                       | 139,866            | 139,866            | 119,643                    | 20,223                        |
| Transmission                          | 119,666            | 119,666            | 126,836                    | (7,170)                       |
| Administrative                        | 213,313            | 213,313            | 142,460                    | 70,853                        |
| Capital outlay                        | 23,000             | 23,000             | -                          | 23,000                        |
| Debt service                          | 50,000             | 50,000             | -                          | 50,000                        |
| Treasurer and paying agent fees       | 6,796              | 6,796              | 5,610                      | 1,186                         |
|                                       | <u>552,641</u>     | <u>552,641</u>     | <u>394,549</u>             | <u>158,092</u>                |
| Change in net position - budget basis | <u>\$ (20,000)</u> | <u>\$ (20,000)</u> | 116,959                    | <u>\$ 136,959</u>             |
| <b>GAAP Basis Adjustments</b>         |                    |                    |                            |                               |
| Depreciation                          |                    |                    | <u>(75,361)</u>            |                               |
| Total GAAP basis adjustments          |                    |                    | <u>(75,361)</u>            |                               |
| Change in net position - GAAP basis   |                    |                    | 41,598                     |                               |
| Net position, beginning of year       |                    |                    | <u>1,333,504</u>           |                               |
| <b>Net position, end of year</b>      |                    |                    | <u><u>\$ 1,375,102</u></u> |                               |