

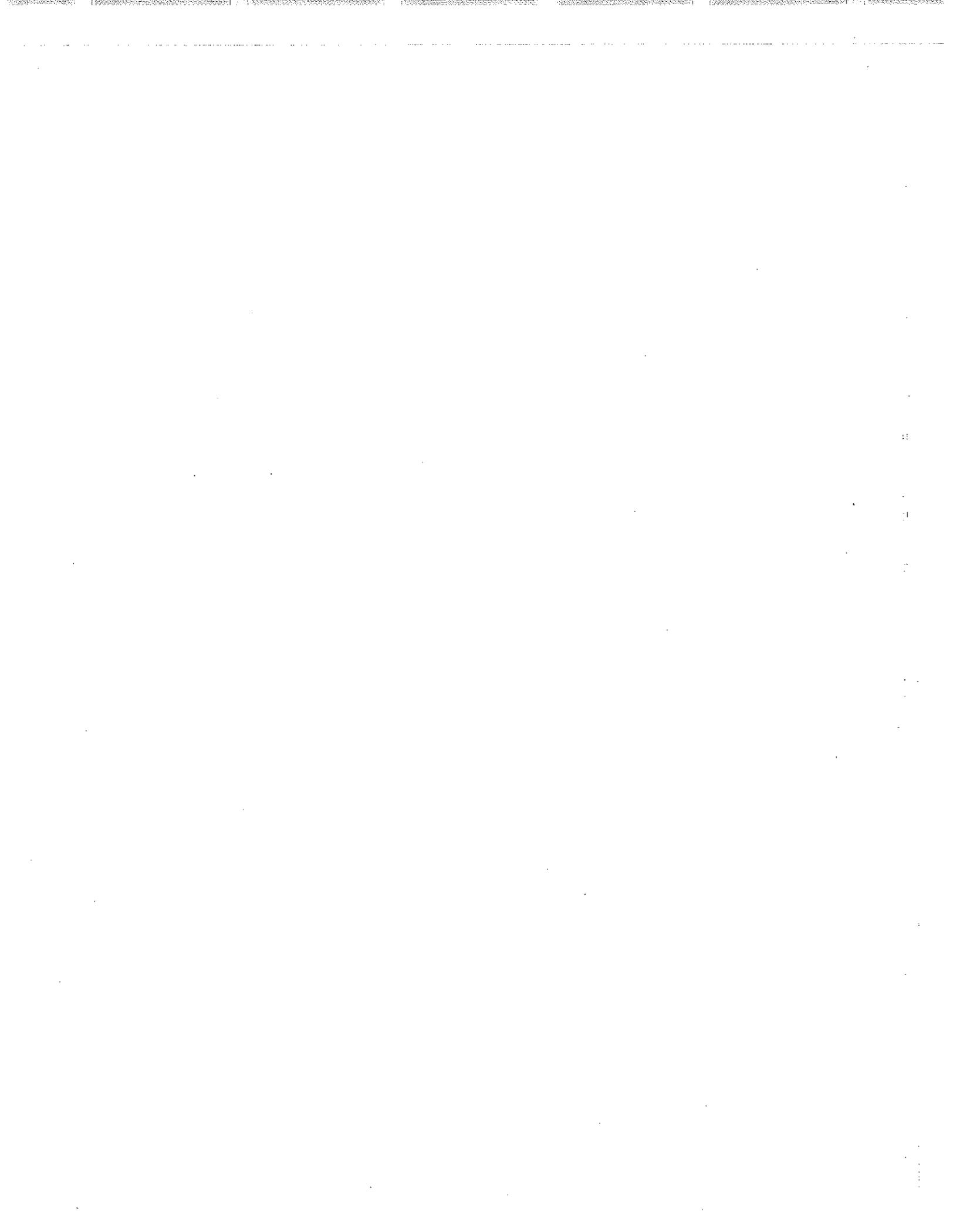
**FOREST VIEW ACRES WATER DISTRICT  
El Paso County, Colorado**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2006**



## Table of Contents

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>BASIC FINANCIAL STATEMENTS</b>	
Statements of Net Assets	4
Statements of Revenues, Expenses and Changes in Fund Net Assets	5
Statements of Cash Flows	6
Notes to the Financial Statements	7
<b>SUPPLEMENTAL INFORMATION</b>	18
Schedule of Revenues, Expenditures and Changes in Funds Available – Budget and Actual (Budgetary Basis)	19
Reconciliation of Budgetary Basis (Actual) to Statement of Revenues, Expenses and Changes in Fund Net Assets	21
Schedule of Debt Service Requirements to Maturity	22





**Dawn A. Schilling, LLC**  
Certified Public Accountant

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### **Independent Auditor's Report**

Board of Directors  
Forest View Acres Water District  
El Paso County, Colorado

I have audited the accompanying basic financial statements of Forest View Acres Water District as of and for the year ended December 31, 2006 and 2005 as listed in the table of contents. These financial statements are the responsibility of Forest View Acres Water District's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Forest View Acres Water District as of December 31, 2006 and 2005, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Forest View Acres Water District has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Forest View Acres Water District's basic financial statements. The supplemental information listed in the table of contents is presented for additional analysis and legal compliance purposes and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

DANN A. SCHILUNG, LLC

September 27, 2007

**BASIC FINANCIAL STATEMENTS**

**FOREST VIEW ACRES WATER DISTRICT**  
**STATEMENTS OF NET ASSETS**  
**December 31, 2006 and 2005**

<b>ASSETS</b>	<u>2006</u>	<u>2005</u>
<b>CURRENT ASSETS</b>		
Cash and investments - unrestricted	\$ 177,451	\$ -
Cash and investments - restricted	88,000	25,730
Accounts receivable - service fees	41,444	31,839
Accounts receivable - other	9,275	3,818
Property taxes receivable	46,741	-
Total current assets	<u>362,911</u>	<u>61,387</u>
<b>CAPITAL ASSETS</b>		
Land	64,192	64,192
Water rights	2,281,675	2,281,675
Water treatment plant	930,000	930,000
Water collection and distribution	1,158,881	1,158,881
Wells	691,572	691,572
	<u>5,126,320</u>	<u>5,126,320</u>
Less accumulated depreciation	1,453,243	1,354,734
Total capital assets	<u>3,673,077</u>	<u>3,771,586</u>
<b>OTHER ASSETS</b>		
Bond issue costs, net of accumulated amortization	5,678	6,933
Total other assets	<u>5,678</u>	<u>6,933</u>
<b>TOTAL ASSETS</b>	<u>\$ 4,041,666</u>	<u>\$ 3,839,906</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 24,869	\$ 128,047
Accrued interest payable	3,649	3,983
Deferred property taxes	46,741	-
Current portion of long term debt	48,944	48,757
Total current liabilities	<u>124,203</u>	<u>180,787</u>
<b>LONG-TERM LIABILITIES</b>		
Bonds and loan payable	488,722	537,665
Total liabilities	<u>612,925</u>	<u>718,452</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	3,141,089	3,192,097
Restricted	88,000	25,730
Unrestricted	199,652	(96,373)
Total net assets	<u>3,428,741</u>	<u>3,121,454</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 4,041,666</u>	<u>\$ 3,839,906</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**FOREST VIEW ACRES WATER DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN FUND NET ASSETS**  
**Year Ended December 31, 2006 and 2005**

	2006	2005
<b>OPERATING REVENUE</b>		
Water usage and related fees	\$ 222,182	\$ 150,865
Inclusion fees	3,000	-
	225,182	150,865
<b>OPERATING EXPENSES</b>		
Operations manager	47,778	52,367
Repairs and maintenance	47,051	4,417
Supplies and chemicals	12,928	5,906
Utilities	28,165	31,725
Water testing	4,284	4,001
Engineering	12,916	-
Depreciation	98,509	97,289
Other	1,074	272
Total operating expenses	252,705	195,977
<b>GROSS (LOSS) FROM OPERATIONS</b>	(27,523)	(45,112)
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
District management	127,997	49,571
Insurance/SDA dues	8,238	7,948
Telephone	1,391	2,933
Election costs	12,877	-
Legal	10,914	73,909
Inclusion expenses	14,443	-
Audit	6,000	-
Office supplies	692	6,922
Other	17,427	2,828
Total general and administrative expenses	199,979	144,111
<b>NET (LOSS) FROM OPERATIONS</b>	(227,502)	(189,223)
<b>NONOPERATING REVENUE AND (EXPENSE)</b>		
Grant funding	-	161,091
Debt service fees	88,088	87,126
Settlement proceeds	301,310	-
Net investment earnings	9,228	-
Miscellaneous income	9,691	1,937
Amortization of bond issue costs	(1,255)	(1,348)
Interest expense	(41,249)	(45,517)
Paying agent fees	(400)	(400)
Total nonoperating revenue and (expense)	365,411	202,889
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	137,909	13,666
<b>CAPITAL CONTRIBUTIONS</b>		
Water tap fees	169,378	25,200
Contributed water rights	-	190,460
	169,378	215,660
<b>CHANGE IN NET ASSETS</b>	307,287	229,326
<b>NET ASSETS - BEGINNING OF YEAR</b>	3,121,454	2,892,128
<b>NET ASSETS - END OF YEAR</b>	\$ 3,428,741	\$ 3,121,454

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**FOREST VIEW ACRES WATER DISTRICT  
STATEMENTS OF CASH FLOWS  
Year Ended December 31, 2006 and 2005**

	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 210,120	\$ 147,822
Cash payments to suppliers for goods and services	(457,353)	(308,313)
Net cash (required) by operating activities	(247,233)	(160,491)
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES</b>		
Grant proceeds	-	161,091
Debt service fees	88,088	87,100
Settlement proceeds	301,310	-
Other	9,691	1,937
Net cash provided by noncapital financing activities	399,089	250,128
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Contributed capital - tap fees	169,378	25,200
Acquisition of capital assets	-	(24,395)
Principal paid on long-term debt	(48,756)	(43,578)
Interest paid on long-term debt	(41,583)	(44,663)
Paying agent fees	(400)	(400)
Net cash (required) by capital and related financing activities	78,639	(87,836)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investment income	9,226	-
Net cash provided by investing activities	9,226	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	239,721	1,801
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	25,730	23,929
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 265,451	\$ 25,730
<b>Reconciliation of operating income from operations to net cash provided by operating activities</b>		
(Loss) from operations	\$ (227,502)	\$ (189,223)
Adjustments to reconcile loss from operations to net cash required by operating activities:		
Depreciation	98,509	97,289
Effect of changes in operating assets and liabilities:		
Accounts receivable	(15,062)	(3,043)
Accounts payable	(103,178)	(65,514)
Net cash (required) by operating activities	\$ (247,233)	\$ (160,491)
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>		
Contributions of water rights	\$ -	\$ 190,460

These financial statements should be read only in connection with the accompanying notes to financial statements.

**FOREST VIEW ACRES WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005**

**NOTE 1 – DEFINITION OF REPORTING ENTITY**

Forest View Acres Water District (District), a quasi-municipal corporation and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in El Paso County, Colorado. The District was established to provide water for domestic and other public and private purposes within its service area.

The District has no employees and all operations and administrative functions are contracted.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The District has elected to follow Governmental Accounting Standards Board pronouncements. Therefore, statements issued by the Financial Accounting Standards Board after November 30, 1989 are not applied.

The more significant accounting policies of the District are described as follows:

**Basis of Accounting**

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and loans is recorded as a reduction in liabilities. Tap fees and contributed assets from developers are recorded as capital contributions when received.

**FOREST VIEW ACRES WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Operating Revenues and Expenses**

The District distinguishes between operating revenues and expenses and nonoperating items in the Statements of Revenue, Expenses and Changes in Fund Net Assets. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing water services to its customers. Operating revenues consist of charges to customers for service provided. Operating expenses include the cost of service, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

**Budgets**

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The District budgeted for a General Fund, Debt Service Fund, Capital Projects Fund and Enterprise Fund for the year ended December 31, 2005. The appropriations have been combined and presented as an enterprise fund for financial statement purposes as the District's operations meet the definition of a special-purpose government engaged only in business-type activities as defined by the Governmental Accounting Standards Board.

During the year ended December 31, 2006 supplementary appropriations approved by the District modified the total appropriation from \$524,241 to \$653,241.

**Cash Equivalents**

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

**Capital Assets**

Capital assets, which include land, water rights, plant and buildings, distribution and collection systems and wells are reported by the District. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**FOREST VIEW ACRES WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Water treatment plant	20 years
Distribution and collection systems	50 years
Wells	20-50 years

**Tap Fees and Contributed Water Rights**

Tap fees are recorded as capital contributions when received. Water rights contributed to the District by developers are recorded as capital contributions and additions to the capital assets of the District at estimated fair market value when received.

**Water Rights**

The cost of water rights includes acquisition cost, legal and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed.

**Bond Issue Costs and Original Issue Discount/Premium**

Bond issuance costs and bond premiums and discounts are amortized over the respective terms of the bonds using the interest method.

**NOTE 3 - CASH AND INVESTMENTS**

**Cash Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

**FOREST VIEW ACRES WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005**

**NOTE 3 - CASH AND INVESTMENTS (continued)**

At December 31, 2006 and 2005, the District's cash deposits had bank balances of \$61,306 and \$25,259 and carrying balances of \$20,527 and \$23,164, respectively.

**Investments**

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

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which 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
- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

At December 31, 2006 and 2005, the District had the following investments:

Investment	Maturity	Fair Value	
		2006	2005
<del>Evergreen Adjustable Rate Fund</del>	Less than 1 year	\$ -	\$ 2,566
Colorado Liquid Asset Trust (Colotrust)	Less than 1 year	244,924	-
		<u>\$244,924</u>	<u>\$ 2,566</u>

**Colotrust**

At December 31, 2006, the District had \$244,924 invested in the Colorado Local Government Liquid Asset Trust (the trust); an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. COLOTRUST is rated AAAM by Standard & Poor's.

**FOREST VIEW ACRES WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005**

**NOTE 3 - CASH AND INVESTMENTS (continued)**

**Evergreen Adjustable Rate Fund**

At December 31, 2005, the District had \$2,566 invested in the Evergreen Adjustable Rate Fund (the Fund). The Fund invests substantially all of its assets in mortgage-backed securities and asset-backed securities. Some mortgage-backed securities, such as securities issued or guaranteed by the Government National Mortgage Association, are backed by the full faith and credit of the U.S. Government while other securities are not backed by the full faith and credit of the U.S. Government and are supported only by the credit of the issuer itself. The Fund has been rated AAa by Moody's Investor Services, Inc.

Cash and investments are reflected on the December 31, 2006 and 2005 statement of net assets as follows:

	<u>2006</u>	<u>2005</u>
Cash and investments - unrestricted	\$177,451	\$ 25,730
Cash and investments - restricted	88,000	-
	<u>\$265,451</u>	<u>\$ 25,730</u>
Deposits	\$ 20,527	\$ 23,164
Investments	244,924	2,566
	<u>\$265,451</u>	<u>\$ 25,730</u>

**Bond Reserves**

The bond resolution relating to the 1995 Water Revenue Refunding and Improvement Bonds requires the District to maintain a reserve account for an amount equal to the lesser of the 1) the combined maximum annual principal; or 2) the maximum which may be credited to the Reserve Account and allow such an account to qualify as a reasonably required reserve or replacement fund under Section 148(d) of the Internal Revenue Code of 1986. The District has interpreted 2) above to be ten percent of the bond proceeds of the issuance. The reserve requirement at December 31, 2006 and 2005 was \$88,000. At December 31, 2006, the District had sufficient cash and investments to meet this reserve requirement. The District did not have sufficient cash and investments to meet this reserve requirement at December 31, 2005. At December 31, 2006 and 2005, \$88,000 and \$25,730, respectively, was restricted for this purpose.

**FOREST VIEW ACRES WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005**

**NOTE 4 - CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2006 and 2005 follows:

	<u>Balance at December 31, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2005</u>
Capital assets, not being depreciated:				
Land	\$ 64,192	\$ -	\$ -	\$ 64,192
Water rights	2,091,215	190,460	-	2,281,675
Total capital assets, not being depreciated	<u>2,155,407</u>	<u>190,460</u>	<u>-</u>	<u>2,345,867</u>
Capital assets, being depreciated:				
Water treatment plants	930,000	-	-	930,000
Water collection and distribution	1,158,881	-	-	1,158,881
Wells	667,177	24,395	-	691,572
Total capital assets being depreciated	<u>2,756,058</u>	<u>24,395</u>	<u>-</u>	<u>2,780,453</u>
Less accumulated depreciation for:				
Water treatment plants	372,000	46,500	-	418,500
Water collection and distribution	524,761	23,178	-	547,939
Wells	360,684	27,611	-	388,295
Total accumulated depreciation	<u>1,257,445</u>	<u>97,289</u>	<u>-</u>	<u>1,354,734</u>
Total capital assets being depreciated, net	<u>1,498,613</u>	<u>(72,894)</u>	<u>-</u>	<u>1,425,719</u>
Total capital assets, net	<u>\$ 3,654,020</u>	<u>\$ 117,566</u>	<u>\$ -</u>	<u>\$ 3,771,586</u>

**FOREST VIEW ACRES WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005**

**NOTE 4 - CAPITAL ASSETS (continued)**

	Balance at December 31, 2005	Increases	Decreases	Balance at December 31, 2006
Capital assets, not being depreciated:				
Land	\$ 64,192	\$ -	\$ -	\$ 64,192
Water rights	2,281,675	-	-	2,281,675
Total capital assets, not being depreciated	<u>2,345,867</u>	<u>-</u>	<u>-</u>	<u>2,345,867</u>
Capital assets, being depreciated:				
Water treatment plants	930,000	-	-	930,000
Water collection and distribution	1,158,881	-	-	1,158,881
Wells	691,572	-	-	691,572
Total capital assets being depreciated	<u>2,780,453</u>	<u>-</u>	<u>-</u>	<u>2,780,453</u>
Less accumulated depreciation for:				
Water treatment plants	418,500	46,500	-	465,000
Water collection and distribution	547,939	23,178	-	571,117
Wells	388,295	28,831	-	417,126
Total accumulated depreciation	<u>1,354,734</u>	<u>98,509</u>	<u>-</u>	<u>1,453,243</u>
Total capital assets being depreciated, net	<u>1,425,719</u>	<u>(98,509)</u>	<u>-</u>	<u>1,327,210</u>
Total capital assets, net	<u>\$ 3,771,586</u>	<u>\$ (98,509)</u>	<u>\$ -</u>	<u>\$ 3,673,077</u>

Depreciation expense for the years ended December 31, 2006 and 2005 was charged to operations.

**FOREST VIEW ACRES WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005**

**NOTE 5 - LONG-TERM OBLIGATIONS**

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2006 and 2005.

	Balance at December 31, 2004	Additions	Reductions	Balance at December 31, 2005	Due Within One Year
1995 Water Revenue Refunding and Improvement Bonds	\$ 585,000	\$ -	\$ 40,000	\$ 545,000	\$ 45,000
Department of Local Affairs Loan	45,000	-	3,578	41,422	3,757
	<u>\$ 630,000</u>	<u>\$ -</u>	<u>\$ 43,578</u>	<u>\$ 586,422</u>	<u>\$ 48,757</u>

	Balance at December 31, 2005	Additions	Reductions	Balance at December 31, 2006	Due Within One Year
1995 Water Revenue Refunding and Improvement Bonds	\$ 545,000	\$ -	\$ 45,000	\$ 500,000	\$ 45,000
Department of Local Affairs Loan	41,422	-	3,756	37,666	3,944
	<u>\$ 586,422</u>	<u>\$ -</u>	<u>\$ 48,756</u>	<u>\$ 537,666</u>	<u>\$ 48,944</u>

**\$880,000 Water Revenue Refunding and Improvement Bonds, Series 1995, dated February 1, 1995**, with interest paid semiannually of 5.00% to 7.25%, consisting of serial bonds issued in the amount of \$295,000 due annually through 2004 and a term bond issued in the original amount of \$585,000 due December 1, 2014. Such term bond is subject to redemption prior to maturity at the option of the District on December 1, 2005 and on any interest payment date thereafter with a premium of 1.0% if redeemed on December 1, 2005, .5% if redeemed on June 1, 2006 and no premium if redeemed on December 1, 2006 and thereafter. The bond maturing on December 1, 2014 is also subject to mandatory sinking fund redemption on December 1, 2005 and on each December 1 thereafter prior to the maturity date of such bond in varying amounts beginning on December 1, 2005 through December 1, 2013.

**\$45,000 Department of Local Affairs Energy/Mineral Impact Assistance Loan, dated July 31, 2005**, with interest of 5%. Annual payments of principal and interest are due beginning on September 1, 2005 and on each September 1 thereafter through 2014. The loan was obtained to aid in the funding of drilling a new well, improving the chlorine contact time and improving the water treatment facility of the District.

**FOREST VIEW ACRES WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005**

**NOTE 5 - LONG-TERM OBLIGATIONS (continued)**

The District's long-term obligations will mature as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 48,944	\$ 38,133	\$ 87,077
2008	54,142	34,673	88,815
2009	59,349	30,842	90,191
2010	64,566	26,637	91,203
2011	69,794	22,058	91,852
2012-2014	240,871	35,326	276,197
	<u>\$ 537,666</u>	<u>\$ 187,669</u>	<u>\$ 725,335</u>

**NOTE 6 - NET ASSETS**

The District has net assets consisting of three components – invested in capital assets, net of related debt, restricted, and unrestricted.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2006 and 2005, the District had invested in capital assets, net of related debt calculated as follows:

	<u>2006</u>	<u>2005</u>
Invested in capital assets, net of related debt:		
Capital assets, net	\$3,673,077	\$ 3,771,586
Bond issuance and discount costs (net of accumulated amortization)	5,678	6,933
Current portion of long-term obligations	(48,944)	(48,757)
Noncurrent portion of long-term obligations	(488,722)	(537,665)
Invested in capital asset, net of related debt	<u>\$3,141,089</u>	<u>\$ 3,192,097</u>

**FOREST VIEW ACRES WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005**

**NOTE 6 - NET ASSETS (continued)**

Restricted assets include net assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net assets of \$88,000 and \$25,730 as of December 31, 2006 and 2005, respectively in relation to the 1995 bond resolution (see Note 3).

**NOTE 7 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2005. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability and boiler and machinery coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

**NOTE 8 - TAX, SPENDING AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations that apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes a significant portion of its operations qualifies for this exclusion. As a single-purpose district providing water service in exchange from fees, this is reasonable.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

**FOREST VIEW ACRES WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005**

**NOTE 8 - TAX, SPENDING AND DEBT LIMITATIONS (continued)**

Because of the many factors beyond the control of current District management, including the embezzlement of funds, failure to properly retain records and the possible destruction of records, it is impossible as of the 2005 financial statements to verify prior year's Fiscal Year Spending for the District. As such, it was impossible to definitively verify the District's compliance with TABOR's limitations. In order to rectify this situation for the future, the audited revenues and expenditures for 2005 shall become the District's "base year" for all future calculations and determinations.

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

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualification as an Enterprise will require judicial interpretation.

This information is an integral part of the accompanying financial statements.

**SUPPLEMENTAL INFORMATION**

**FOREST VIEW ACRES WATER DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**For the Year Ended December 31, 2006**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
<b>REVENUE</b>				
Water usage fees	\$ 75,000	\$ 75,000	\$ 70,060	\$ (4,940)
Debt service fees	87,048	87,048	88,088	1,040
Availability to serve	2,400	2,400	8,880	6,480
Late fees	500	500	2,140	1,640
Service fee charges	143,964	143,964	138,702	(5,262)
Tap fees	150,000	150,000	169,378	19,378
Transfer fees	500	500	2,400	1,900
Tap repair reimbursement	3,500	3,500	-	(3,500)
Electric provider capital credit	500	500	-	(500)
Inspection deposit	-	-	-	-
Settlement proceeds	-	129,000	301,310	172,310
Grant proceeds	23,000	23,000	-	(23,000)
Interest income	20	20	9,226	9,206
Inclusion income	-	-	3,000	3,000
Other	139,500	139,500	9,691	(129,809)
Total revenues	625,932	754,932	802,875	47,943
<b>EXPENDITURES</b>				
Operations				
Operations manager	51,100	51,100	47,778	3,322
Repairs and maintenance	6,000	6,000	47,051	(41,051)
Supplies and chemicals	1,600	1,600	12,928	(11,328)
Utilities	38,000	38,000	28,165	9,835
Water testing	7,000	7,000	4,284	2,716
Engineering	-	-	12,916	(12,916)
Other	100	100	1,074	(974)
Administrative				
District management	35,000	35,000	127,997	(92,997)
Insurance/SDA dues	8,900	8,900	8,238	662
Telephone	3,100	3,100	1,391	1,709
Election costs	15,000	15,000	12,877	2,123
Legal	60,000	60,000	10,914	49,086
Inclusion expenses	-	-	14,443	(14,443)
Audit	7,000	7,000	6,000	1,000
Office supplies	7,700	7,700	692	7,008
Other	500	500	17,427	(16,927)
Bond/loan principal	48,756	48,756	48,756	-
Interest expense	41,585	41,585	41,249	336
Paying agent fees	400	400	400	-
Capital outlay	53,000	53,000	-	53,000
Contingency	139,500	268,500	-	268,500
Total expenditures	524,241	653,241	444,580	208,661

(continued)

**FOREST VIEW ACRES WATER DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**For the Year Ended December 31, 2006**  
(Continued)

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	101,691	101,691	358,295	256,604
<b>FUNDS AVAILABLE - BEGINNING OF YEAR</b>	<u>23,941</u>	<u>23,941</u>	<u>(70,643)</u>	<u>(94,584)</u>
<b>FUNDS AVAILABLE - END OF YEAR</b>	<u>\$ 125,632</u>	<u>\$ 125,632</u>	<u>\$ 287,652</u>	<u>\$ 162,020</u>

Funds available at December 31, 2006 is computed as follows:

Current assets	\$ 362,911
Current liabilities	(124,203)
Current portion of long term debt	48,944
	<u>\$ 287,652</u>

**FOREST VIEW ACRES WATER DISTRICT  
RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO STATEMENT  
OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
Year Ended December 31, 2006**

<b>REVENUE (budgetary basis)</b>	<b>\$ 802,875</b>
Total revenue per statements of revenues, expenses and changes in fund net assets	<u>802,875</u>
 <b>EXPENDITURES (budgetary basis)</b>	 444,580
Depreciation	98,509
Amortization of bond issuance costs	1,255
Capital Outlay	-
Bond principal	<u>(48,756)</u>
Total expenses per statements of revenues, expenses and changes in fund net assets	<u>495,588</u>
 <b>CHANGE IN NET ASSETS PER STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS</b>	 <b><u><u>\$ 307,287</u></u></b>

**FOREST VIEW ACRES WATER DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
December 31, 2006**

<u>Year Ending December 31,</u>	<b>\$880,000 Water Revenue Refunding and Improvement Bonds Dated February 1, 1995 Principal Due December 1 Interest Due June 1 and December 1</b>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 45,000	\$ 36,250	\$ 81,250
2008	50,000	32,987	82,987
2009	55,000	29,363	84,363
2010	60,000	25,375	85,375
2011	65,000	21,025	86,025
2012	70,000	16,312	86,312
2013	70,000	11,238	81,238
2014	85,000	6,163	91,163
	<u>\$ 500,000</u>	<u>\$ 178,713</u>	<u>\$ 678,713</u>

(continued)

(continued)

**\$45,000 Department of Local Affairs  
Energy/Mineral Impact Assistance Loan  
Dated July 31, 2005**

<b>Principal and Interest Due September 1</b>			<b>Totals</b>		
<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
\$ 3,944	\$ 1,883	\$ 5,827	\$ 48,944	\$ 38,133	\$ 87,077
4,142	1,686	5,828	54,142	34,673	88,815
4,349	1,479	5,828	59,349	30,842	90,191
4,566	1,262	5,828	64,566	26,637	91,203
4,794	1,033	5,827	69,794	22,058	91,852
5,034	794	5,828	75,034	17,106	92,140
5,286	542	5,828	75,286	11,780	87,066
5,551	277	5,828	90,551	6,440	96,991
<u>\$ 37,666</u>	<u>\$ 8,956</u>	<u>\$ 46,622</u>	<u>\$ 537,666</u>	<u>\$ 187,669</u>	<u>\$ 725,335</u>

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