

FOREST VIEW ACRES WATER DISTRICT
El Paso County, Colorado

FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007

Table of Contents

| | <u>Page</u> |
|---|-------------|
| INDEPENDENT AUDITOR'S REPORT | 1 |
| BASIC FINANCIAL STATEMENTS | 3 |
| 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 |
| SUPPLEMENTAL INFORMATION | 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 |
| Summary of Assessed Valuation, Mill Levy and Property Taxes Collected | 22 |
| Schedule of Debt Service Requirements to Maturity | 23 |

Independent Auditor's Report

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

We have audited the accompanying basic financial statements of Forest View Acres Water District as of and for the years ended December 31, 2008 and 2007 as listed in the table of contents. These financial statements are the responsibility of Forest View Acres Water District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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. We believe that our audits provide a reasonable basis for our opinions.

In our 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, 2008 and 2007, 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.

Our audits were 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 audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SCHILLING & COMPANY, INC.

September 18, 2009

BASIC FINANCIAL STATEMENTS

FOREST VIEW ACRES WATER DISTRICT
STATEMENTS OF NET ASSETS
December 31, 2008 and 2007

| ASSETS | 2008 | 2007 |
|---|--------------------------------|--------------------------------|
| CURRENT ASSETS | | |
| Cash and investments - unrestricted | \$ 208,387 | \$ 147,124 |
| Cash and investments - restricted | 88,000 | 88,000 |
| Accounts receivable - customers | 23,383 | 25,609 |
| Cash with County Treasurer | 449 | 413 |
| Property taxes receivable | 53,837 | 52,640 |
| Prepaid expenses | 7,874 | 7,336 |
| Total current assets | <u>381,930</u> | <u>321,122</u> |
| CAPITAL ASSETS | | |
| Land | 64,192 | 64,192 |
| Water rights | 2,281,675 | 2,281,675 |
| Water treatment plants | 968,771 | 968,771 |
| Water collection and distribution | 1,210,491 | 1,205,491 |
| Wells | 691,572 | 691,572 |
| | <u>5,216,701</u> | <u>5,211,701</u> |
| Less accumulated depreciation | 1,656,101 | 1,554,622 |
| Total capital assets | <u>3,560,600</u> | <u>3,657,079</u> |
| OTHER ASSETS | | |
| Bond issue costs, net of accumulated amortization | 3,478 | 4,526 |
| Total other assets | <u>3,478</u> | <u>4,526</u> |
| TOTAL ASSETS | <u><u>\$ 3,946,008</u></u> | <u><u>\$ 3,982,727</u></u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 32,659 | \$ 99,013 |
| Accrued interest payable | 2,940 | 3,310 |
| Deferred property taxes | 53,837 | 52,640 |
| Current portion of long term debt | 59,349 | 54,142 |
| Total current liabilities | <u>148,785</u> | <u>209,105</u> |
| LONG-TERM LIABILITIES | | |
| Bonds and loan payable | 375,231 | 434,580 |
| Total liabilities | <u>524,016</u> | <u>643,685</u> |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 3,129,498 | 3,172,883 |
| Restricted for debt service | 88,000 | 88,000 |
| Restricted for emergencies | 1,800 | 2,000 |
| Unrestricted | 202,694 | 76,159 |
| Total net assets | <u>3,421,992</u> | <u>3,339,042</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 3,946,008</u></u> | <u><u>\$ 3,982,727</u></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 CHANGES IN FUND NET ASSETS
Years Ended December 31, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|---|---------------------|---------------------|
| OPERATING REVENUE | | |
| Water usage and related fees | \$ 444,460 | \$ 369,453 |
| Inclusion fees | - | 3,000 |
| | <u>444,460</u> | <u>372,453</u> |
| OPERATING EXPENSES | | |
| Operations manager | 87,199 | 76,229 |
| Repairs and maintenance | 106,455 | 140,759 |
| Supplies and chemicals | 8,356 | 16,317 |
| Utilities | 32,343 | 25,498 |
| Water testing | 1,754 | 9,702 |
| Engineering | 12,686 | 8,144 |
| TMF Capacity Assessment | 10,892 | - |
| Depreciation | 101,479 | 101,379 |
| Other | 2,923 | 8,842 |
| Total operating expenses | <u>364,087</u> | <u>386,870</u> |
| GROSS INCOME (LOSS) FROM OPERATIONS | <u>80,373</u> | <u>(14,417)</u> |
| GENERAL AND ADMINISTRATIVE EXPENSES | | |
| District management | 85,212 | 108,006 |
| Utility billing | 23,014 | 31,332 |
| Insurance/SDA dues | 7,930 | 7,485 |
| Telephone | 1,726 | 1,688 |
| Election costs | 286 | 177 |
| Legal | 42,339 | 35,975 |
| Inclusion expenses | 531 | 18,009 |
| Audit | 4,700 | 5,200 |
| Office supplies | - | 3,463 |
| Other | 3,884 | 349 |
| Total general and administrative expenses | <u>169,622</u> | <u>211,684</u> |
| NET (LOSS) FROM OPERATIONS | <u>(89,249)</u> | <u>(226,101)</u> |
| NONOPERATING REVENUE AND (EXPENSE) | | |
| Property and specific ownership taxes | 58,641 | 53,089 |
| Grant funding | - | 11,968 |
| Debt service fees | 89,240 | 81,407 |
| Reimbursements | 22,958 | - |
| Settlement proceeds | 5,167 | 2,750 |
| Net investment earnings | 5,137 | 12,617 |
| Miscellaneous income | 606 | 2,012 |
| Treasurer's fees | (781) | (693) |
| Amortization of bond issue costs | (1,048) | (1,152) |
| Interest expense | (34,303) | (37,796) |
| Paying agent fees | (400) | (400) |
| Total nonoperating revenue and (expense) | <u>145,217</u> | <u>123,802</u> |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS | <u>55,968</u> | <u>(102,299)</u> |
| CAPITAL CONTRIBUTIONS | | |
| Water tap fees | 26,982 | 12,600 |
| | <u>26,982</u> | <u>12,600</u> |
| CHANGE IN NET ASSETS | 82,950 | (89,699) |
| NET ASSETS - BEGINNING OF YEAR | 3,339,042 | 3,428,741 |
| NET ASSETS - END OF YEAR | <u>\$ 3,421,992</u> | <u>\$ 3,339,042</u> |

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
Years Ended December 31, 2008 and 2007

| | 2008 | 2007 |
|--|-------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers | \$ 446,686 | \$ 397,563 |
| Cash payments to suppliers for goods and services | (499,122) | (430,367) |
| Net cash (required) by operating activities | (52,436) | (32,804) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Property and specific ownership, net of fees | 57,824 | 51,983 |
| Grant proceeds | - | 11,968 |
| Debt service fees | 89,240 | 81,407 |
| Settlement proceeds | 5,167 | 2,750 |
| Reimbursements | 22,958 | - |
| Other | 606 | 2,012 |
| Net cash provided by noncapital financing activities | 175,795 | 150,120 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Contributed capital - tap fees | 26,982 | 12,600 |
| Acquisition of capital assets | (5,000) | (85,381) |
| Principal paid on long-term debt | (54,142) | (48,944) |
| Interest paid on long-term debt | (34,673) | (38,135) |
| Paying agent fees | (400) | (400) |
| Net cash (required) by capital and related financing activities | (67,233) | (160,260) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Net investment income | 5,137 | 12,617 |
| Net cash provided by investing activities | 5,137 | 12,617 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 61,263 | (30,327) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 235,124 | 265,451 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 296,387 | \$ 235,124 |
| Reconciliation of operating income from operations to net cash provided by operating activities | | |
| (Loss) from operations | \$ (89,249) | \$ (226,101) |
| Adjustments to reconcile loss from operations to net cash required by operating activities: | | |
| Depreciation | 101,479 | 101,379 |
| Effect of changes in operating assets and liabilities: | | |
| Accounts receivable | 2,226 | 25,110 |
| Prepaid expenses | (538) | (7,336) |
| Accounts payable | (66,354) | 74,144 |
| Net cash (required) by operating activities | \$ (52,436) | \$ (32,804) |

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, 2008 and 2007**

NOTE 1 – DEFINITION OF REPORTING ENTITY

Forest View Acres Water District (District), a quasi-municipal corporation and political subdivision of the State of Colorado 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, 2008 and 2007**

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, 2008. 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, 2008 supplementary appropriations approved by the District modified the total appropriation from \$820,107 to \$832,209.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 1 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

**FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 effective interest method.

Reclassification

For comparability, certain 2007 amounts have been reclassified where appropriate to conform with the 2008 financial statement presentation.

**FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007**

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 102% of the aggregate uninsured deposits.

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

At December 31, 2008 and 2007, the District's cash deposits had bank balances of \$149,504 and \$99 and carrying balances of \$148,941 and \$(19,282), 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 and the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Certain reverse repurchase agreements
- . Certain securities lending agreements
- . Certain corporate bonds
- . 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.

**FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007**

NOTE 3 - CASH AND INVESTMENTS (continued)

At December 31, 2008 and 2007, the District had the following investments:

| <u>Investment</u> | <u>Maturity</u> | <u>Fair Value</u> | |
|---|------------------|-------------------|-------------------|
| | | <u>2008</u> | <u>2007</u> |
| Colorado Liquid Asset Trust (ColoTrust) | Less than 1 year | <u>\$ 147,446</u> | <u>\$ 254,406</u> |

Colostrust

At December 31, 2008 and 2007, the District had \$147,446 and \$254,406, respectively, invested in the Colorado Local Government Liquid Asset Trust (ColoTrust); 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 ColoTrust. ColoTrust 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.

Cash and investments are reflected on the December 31, 2008 and 2007 statement of net assets as follows:

| | <u>2008</u> | <u>2007</u> |
|-------------------------------------|------------------|------------------|
| Cash and investments - unrestricted | \$208,387 | \$147,124 |
| Cash and investments - restricted | 88,000 | 88,000 |
| | <u>\$296,387</u> | <u>\$235,124</u> |
| Deposits | \$148,941 | \$(19,282) |
| Investments | 147,446 | 254,406 |
| | <u>\$296,387</u> | <u>\$235,124</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, 2008 and 2007 was \$88,000. At December 31, 2008 and 2007, the District had sufficient cash and investments to meet this reserve requirement.

**FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007**

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the years ended December 31, 2008 and 2007 follows:

| | Balance at December 31, 2007 | Increases | Decreases | Balance at December 31, 2008 |
|--|---|--------------------|------------------|---|
| 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 | 968,771 | - | - | 968,771 |
| Water collection and distribution | 1,205,491 | 5,000 | - | 1,210,491 |
| Wells | 691,572 | - | - | 691,572 |
| Total capital assets being depreciated | <u>2,865,834</u> | <u>5,000</u> | <u>-</u> | <u>2,870,834</u> |
| Less accumulated depreciation for: | | | | |
| Water treatment plants | 513,438 | 48,438 | - | 561,876 |
| Water collection and distribution | 595,227 | 24,210 | - | 619,437 |
| Wells | 445,957 | 28,831 | - | 474,788 |
| Total accumulated depreciation | <u>1,554,622</u> | <u>101,479</u> | <u>-</u> | <u>1,656,101</u> |
| Total capital assets being depreciated, net | <u>1,311,212</u> | <u>(96,479)</u> | <u>-</u> | <u>1,214,733</u> |
| Total capital assets, net | <u>\$ 3,657,079</u> | <u>\$ (96,479)</u> | <u>\$ -</u> | <u>\$ 3,560,600</u> |

**FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007**

NOTE 4 - CAPITAL ASSETS (continued)

| | Balance at December 31, 2006 | Increases | Decreases | Balance at December 31, 2007 |
|--|------------------------------------|-------------|-----------|------------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 64,192 | \$ - | \$ - | \$ 64,192 |
| Water rights | 2,281,675 | - | - | 2,281,675 |
| Total capital assets, not being depreciated | 2,345,867 | - | - | 2,345,867 |
| Capital assets, being depreciated: | | | | |
| Water treatment plants | 930,000 | 38,771 | - | 968,771 |
| Water collection and distribution | 1,158,881 | 46,610 | - | 1,205,491 |
| Wells | 691,572 | - | - | 691,572 |
| Total capital assets being depreciated | 2,780,453 | 85,381 | - | 2,865,834 |
| Less accumulated depreciation for: | | | | |
| Water treatment plants | 465,000 | 48,438 | - | 513,438 |
| Water collection and distribution | 571,117 | 24,110 | - | 595,227 |
| Wells | 417,126 | 28,831 | - | 445,957 |
| Total accumulated depreciation | 1,453,243 | 101,379 | - | 1,554,622 |
| Total capital assets being depreciated, net | 1,327,210 | (15,998) | - | 1,311,212 |
| Total capital assets, net | \$ 3,673,077 | \$ (15,998) | \$ - | \$ 3,657,079 |

**FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007**

NOTE 5 - LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the years ended December 31, 2008 and 2007.

| | Balance at December 31, 2007 | Additions | Reductions | Balance at December 31, 2008 | Due Within One Year |
|---|------------------------------------|-------------|------------------|------------------------------------|---------------------------|
| 1995 Water Revenue Refunding and Improvement Bonds | \$ 455,000 | \$ - | \$ 50,000 | \$ 405,000 | \$ 55,000 |
| Department of Local Affairs Loan | 33,722 | - | 4,142 | 29,580 | 4,349 |
| | <u>\$ 488,722</u> | <u>\$ -</u> | <u>\$ 54,142</u> | <u>\$ 434,580</u> | <u>\$ 59,349</u> |

| | Balance at December 31, 2006 | Additions | Reductions | Balance at December 31, 2007 | Due Within One Year |
|---|------------------------------------|-------------|------------------|------------------------------------|---------------------------|
| 1995 Water Revenue Refunding and Improvement Bonds | \$ 500,000 | \$ - | \$ 45,000 | \$ 455,000 | \$ 50,000 |
| Department of Local Affairs Loan | 37,666 | - | 3,944 | 33,722 | 4,142 |
| | <u>\$ 537,666</u> | <u>\$ -</u> | <u>\$ 48,944</u> | <u>\$ 448,722</u> | <u>\$ 54,142</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.

As of December 31, 2008 and 2007, the District had no authorized but unissued debt.

**FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007**

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

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

| Year Ended December 31, | Principal | Interest | Total |
|------------------------------------|-------------------|-------------------|-------------------|
| 2009 | \$ 59,349 | \$ 30,842 | \$ 90,191 |
| 2010 | 64,566 | 26,637 | 91,203 |
| 2011 | 69,794 | 22,058 | 91,852 |
| 2012 | 75,034 | 17,106 | 92,140 |
| 2013 | 75,286 | 11,780 | 87,066 |
| 2014 | 90,551 | 6,440 | 96,991 |
| | <u>\$ 434,580</u> | <u>\$ 114,863</u> | <u>\$ 549,443</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, 2008 and 2007, the District had invested in capital assets, net of related debt calculated as follows:

| | 2008 | 2007 |
|---|---------------------|---------------------|
| Invested in capital assets, net of related debt: | | |
| Capital assets, net | \$ 3,560,600 | \$ 3,657,079 |
| Bond issuance and discount costs (net of accumulated amortization) | 3,478 | 4,526 |
| Current portion of long-term obligations | (59,349) | (54,142) |
| Noncurrent portion of long-term obligations | <u>(375,231)</u> | <u>(434,580)</u> |
| Invested in capital asset, net of related debt | <u>\$ 3,129,498</u> | <u>\$ 3,172,883</u> |

**FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007**

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 as of December 31, 2008 and 2007 as follows:

| | <u>2008</u> | <u>2007</u> |
|--------------|------------------|------------------|
| Restricted: | | |
| Emergencies | \$ 1,800 | \$ 2,000 |
| Debt service | <u>88,000</u> | <u>88,000</u> |
| | <u>\$ 89,800</u> | <u>\$ 90,000</u> |

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, 2008. 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, 2008 and 2007**

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.

On November 7, 2006 the District's electors approved the following ballot issue:

Shall Forest View Acres Water District taxes be increased \$50,000 annually, commencing in 2007, or by such greater or lesser annual amount as may be derived from such ad valorem mill levy not in excess of five (5) mills annually (provided that such maximum mill levy shall be adjusted up or down to account for changes in law or the method by which assessed valuation is calculated occurring after 2006, so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes), the revenues therefrom to be used for the purpose of paying the District's operations, maintenance, and other expenses; and shall the proceeds of such taxes and investment income thereon be collected and spent by the District as a voter-approved revenue change in 2007 and in each year thereafter, without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, or Section 29-1-301, Colorado Revised Statutes?

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.

NOTE 9 – SETTLEMENT

On June 22, 2006, a former District employee, plead guilty to theft resulting in a judgment against her that included a restitution order in the amount of \$15,000. The restitution was to be collected by the courts at a scheduled amount of \$250 per month, commencing September 5, 2006 and ending August 5, 2011 (or earlier if additional payments were collected. The District collected \$1,310, \$2,750, and \$5,167 in 2006, 2007, and 2008, respectively. As of December 31, 2008, \$5,773 remains to be collected on this settlement. The payments on this settlement are being recorded as revenue when received due to the uncertainty regarding the ultimate collection of the restitution.

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

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SUPPLEMENTAL INFORMATION

FOREST VIEW ACRES WATER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2008

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual | Variance with Final Budget - Positive (Negative) |
|------------------------------------|---------------------------------|------------------------------|------------|---|
| REVENUE | | | | |
| Water usage fees | \$ 163,785 | \$ 163,785 | \$ 157,380 | \$ (6,405) |
| Debt service fees | 87,984 | 87,984 | 89,240 | 1,256 |
| Availability to serve | 8,880 | 8,880 | 11,416 | 2,536 |
| Capital replacement fee | 142,128 | 142,128 | 144,156 | 2,028 |
| Late fees | 3,640 | 3,640 | 3,369 | (271) |
| Service fee charges | 131,976 | 131,976 | 128,139 | (3,837) |
| Property tax | 52,640 | 52,640 | 52,053 | (587) |
| Specific ownership | 4,880 | 4,880 | 6,588 | 1,708 |
| Tap fees | 12,600 | 12,600 | 26,982 | 14,382 |
| Transfer fees | 1,200 | 1,200 | - | (1,200) |
| Reimbursements | - | - | 22,958 | 22,958 |
| Settlement proceeds | 2,625 | 2,625 | 5,167 | 2,542 |
| Interest income | 14,297 | 14,297 | 5,137 | (9,160) |
| Transfers between funds | 58,433 | 58,433 | - | (58,433) |
| Other | - | - | 606 | 606 |
| Total revenues | 685,068 | 685,068 | 653,191 | (31,877) |
| EXPENDITURES | | | | |
| Operations | | | | |
| Operations manager | 85,000 | 85,000 | 87,199 | (2,199) |
| Repairs and maintenance | 334,040 | 334,040 | 106,455 | 227,585 |
| Supplies and chemicals | 15,000 | 15,000 | 8,356 | 6,644 |
| Utilities | 23,920 | 23,920 | 32,343 | (8,423) |
| Water testing | 11,821 | 11,821 | 1,754 | 10,067 |
| Engineering | 2,900 | 2,900 | 12,686 | (9,786) |
| Training and education | 10,000 | 10,000 | - | 10,000 |
| Other | 13 | 5,013 | 2,923 | 2,090 |
| Administrative | | | | |
| District management and accounting | 80,000 | 80,000 | 85,212 | (5,212) |
| Utility billing | 25,000 | 25,000 | 23,014 | 1,986 |
| Insurance/SDA dues | 8,200 | 8,200 | 7,930 | 270 |
| Telephone | 2,000 | 2,000 | 1,726 | 274 |
| Election costs | 5,000 | 5,000 | 286 | 4,714 |
| Legal | 44,138 | 51,240 | 42,339 | 8,901 |
| Inclusion expenses | - | - | 531 | (531) |
| Audit | 7,000 | 7,000 | 4,700 | 2,300 |
| Office supplies and postage | 6,000 | 6,000 | - | 6,000 |
| Treasurer's fees | 970 | 970 | 781 | 189 |
| Other | 5,000 | 5,000 | 3,884 | 1,116 |
| Bond/loan principal | 55,828 | 55,828 | 54,142 | 1,686 |
| Interest expense | 32,987 | 32,987 | 34,303 | (1,316) |
| Paying agent fees | 267 | 267 | 400 | (133) |
| TMF Capacity Assessment | - | - | 10,892 | (10,892) |
| Infrastructure projects | 5,000 | 5,000 | 5,000 | - |
| Contingency | 1,590 | 1,590 | - | 1,590 |
| Transfer between funds | 58,433 | 58,433 | - | 58,433 |
| Total expenditures | 820,107 | 832,209 | 526,856 | 305,353 |

(continued)

FOREST VIEW ACRES WATER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2008
(Continued)

| | <u>Original Budgeted Amounts</u> | <u>Final Budgeted Amounts</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|--|---------------------------------------|-------------------|---|
| NET CHANGE IN FUNDS AVAILABLE | (135,039) | (147,141) | 126,335 | 273,476 |
| FUNDS AVAILABLE - BEGINNING OF YEAR | <u>250,417</u> | <u>250,417</u> | <u>166,159</u> | <u>(84,258)</u> |
| FUNDS AVAILABLE - END OF YEAR | <u>\$ 115,378</u> | <u>\$ 103,276</u> | <u>\$ 292,494</u> | <u>\$ 189,218</u> |

Funds available at December 31, 2008 is computed as follows:

| | |
|-----------------------------------|-------------------|
| Current assets | \$ 381,930 |
| Current liabilities | (148,785) |
| Current portion of long term debt | <u>59,349</u> |
| | <u>\$ 292,494</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, 2008**

| | |
|---|-----------------------------|
| REVENUE (budgetary basis) | <u>\$ 653,191</u> |
| Total revenue per statements of revenues, expenses and changes in fund net assets | <u>653,191</u> |
| EXPENDITURES (budgetary basis) | 526,856 |
| Depreciation | 101,479 |
| Amortization of bond issuance costs | 1,048 |
| Capital Outlay | (5,000) |
| Bond principal | <u>(54,142)</u> |
| Total expenses per statements of revenues, expenses and changes in fund net assets | <u>570,241</u> |
| CHANGE IN NET ASSETS PER STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS | <u><u>\$ 82,950</u></u> |

**FOREST VIEW ACRES WATER DISTRICT
SUMMARY OF ASSESSED VALUATION , MILL LEVY
AND PROPERTY TAXES COLLECTED
Year Ended December 31, 2008**

| <u>Year Ended December 31,</u> | <u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u> | <u>Mills Levied</u> | <u>Property Taxes</u> | | <u>Percentage Collected to Levied</u> |
|--|---|---------------------|-----------------------|------------------|---|
| | | | <u>Levied</u> | <u>Collected</u> | |
| 2007 | \$ 9,348,200 | 5.000 | \$ 46,741 | \$ 46,190 | 98.8% |
| 2008 | \$ 10,527,930 | 5.000 | \$ 52,640 | \$ 52,053 | 98.9% |
| Estimated for year ending December 31, 2009 | \$ 10,768,610 | 5.000 | \$ 53,843 | | |

NOTE: Property taxes collected in any one year may include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.

**FOREST VIEW ACRES WATER DISTRICT
 SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
 December 31, 2008**

**\$880,000 Water Revenue Refunding
 and Improvement Bonds
 Dated February 1, 1995
 Principal Due December 1
 Interest Due June 1 and December 1**

| <u>Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------------|-------------------|-------------------|-------------------|
| 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>\$ 405,000</u> | <u>\$ 109,476</u> | <u>\$ 514,476</u> |

(continued)

(continued)

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

| Principal and Interest Due September 1 | | | Totals | | |
|---|-----------------|------------------|-------------------|-------------------|-------------------|
| Principal | Interest | Total | Principal | Interest | Total |
| \$ 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>\$ 29,580</u> | <u>\$ 5,387</u> | <u>\$ 34,967</u> | <u>\$ 434,580</u> | <u>\$ 114,863</u> | <u>\$ 549,443</u> |

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