

FOREST VIEW ACRES WATER DISTRICT
El Paso County, Colorado

FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008

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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, 2009 and 2008 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 opinion.

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, 2009 and 2008, 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.

August 26, 2010

BASIC FINANCIAL STATEMENTS

FOREST VIEW ACRES WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
OPERATING REVENUE		
Water usage and related fees	\$ 428,492	\$ 444,460
	<u>428,492</u>	<u>444,460</u>
OPERATING EXPENSES		
Operations manager	76,125	87,199
Repairs and maintenance	88,650	106,455
Supplies and chemicals	5,429	8,356
Utilities	23,344	32,343
Water testing	6,310	1,754
Engineering	17,095	12,686
TMF Capacity Assessment	-	10,892
Depreciation	89,955	101,479
Other	-	2,923
Total operating expenses	<u>306,908</u>	<u>364,087</u>
GROSS INCOME FROM OPERATIONS	<u>121,584</u>	<u>80,373</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
District management	66,443	85,212
Utility billing	24,953	23,014
Insurance/SDA dues	8,770	7,930
Telephone	1,431	1,726
Election costs	-	286
Legal	70,644	42,339
Inclusion expenses	-	531
Audit	4,700	4,700
Other	14,579	3,884
Total general and administrative expenses	<u>191,520</u>	<u>169,622</u>
NET (LOSS) FROM OPERATIONS	<u>(69,936)</u>	<u>(89,249)</u>
NONOPERATING REVENUE AND (EXPENSE)		
Property and specific ownership taxes	59,350	58,641
Debt service fees	89,984	89,240
Reimbursements	2,901	22,958
Settlement proceeds	3,000	5,167
Net investment earnings	974	5,137
Miscellaneous income	5,064	606
Settlement payment - Wilde	(49,056)	-
Treasurer's fees	(812)	(781)
Amortization of bond issue costs	(933)	(1,048)
Interest expense	(30,437)	(34,303)
Paying agent fees	(400)	(400)
Total nonoperating revenue and (expense)	<u>79,635</u>	<u>145,217</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	<u>9,699</u>	<u>55,968</u>
CAPITAL CONTRIBUTIONS		
Water tap fees	-	26,982
	<u>-</u>	<u>26,982</u>
CHANGE IN NET ASSETS	<u>9,699</u>	<u>82,950</u>
NET ASSETS - BEGINNING OF YEAR	<u>3,421,992</u>	<u>3,339,042</u>
NET ASSETS - END OF YEAR	<u>\$ 3,431,691</u>	<u>\$ 3,421,992</u>

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, 2009 and 2008**

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, 2009 and 2008**

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 2008 amounts have been reclassified where appropriate to conform with the 2009 financial statement presentation.

**FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008**

NOTE 3 - CASH AND INVESTMENTS (continued)

At December 31, 2009 and 2008, the District had the following investments:

Investment	Maturity	Fair Value	
		2009	2008
Colorado Liquid Asset Trust (ColoTrust)	Less than 1 year	<u>\$ 128,572</u>	<u>\$ 147,446</u>

Colostrust

At December 31, 2009 and 2008, the District had \$128,572 and \$147,446, 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, 2009 and 2008 statement of net assets as follows:

	2009	2008
Cash and investments - unrestricted	\$216,127	\$208,387
Cash and investments - restricted	88,000	88,000
	<u>\$304,127</u>	<u>\$296,387</u>
Deposits	\$175,555	\$148,941
Investments	128,572	147,446
	<u>\$304,127</u>	<u>\$296,387</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, 2009 and 2008 was \$88,000. At December 31, 2009 and 2008, the District had sufficient cash and investments to meet this reserve requirement.

**FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008**

NOTE 4 - CAPITAL ASSETS (continued)

	<u>Balance at December 31, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2008</u>
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, 2009 and 2008**

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>
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>\$ 375,231</u>	<u>\$ 84,021</u>	<u>\$ 459,252</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, 2009 and 2008, the District had invested in capital assets, net of related debt calculated as follows:

	<u>2009</u>	<u>2008</u>
Invested in capital assets, net of related debt:		
Capital assets, net	\$ 3,543,697	\$ 3,560,600
Bond issuance and discount costs (net of accumulated amortization)	2,545	3,478
Current portion of long-term obligations	(64,566)	(59,349)
Noncurrent portion of long-term obligations	<u>(310,665)</u>	<u>(375,231)</u>
Invested in capital asset, net of related debt	<u>\$ 3,171,011</u>	<u>\$ 3,129,498</u>

**FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008**

NOTE 7 – WILDE JUDGMENT (continued)

The calculated damages of \$49,056, including accrued interest, were garnished from one of the District's bank accounts on December 29, 2009. The damages will be remitted when directed by the court.

The District's Motion for Reconsideration was granted in part in January 2010. The January 2010 Order denied the District's substantive arguments of reconsideration of the October 2009 Order and subsequent Entry of Judgment, dated December 20, 2009.

The District is currently appealing the judgment and orders of the trial court.

NOTE 8 - 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, 2009. 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 9 - 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.

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, 2009
(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	(128,064)	(284,514)	(31,814)	252,700
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>259,313</u>	<u>259,313</u>	<u>292,494</u>	<u>33,181</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 131,249</u>	<u>\$ (25,201)</u>	<u>\$ 260,680</u>	<u>\$ 285,881</u>

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

Current assets	\$ 386,335
Current liabilities	(190,221)
Current portion of long term debt	<u>64,566</u>
	<u>\$ 260,680</u>

**FOREST VIEW ACRES WATER DISTRICT
SUMMARY OF ASSESSED VALUATION , MILL LEVY
AND PROPERTY TAXES COLLECTED
Year Ended December 31, 2009**

<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%
2009	\$ 10,768,610	5.000	\$ 53,843	\$ 53,843	100.0%
Estimated for year ending December 31, 2010	\$ 11,523,230	5.000	\$ 57,616		

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.

(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
\$ 4,566	\$ 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>\$ 25,231</u>	<u>\$ 3,908</u>	<u>\$ 29,139</u>	<u>\$ 375,231</u>	<u>\$ 84,021</u>	<u>\$ 459,252</u>