

FOREST VIEW ACRES WATER DISTRICT
El Paso County, Colorado

FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	I
BASIC FINANCIAL STATEMENTS	
Statements of Net Assets	1
Statements of Revenues, Expenses and Changes in Fund Net Assets	2
Statements of Cash Flows	3
Notes to the Financial Statements	4
SUPPLEMENTAL INFORMATION	16
Schedule of Revenues, Expenditures and Changes in Funds Available – Budget and Actual (Budgetary Basis)	17
Reconciliation of Budgetary Basis (Actual) to Statement of Revenues, Expenses and Changes in Fund Net Assets	19
OTHER INFORMATION	20
Schedule of Debt Service Requirements to Maturity	21
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	23



SCHILLING & COMPANY, INC.

Certified Public Accountants

P.O. Box 631579
HIGHLANDS RANCH, CO 80163

PHONE: 720.348.1086
FAX: 720.348.2920

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, 2011 and 2010 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, 2011 and 2010, 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and legal compliance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of

America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The other information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

SCHILLING & COMPANY, INC.

May 24, 2012

BASIC FINANCIAL STATEMENTS

FOREST VIEW ACRES WATER DISTRICT
STATEMENTS OF NET ASSETS
December 31, 2011 and 2010

ASSETS	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and investments - unrestricted	\$ 258,012	\$ 107,408
Cash and investments - restricted	88,000	88,000
Accounts receivable - customers	20,043	27,346
Accounts receivable - grants	10,000	84,438
Cash with County Treasurer	411	365
Property taxes receivable	51,977	57,955
Prepaid expenses	170	170
Total current assets	<u>428,613</u>	<u>365,682</u>
CAPITAL ASSETS		
Land	64,192	64,192
Water rights	2,281,675	2,281,675
Construction in progress	44,777	575,328
Water treatment plants	1,121,097	995,321
Water collection and distribution	1,686,302	1,210,491
Wells	691,572	691,572
	<u>5,889,615</u>	<u>5,818,579</u>
Less accumulated depreciation	1,957,976	1,844,578
Total capital assets	<u>3,931,639</u>	<u>3,974,001</u>
OTHER ASSETS		
Bond issue costs, net of accumulated amortization	1,071	1,739
Total other assets	<u>1,071</u>	<u>1,739</u>
TOTAL ASSETS	<u><u>\$ 4,361,323</u></u>	<u><u>\$ 4,341,422</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 77,259	\$ 216,228
Accrued interest payable	1,624	2,182
Deferred property taxes	51,977	57,955
Current portion of long term debt	75,034	69,794
Total current liabilities	<u>205,894</u>	<u>346,159</u>
LONG-TERM LIABILITIES		
Bonds and loan payable	165,837	240,871
Total liabilities	<u>371,731</u>	<u>587,030</u>
NET ASSETS		
Invested in capital assets, net of related debt	3,691,839	3,665,075
Restricted for debt service	88,000	88,000
Restricted for emergencies	1,900	1,900
Unrestricted	207,853	(583)
Total net assets	<u>3,989,592</u>	<u>3,754,392</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,361,323</u></u>	<u><u>\$ 4,341,422</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, 2011 and 2010

	2011	2010
OPERATING REVENUE		
Water usage and related fees	\$ 490,686	\$ 478,478
	490,686	478,478
OPERATING EXPENSES		
Operations manager	45,950	74,069
Repairs and maintenance	100,234	75,972
Supplies and chemicals	10,265	7,475
Utilities	30,848	44,171
Water testing	267	4,152
Engineering	7,064	10,980
Depreciation	113,398	98,522
Other	5,026	10,186
Total operating expenses	313,052	325,527
GROSS INCOME FROM OPERATIONS	177,634	152,951
GENERAL AND ADMINISTRATIVE EXPENSES		
District management	70,102	77,727
Utility billing	25,330	24,035
Insurance/SDA dues	7,155	7,795
Director fees	6,500	3,800
Legal	3,554	5,195
Audit	4,700	4,700
Other	6,856	3,227
Total general and administrative expenses	124,197	126,479
NET INCOME FROM OPERATIONS	53,437	26,472
NONOPERATING REVENUE AND (EXPENSE)		
Property and specific ownership taxes	63,006	62,950
Debt service fees	56,548	59,976
Reimbursements	978	319
Settlement proceeds	49,094	2,773
Net investment earnings	278	465
Miscellaneous income	3,157	-
Legal fees - settlement	(25,857)	-
Treasurer's fees	(872)	(865)
Amortization of bond issue costs	(668)	(806)
Interest expense	(21,501)	(26,283)
Paying agent fees	(400)	-
Total nonoperating revenue and (expense)	123,763	98,529
INCOME BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	177,200	125,001
CAPITAL GRANTS AND CONTRIBUTIONS		
Grant Revenue	10,000	181,700
Water tap fees	48,000	16,000
	58,000	197,700
CHANGE IN NET ASSETS	235,200	322,701
NET ASSETS - BEGINNING OF YEAR	3,754,392	3,431,691
NET ASSETS - END OF YEAR	\$ 3,989,592	\$ 3,754,392

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, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 497,989	\$ 474,992
Cash payments to suppliers for goods and services	(313,825)	(330,778)
Net cash provided by operating activities	184,164	144,214
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES		
Property and specific ownership, net of fees	62,088	62,141
Settlement proceeds	49,094	2,773
Reimbursements	978	319
Other	3,157	-
Legal fees - settlement	(25,857)	-
Net cash provided by noncapital financing activities	89,460	65,233
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Grant revenue	84,438	97,262
Contributed capital - tap fees	48,000	16,000
Debt service fees	56,548	60,117
Acquisition of capital assets	(220,031)	(400,807)
Principal paid on long-term debt	(69,794)	(64,566)
Interest paid on long-term debt	(22,059)	(26,637)
Paying agent fees	(400)	-
Net cash (required) by capital and related financing activities	(123,298)	(318,631)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment income	278	465
Net cash provided by investing activities	278	465
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	150,604	(108,719)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	195,408	304,127
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 346,012	\$ 195,408
Reconciliation of operating income from operations to net cash provided by operating activities		
Gain from operations	\$ 53,437	\$ 26,472
Adjustments to reconcile gain (loss) from operations to net cash provided by operating activities:		
Depreciation	113,398	98,522
Effect of changes in operating assets and liabilities:		
Accounts receivable	7,303	(3,486)
Accounts payable	10,026	22,706
Net cash provided by operating activities	\$ 184,164	\$ 144,214

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, 2011 and 2010**

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 are 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, 2011 and 2010**

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, 2011. 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.

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 30 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, 2011 and 2010**

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.

Reclassifications

For comparability, certain 2010 amounts have been reclassified where appropriate to conform with the 2011 financial statement presentation.

**FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010**

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, 2011 and 2010, the District's cash deposits had bank balances of \$295,185 and \$145,835 and carrying balances of \$286,798 and \$138,718 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, 2011 and 2010**

NOTE 3 - CASH AND INVESTMENTS (continued)

At December 31, 2011 and 2010, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	
		<u>2011</u>	<u>2010</u>
Colorado Liquid Asset Trust (ColoTrust)	Less than 1 year	<u>\$ 59,214</u>	<u>\$ 56,690</u>

Colostrust

At December 31, 2011 and 2010, the District had 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, 2011 and 2010 statement of net assets as follows:

	<u>2011</u>	<u>2010</u>
Cash and investments - unrestricted	\$258,012	\$107,408
Cash and investments - restricted	88,000	88,000
	<u>\$346,012</u>	<u>\$195,408</u>
Deposits	\$286,798	\$138,718
Investments	59,214	56,690
	<u>\$346,012</u>	<u>\$195,408</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 and interest requirements of the bonds and all parity lien bonds 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, 2011 and 2010 was \$88,000. At December 31, 2011 and 2010, the District had sufficient cash and investments to meet this reserve requirement.

**FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010**

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2011 and 2010 follows:

	<u>Balance at December 31, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2011</u>
Capital assets, not being depreciated:				
Land	\$ 64,192	\$ -	\$ -	\$ 64,192
Water rights	2,281,675	-	-	2,281,675
Construction in progress	575,328	71,036	601,587	44,777
Total capital assets, not being depreciated	<u>2,921,195</u>	<u>71,036</u>	<u>601,587</u>	<u>2,390,644</u>
Capital assets, being depreciated:				
Water treatment plants	995,321	125,776	-	1,121,097
Water collection and distribution	1,210,491	475,811	-	1,686,302
Wells	691,572	-	-	691,572
Total capital assets being depreciated	<u>2,897,384</u>	<u>601,587</u>	<u>-</u>	<u>3,498,971</u>
Less accumulated depreciation for:				
Water treatment plants	661,408	56,055	-	717,463
Water collection and distribution	667,856	32,796	-	700,652
Wells	515,314	24,547	-	539,861
Total accumulated depreciation	<u>1,844,578</u>	<u>113,398</u>	<u>-</u>	<u>1,957,976</u>
Total capital assets being depreciated, net	<u>1,052,806</u>	<u>488,189</u>	<u>-</u>	<u>1,540,995</u>
Total capital assets, net	<u>\$ 3,974,001</u>	<u>\$ 559,225</u>	<u>601,587</u>	<u>\$ 3,931,639</u>

**FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010**

NOTE 4 - CAPITAL ASSETS (continued)

	<u>Balance at December 31, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2010</u>
Capital assets, not being depreciated:				
Land	\$ 64,192	\$ -	\$ -	\$ 64,192
Water rights	2,281,675	-	-	2,281,675
Construction in progress	46,502	528,826	-	575,328
Total capital assets, not being depreciated	<u>2,392,369</u>	<u>528,826</u>	<u>-</u>	<u>2,921,195</u>
Capital assets, being depreciated:				
Water treatment plants	995,321	-	-	995,321
Water collection and distribution	1,210,491	-	-	1,210,491
Wells	691,572	-	-	691,572
Total capital assets being depreciated	<u>2,897,384</u>	<u>-</u>	<u>-</u>	<u>2,897,384</u>
Less accumulated depreciation for:				
Water treatment plants	611,642	49,766	-	661,408
Water collection and distribution	643,647	24,209	-	667,856
Wells	490,767	24,547	-	515,314
Total accumulated depreciation	<u>1,746,056</u>	<u>98,522</u>	<u>-</u>	<u>1,844,578</u>
Total capital assets being depreciated, net	<u>1,151,328</u>	<u>(98,522)</u>	<u>-</u>	<u>1,052,806</u>
Total capital assets, net	<u>\$ 3,543,697</u>	<u>\$ 430,304</u>	<u>\$ -</u>	<u>\$ 3,974,001</u>

**FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010**

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, 2011 and 2010.

	<u>Balance at December 31, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2011</u>	<u>Due Within One Year</u>
1995 Water Revenue Refunding and Improvement Bonds	\$ 290,000	\$ -	\$ 65,000	\$ 225,000	\$ 70,000
Department of Local Affairs Loan	<u>20,665</u>	<u>-</u>	<u>4,794</u>	<u>15,871</u>	<u>5,034</u>
not being depreciated	<u>\$ 310,665</u>	<u>\$ -</u>	<u>\$ 69,794</u>	<u>\$ 240,871</u>	<u>\$ 75,034</u>
	<u>Balance at December 31, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2010</u>	<u>Due Within One Year</u>
1995 Water Revenue Refunding and Improvement Bonds	\$ 350,000	\$ -	\$ 60,000	\$ 290,000	\$ 65,000
Department of Local Affairs Loan	<u>25,231</u>	<u>-</u>	<u>4,566</u>	<u>20,665</u>	<u>4,794</u>
not being depreciated	<u>\$ 375,231</u>	<u>\$ -</u>	<u>\$ 64,566</u>	<u>\$ 310,665</u>	<u>\$ 69,794</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. Subsequent to December 31, 2011, the District made an early retirement payment to the Department of Local Affairs loan in the amount of \$16,333. This payment completely satisfied the contractual obligation for repayment to the Department of Local Affairs.

**FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010**

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

As of December 31, 2011 and 2010, the District had no authorized but unissued debt.

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>
2012	\$ 75,034	\$ 17,106	\$ 92,140
2013	75,286	11,780	87,066
2014	90,551	6,440	96,991
	<u>\$ 240,871</u>	<u>\$ 35,326</u>	<u>\$ 276,197</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, 2011 and 2010, the District had invested in capital assets, net of related debt calculated as follows:

	<u>2011</u>	<u>2010</u>
Invested in capital assets, net of related debt:		
Capital assets, net	\$ 3,931,639	\$ 3,974,001
Bond issuance and discount costs (net of accumulated amortization)	1,071	1,739
Current portion of long-term obligations	(75,034)	(69,794)
Noncurrent portion of long-term obligations	<u>(165,837)</u>	<u>(240,871)</u>
Invested in capital asset, net of related debt	<u>\$ 3,691,839</u>	<u>\$ 3,665,075</u>

**FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010**

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, 2011 and 2010 as follows:

	<u>2011</u>	<u>2010</u>
Restricted:		
Emergencies	\$ 1,900	\$ 1,900
Debt service	<u>88,000</u>	<u>88,000</u>
	<u>\$ 89,900</u>	<u>\$ 89,900</u>

NOTE 7 – SETTLEMENTS

Wilde Settlement

Appellee, Leigh Wilde (“Wilde”) filed suit against the District in the El Paso County District Court to enjoin the District from terminating water service to Wilde’s property due to delinquent fees and charges. In addition, Wilde claimed breach of contract against the District as alleged assignee to an agreement between the District and Wilde’s predecessor in interest to the Wilde property that included provisions relating to water service. The District denied that Wilde was an assignee to the subject agreement and, therefore, denied that Wilde was entitled to any water service under the agreement.

The calculated damages of \$49,056, including accrued interest, were garnished from one of the District’s bank accounts on December 29, 2009 and subsequently remitted to the court. The District’s Motion for Reconsideration was granted in part in January 2010. In September 2011, the District prevailed and the courts were ordered to return the District’s funds plus accrued interest. The District received \$49,094.

Employee Theft

During the year ended December 31, 2010, the balance owing for restitution payments of \$2,773 was received by the District. On June 22, 2006, a former District employee pled 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 are collected). The payments on this settlement were recorded as revenue when received due to the uncertainty regarding the ultimate collection of the restitution.

**FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010**

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, 2011. 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.

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.

**FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010**

NOTE 9 - TAX, SPENDING AND DEBT LIMITATIONS (continued)

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)
Year Ended December 31, 2011

	<u>Original/Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUE			
Water usage fees	\$ 130,000	\$ 152,915	\$ 22,915
Debt service fees	60,000	56,548	(3,452)
Availability to serve	13,000	11,879	(1,121)
Capital replacement fee	153,000	166,680	13,680
Late fees	10,000	3,606	(6,394)
Service fee charges	140,000	155,606	15,606
Property tax	57,880	57,928	48
Specific ownership	6,000	5,078	(922)
Tap fees	-	48,000	48,000
Transfer fees	1,000	-	(1,000)
Reimbursements	500	978	478
Settlement proceeds	2,625	49,094	46,469
Interest income	1,000	278	(722)
EIAF Grant	84,438	-	(84,438)
SSTTA Grant	25,000	-	(25,000)
DOLA Grant	-	10,000	10,000
Other	1,000	3,157	2,157
Total revenues	<u>685,443</u>	<u>721,747</u>	<u>36,304</u>
EXPENDITURES			
Operations			
Operations manager	85,500	45,950	39,550
Repairs and maintenance	87,000	100,234	(13,234)
Supplies and chemicals	16,500	10,265	6,235
Utilities	52,850	30,848	22,002
Water testing	1,500	267	1,233
Engineering	2,900	7,064	(4,164)
Training and education	2,000	-	2,000
Other	4,000	5,026	(1,026)
Administrative			
District management and accounting	68,000	70,102	(2,102)
Utility billing	25,000	25,330	(330)
Insurance/SDA dues	8,000	7,155	845
Directors fees	6,000	6,500	(500)
Legal	19,500	29,411	(9,911)
Audit	5,000	4,700	300
Treasurer's fees	1,000	872	128
Other	3,550	6,856	(3,306)
Bond/loan principal	70,828	69,794	1,034
Interest expense	21,025	21,501	(476)
Paying agent fees	500	400	100
Infrastructure projects	181,438	71,036	110,402
Emergency reserve	1,700	-	1,700
Total expenditures	<u>663,791</u>	<u>513,311</u>	<u>150,480</u>

(continued)

FOREST VIEW ACRES WATER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2011
(Continued)

	<u>Original/Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
NET CHANGE IN FUNDS AVAILABLE	21,652	208,436	186,784
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>15,124</u>	<u>89,317</u>	<u>74,193</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 36,776</u>	<u>\$ 297,753</u>	<u>\$ 260,977</u>

Funds available is computed as follows:

Current assets	\$ 428,613
Current liabilities	(205,894)
Current portion of long term debt	<u>75,034</u>
	<u>\$ 297,753</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, 2011**

REVENUE (budgetary basis)	\$ 721,747
Total revenue per statements of revenues, expenses and changes in fund net assets	721,747
 EXPENDITURES (budgetary basis)	 513,311
Depreciation	113,398
Amortization of bond issuance costs	668
Capital Outlay	(71,036)
Bond and loan principal	(69,794)
Total expenses per statement of revenues, expenses and changes in fund net assets	486,547
 CHANGE IN NET ASSETS PER STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS	 \$ 235,200

OTHER INFORMATION

**FOREST VIEW ACRES WATER DISTRICT
 SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
 December 31, 2011**

<u>Year Ending December 31,</u>	\$880,000 Water Revenue Refunding and Improvement Bonds Dated February 1, 1995 Principal Due December 1 Interest Due June 1 and December 1		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	2012	\$ 70,000	\$ 16,312
2013	70,000	11,238	81,238
2014	85,000	6,163	91,163
	<u>\$ 225,000</u>	<u>\$ 33,713</u>	<u>\$ 258,713</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
\$ 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>\$ 15,871</u>	<u>\$ 1,613</u>	<u>\$ 17,484</u>	<u>\$ 240,871</u>	<u>\$ 35,326</u>	<u>\$ 276,197</u>

**FOREST VIEW ACRES WATER DISTRICT
SUMMARY OF ASSESSED VALUATION , MILL LEVY
AND PROPERTY TAXES COLLECTED
Year Ended December 31, 2011**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied	Property Taxes		Percentage Collected to Levied
			Levied	Collected	
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%
2010	\$ 11,523,230	5.000	\$ 57,616	\$ 57,615	100.0%
2011	\$ 11,590,950	5.000	\$ 57,955	\$ 57,928	100.0%
Estimated for year ending December 31, 2012	\$ 10,395,390	5.000	\$ 51,977		

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.