

**TABERNASH MEADOWS WATER
AND SANITATION DISTRICT**
Grand County, Colorado

**FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	I
MANAGEMENT'S DISCUSSION AND ANALYSIS	III
BASIC FINANCIAL STATEMENTS	
Statements of Net Position	1
Statements of Revenues, Expenses and Changes in Fund Net Position	2
Statements of Cash Flows	3
Notes to the Financial Statements	4
SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Changes in Funds Available – Budget and Actual (Budgetary Basis)	20
Reconciliation of Budgetary Basis to Statement of Revenues, Expenses and Changes in Fund Net Position	21
OTHER INFORMATION	
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	22



Independent Auditor's Report

Board of Directors
Tabernash Meadows Water and Sanitation District
Grand County, Colorado

We have audited the accompanying basic financial statements of Tabernash Meadows Water and Sanitation District (District) as of and for the years ended December 31, 2012 and 2011, as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tabernash Meadows Water and Sanitation District, as of December 31, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relate 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 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.

Highlands Ranch, Colorado
April 15, 2013

**TABERNASH MEADOWS WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2012 and 2011**

Our discussion and analysis of Tabernash Water and Sanitation District's (District) financial performance provides an overview of the District's financial activities for the fiscal years ended December 31, 2012 and 2011. Please read it in conjunction with the District's basic financial statements which begin on page 1.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Required statements for proprietary funds are: 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Fund Net Position, and 3) Statement of Cash Flows. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position are prepared using the economic resource measurement focus and the accrual basis of accounting.

The *Statement of Net Position* presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between them reported as net assets. This statement provides useful information regarding the financial position of the District. Over time, increases and decreases in net position can serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Nonfinancial factors should also be considered to assess the overall financial position of the District.

The *Statement of Revenues, Expenses and Changes in Fund Net Position* reports the changes that have occurred during the year to the District's net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Revenues and expenses are reported for some items that will only result in cash flows in the subsequent years.

The *Statement of Cash Flows*, as its name implies, is concerned solely with flows of cash and cash equivalents. Only transactions that affect the District's cash position are reflected in this statement. Transactions are segregated into four sections on the statement: 1) cash flows from operating activities, 2) cash flows from capital financing activities, 3) cash flows from noncapital financing activities, and 4) cash flows from investing activities.

FINANCIAL SUMMARY AND ANALYSIS

Net Position

2012

As noted earlier, net position may serve as a useful indicator of the District's financial position. As noted in the table below, in 2012 the District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$2,275,004 a decrease from 2011 of \$199,564 or 8.1%. Total assets decreased by \$198,922 primarily due to the net loss for 2012

and its impact on current assets and the depreciation of capital assets. Capital asset activity is discussed below in the capital asset and debt administration section.

There was an overall decrease in liabilities of \$58,522. Accounts payable decreased by \$36,677 primarily due to there being capital projects ongoing at the end of 2011 where there were no significant capital projects ongoing at the end of 2012.

2011

As noted in the table below, in 2011 the District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$2,474,568 a decrease from 2010 of \$237,595 or 8.8%. Total assets increased by \$224,159 primarily due to an increase in capital assets of \$246,952. Capital asset increases are discussed below in the capital asset and debt administration section.

The above asset increases were offset by an overall increase in liabilities of \$396,488. Accounts payable increased by \$46,544 primarily due to capital projects ongoing at year end. Additionally during 2011, the District entered into a loan agreement for \$365,000. Long-term debt activity is discussed below in the capital asset and debt administration section.

NET POSITION

	December 31,		
	2012	2011	2010
ASSETS			
Current assets	\$ 1,250,735	\$ 1,313,979	\$ 1,336,772
Capital assets, net	5,335,296	5,470,974	5,224,022
Total assets	<u>6,586,031</u>	<u>6,784,953</u>	<u>6,560,794</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refunding	242,003	276,992	311,980
Total deferred outflows of resources	<u>242,003</u>	<u>276,992</u>	<u>311,980</u>
LIABILITIES			
Current liabilities	82,958	99,499	41,502
Long-term liabilities	4,121,735	4,163,716	3,825,225
Total liabilities	<u>4,204,693</u>	<u>4,263,215</u>	<u>3,866,727</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	348,337	324,162	293,884
Total deferred inflows of resources	<u>348,337</u>	<u>324,162</u>	<u>293,884</u>
NET POSITION			
Net investment in capital assets	1,413,583	1,557,728	1,702,926
Restricted	150,414	186,321	174,986
Unrestricted	711,007	730,519	834,251
Total net position	<u><u>\$ 2,275,004</u></u>	<u><u>\$ 2,474,568</u></u>	<u><u>\$ 2,712,163</u></u>

Changes in Net Position

	CHANGES IN NET POSITION		
	Years Ended December 31,		
	2012	2011	2010
REVENUES			
Operating revenue:			
Charges for services	\$ 397,654	\$ 398,686	\$ 383,293
Capital grants and contributions	-	-	440,000
Nonoperating revenue:			
Property taxes	324,162	293,884	291,828
Specific ownership taxes	13,730	10,183	10,826
Investment earnings	2,665	4,803	9,211
Gain on disposal of capital assets	35,813	-	-
Total revenues	<u>774,024</u>	<u>707,556</u>	<u>1,135,158</u>
EXPENSES			
Operating expenses:			
Water operations	158,643	166,016	114,184
Sewer operations	187,352	181,387	202,870
Administration	61,661	46,420	75,468
Depreciation	241,280	227,752	229,116
Nonoperating expenses:			
Interest, fiscal charges and other	324,652	323,576	317,371
Loss on sale of land	-	-	48,820
Total expenses	<u>973,588</u>	<u>945,151</u>	<u>987,829</u>
CHANGES IN NET POSITION	(199,564)	(237,595)	147,329
NET POSITION - BEGINNING OF YEAR (Restated)	2,474,568	2,712,163	2,564,834
NET POSITION - END OF YEAR	<u>\$ 2,275,004</u>	<u>\$ 2,474,568</u>	<u>\$ 2,712,163</u>

2012

As noted in the table above, the District's net position for 2012 decreased by \$199,564. Overall revenue increased by \$66,468. Overall operating revenues remained consistent, however the individual components varied from 2011. Overall water service charges increased by \$28,026 due to the implementation of the \$30 per quarter Water Rights Management Fee. Additionally intergovernmental charges for services increased by \$20,299, primarily due to \$23,660 of capital charges received from Grand County in 2012. These increases were offset by \$49,357 decrease in other charges for services. This decreased due to the ending of the Devil's Thumb Ranch Operating Agreement on December 31, 2011, which accounted for \$36,917 of the 2011 revenue. General revenues accounted for most of the overall revenue increase. Property taxes increased by \$30,278 due to a higher property tax mill levy for debt service. The mill levy was increased from 30.000 mills in 2011 to 42.000 mills in 2012. Most of the remaining revenue increase was due to the gain on disposal of capital assets which is discussed further in the capital asset and debt administration section below.

Overall expenses remained consistent with from 2011 to 2012 with an overall increase of \$28,437, or 3%.

2011

As noted in the table above, the District's net position for 2011 decreased by \$237,595. Overall revenue decreased by \$427,602. Operating revenues increased by \$15,393 or 4%. Nonoperating or general revenues decreased by \$2,995 or .9% all of this increase was due to additional property tax collected. Contributed capital decreased by \$440,000 from 2010 to 2011. In 2010 the District sold 22 taps for \$440,000, however there were no taps sold in 2011.

Operating expenses remained consistent with from 2010 to 2011 with an overall decrease of \$63. Nonoperating expenses decreased by \$42,615 or 12%, due primarily to a loss on the sale of land in 2010 of \$48,820, where there was no such loss in 2011.

BUDGETARY HIGHLIGHTS

During 2012 the appropriated expenditures were \$1,562,393 and actual expenditures were \$793,630 or \$768,763 under budget. Budgeted revenues were \$697,557 and actual revenues were \$738,211 or \$40,654 in excess of budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets at December 31, 2012 and 2011 is as follows:

CAPITAL ASSETS (net of accumulated depreciation)					
	<u>2010</u>	<u>Change</u>	<u>2011</u>	<u>Change</u>	<u>2012</u>
Land	\$ 56,156	\$ -	\$ 56,156	\$ -	\$ 56,156
Water rights	333,200	-	333,200	162,600	495,800
Construction in progress	83,698	437,530	521,228	(521,228)	-
Water system	2,414,694	(78,083)	2,336,611	(97,968)	2,238,643
Wastewater system	2,284,225	(100,439)	2,183,786	334,493	2,518,279
Vehicles and equipment	52,049	(12,056)	39,993	(13,575)	26,418
Total	<u>\$ 5,224,022</u>	<u>\$ 246,952</u>	<u>\$ 5,470,974</u>	<u>\$ (135,678)</u>	<u>\$ 5,335,296</u>

2012

During 2012 the District's capital asset additions amounted to \$187,388, which included water rights purchased for \$45,000, \$23,350 incurred for the completion of the dewatering project which was placed in service during 2012, and \$1,438 incurred to complete the water well project which was also placed into service during 2012. In addition to these purchased capital assets, the District exchanged 25% of the storage capacity in the Pole Creek Meadows Reservoir No. 1 for additional water rights and other storage capacity. The net book value of the 25% of storage capacity exchanged was \$81,786 and the fair value of the water rights and other storage capacity was \$58,800 and \$58,800, respectively. The District recognized a gain on the exchange of \$35,814.

2011

During 2011 the District spent \$474,704 on capital asset additions. The capital asset additions were: \$306,430 was spent on a dewatering project, \$78,145 was spent on the headworks bar screen project, \$12,314 was spent on SCADA system upgrades, \$40,641 was spent on water wells, \$28,854 was spent on the Pearl Ditch headgate, and equipment was purchased for \$8,320.

Additional information on the District's capital assets can be found in Note 4 of this report.

Long-Term Obligations

The District's long-term obligations at December 31, 2012 and 2011 are as follows:

	LONG-TERM OBLIGATIONS				
	<u>2010</u>	<u>Change</u>	<u>2011</u>	<u>Change</u>	<u>2012</u>
GO Refunding Bonds Series 2010	\$ 3,800,000	\$ -	\$ 3,800,000	\$ -	\$ 3,800,000
CWRPDA Loan	-	365,000	365,000	(18,250)	346,750
Capital leases	33,076	(7,838)	25,238	(8,272)	16,966
Total	<u>\$ 3,833,076</u>	<u>\$ 357,162</u>	<u>\$ 4,190,238</u>	<u>\$ (26,522)</u>	<u>\$ 4,163,716</u>

2012

During 2012 the District did not enter into any additional debt. The debt service payments on the bonds, loan and capital leases were made as scheduled.

2011

During 2011 the District entered into a \$365,000 loan agreement with the Colorado Water Resources and Power Development Authority. The loan was issued to fund the capital asset construction and acquisition of the dewatering and headworks capital assets discussed above. The debt service payments on the bonds, loan and capital leases were made as scheduled.

ECONOMIC FACTORS NEXT YEAR'S BUDGET AND RATES

For 2013 the District's water and wastewater rates remain the same as 2012. For 2013's property taxes, the District's assessed valuation for property taxes increased by just over 1%. In order to meet 2013's debt service requirements, the District increased the debt service mill levy from 42.000 mills to 45.000 mills. Total budgeted revenues for 2013 are \$736,274. Total budget expenditures for 2013 are \$834,469. The budget deficit of \$98,195 is for planned and approved capital asset improvements; and will be offset by the District's fund balance carryover which is made up prior year tap sales. Although expenditures are budgeted at \$834,469, the overall appropriation for expenditures was set by the Board of Directors at \$1,444,249.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of Tabernash Water and Sanitation District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's Manager, L.L. Kourse, P.O. Box 443, Tabernash, CO 80478, (970) 726-2839.

BASIC FINANCIAL STATEMENTS

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
December 31, 2012 and 2011

	2012	2011
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents - Unrestricted	\$ 600,331	\$ 686,625
Cash and cash equivalents - Restricted	149,114	184,721
Accounts receivable:		
Customers	80,885	67,757
Others	30,522	24,224
Prepaid expenses	16,504	1,695
Prepaid tap inventory	24,000	24,000
Property taxes receivable	349,379	324,957
Total current assets	1,250,735	1,313,979
CAPITAL ASSETS		
Capital assets, not being depreciated	551,956	910,584
Capital assets, being depreciated	6,878,781	6,447,357
	7,430,737	7,357,941
Less accumulated depreciation and amortization	(2,095,441)	(1,886,967)
Total capital assets	5,335,296	5,470,974
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on bond refunding	242,003	276,992
Total deferred outflows of resources	242,003	276,992
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 6,828,034	\$ 7,061,945
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 13,737	\$ 50,414
Accrued general leave	4,677	-
Interest payable	22,563	22,563
Bonds, loan and capital leases payable - current	41,981	26,522
Total current liabilities	82,958	99,499
NONCURRENT LIABILITIES		
Bonds, loan and capital leases payable - noncurrent	4,121,735	4,163,716
Total noncurrent liabilities	4,121,735	4,163,716
Total liabilities	4,204,693	4,263,215
DEFERRED INFLOWS OF RESOURCES		
Deferred property taxes	348,337	324,162
Total deferred inflows of resources	348,337	324,162
NET POSITION		
Net investment in capital assets	1,413,583	1,557,728
Restricted for:		
Emergencies	1,300	1,600
Debt service	149,114	140,976
Capital construction and acquisition	-	43,745
Unrestricted	711,007	730,519
Total net position	2,275,004	2,474,568
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 6,828,034	\$ 7,061,945

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

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
Years Ended December 31, 2012 and 2011

	2012	2011
OPERATING REVENUE		
Service charges - water	\$ 160,185	\$ 132,159
Service charges - sewer	125,208	125,208
Intergovernmental charges for services	90,563	70,264
Other charges for services	21,698	71,055
Total operating revenue	397,654	398,686
 OPERATING EXPENSES		
Water operations	158,643	166,016
Sewer operations	187,352	181,387
Administration	61,661	46,420
Depreciation	241,280	227,752
Total operating expenses	648,936	621,575
 OPERATING LOSS	(251,282)	(222,889)
 NONOPERATING REVENUE (EXPENSE)		
Property taxes	324,162	293,884
Specific ownership taxes	13,730	10,183
Net investment income	2,665	4,803
Gain on exchange of capital assets	35,813	-
County treasurer's fees	(16,247)	(14,737)
Bond and lease interest and fiscal charges	(308,405)	(308,839)
Total nonoperating revenue (expense)	51,718	(14,706)
 CHANGE IN NET ASSETS	(199,564)	(237,595)
 NET POSITION - BEGINNING OF YEAR (Restated)	2,474,568	2,712,163
 NET POSITION - END OF YEAR	\$ 2,275,004	\$ 2,474,568

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

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 378,228	\$ 402,989
Payments to vendors	(222,090)	(186,018)
Payments to employees	(206,436)	(196,063)
Net cash provided (required) by operating activities	(50,298)	20,908
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital asset purchases	(95,727)	(448,765)
Principal paid on capital debt	(26,522)	(7,838)
Interest paid on capital debt	(273,417)	(273,851)
Loan proceeds	-	365,000
Net cash required by capital financing activities	(395,666)	(365,454)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property and specific ownership taxes received	337,645	304,003
County treasurer's fees paid	(16,247)	(14,737)
Interest received	2,665	4,803
Net cash provided by noncapital financing activities	324,063	294,069
NET DECREASE IN CASH AND CASH EQUIVALENTS	(121,901)	(50,477)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	871,346	921,823
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 749,445	\$ 871,346
 RECONCILIATION OF OPERATING LOSS TO CASH FLOWS PROVIDED (REQUIRED) BY OPERATING ACTIVITIES		
Operating loss	\$ (251,282)	\$ (222,889)
Adjustments to reconcile (loss) from operations to net cash provided (required) by operating activities:		
Depreciation	241,280	227,752
Effects of changes in operating assets and liabilities:		
Accounts receivable	(19,426)	4,303
Prepaid expenses	(14,809)	(1,645)
Accounts payable	(10,738)	20,605
Accrued general leave	4,677	(7,218)
Net cash provided (required) by operating activities	\$ (50,298)	\$ 20,908
 NON-CASH CAPITAL FINANCING ACTIVITIES		
Net exchange of capital assets	\$ 35,813	\$ -

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

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 1 – DEFINITION OF REPORTING ENTITY

Tabernash Meadows Water and Sanitation District (District), was created on November 14, 1996, as a quasi-municipal corporation and political subdivision of the State of Colorado, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Grand County, Colorado. The District purpose is to provide for the design, acquisition, installation and construction of a complete water and irrigation water system, sanitary sewers, flood and surface drainage, wastewater treatment and disposal works and facilities, and all necessary or proper equipment and appurtenances incident thereto. The District is governed by an elected Board of Directors.

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 similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

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.

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

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating Revenues and Expenses

The District distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. Operating revenues consist of charges to customers for service provided. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Budgets

In accordance with the Local Government Budget Law of Colorado, 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.

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 and reported as deferred inflows of resources 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.

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.

Investments

Investments are stated at fair value.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable

Accounts receivable consist of uncollected water and sewer service revenue. Due to the District's broad powers of collection, no allowance for uncollectible water and sewer service revenue receivables has been reported.

Prepaid Expenses

Certain payments to vendors for goods or services reflect costs which are applicable to future accounting periods are recorded as prepaid items in the financial statements.

Capital Assets

Capital assets are recorded at cost except for those assets which have been contributed which are stated at estimated fair value at the date of contribution. 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 system	25 - 30 years
Wastewater	25 - 30 years
Vehicles and equipment	3 - 5 years

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Tap Fees and Contributed Lines

Tap fees are recorded as capital contributions when received. Lines contributed to the District are recorded as capital contributions and additions to the systems at estimated fair market value when received.

Reclassifications

For comparability, certain 2011 amounts have been reclassified where appropriate to conform with the 2012 financial statement presentation.

**TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Loss on Bond Refunding

The loss on bond refunding has been deferred and is being amortized over the remaining term of the refunded bonds using the straight line method. The annual amortization of the deferred loss is reported as a component of bond interest expense in the statement of revenues, expenses and changes in fund net position. The unamortized deferred loss on bond refunding is reported as a deferred outflow of resources.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2012 and 2011 are classified in the accompanying financial statements as follows:

	2012	2011
Cash and cash equivalents - Unrestricted	\$ 600,331	\$ 686,625
Cash and cash equivalents - Restricted	149,114	184,721
Total cash and cash equivalents	\$ 749,445	\$ 871,346

The restricted cash and cash equivalents at December 31, 2012 consists of \$149,114 restricted for the payment of debt service on the District's general obligation bonds. The restricted cash and cash equivalents at December 31, 2011 consists of \$140,976 restricted for the payment of debt service on the District's general obligation bonds and \$43,745 restricted for capital asset construction and acquisition.

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, 2012, the District had cash deposits with a bank balance of \$604,230 and a carrying balance of \$594,198. At December 31, 2011, the District had cash deposits with a bank balance of \$703,131 and a carrying balance of \$664,717.

At December 31, 2011 the District had cash deposits of \$43,745 held in escrow by the Colorado Water Resources and Power Development Authority representing unspent loan proceeds available for the construction and acquisition of capital assets.

**TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011**

NOTE 3 - CASH AND INVESTMENTS (continued)

Investments

The District has not adopted a formal investment policy, however, the District follows Colorado State Statutes which 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

At December 31, 2012 and 2011 the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	
		<u>2012</u>	<u>2011</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	<u>\$ 155,247</u>	<u>\$ 162,884</u>

CSAFE

The District has invested \$155,247 and \$162,884 as of December 31, 2012 and 2011, respectively, in the CSAFE, which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing CSAFE. The CSAFE is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, highest rate commercial paper and repurchase agreements collateralized by U.S. Treasury securities. CSAFE is rated AAAM by Standard & Poor's. Information related to Standard & Poor's ratings can be obtained from Standard & Poor's.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 4 - CAPITAL ASSETS

The following is an analysis of the changes in capital assets for the year ended December 31, 2012:

	<u>Balance at December 31, 2011</u>	<u>Additions</u>	<u>Disposals/ Retirements</u>	<u>Balance at December 31, 2012</u>
Capital assets, not being depreciated:				
Land	\$ 56,156	\$ -	\$ -	\$ 56,156
Water rights	333,200	162,600	-	495,800
Construction in progress	521,228	24,788	(546,016)	-
Total capital assets, not being depreciated	<u>910,584</u>	<u>187,388</u>	<u>(546,016)</u>	<u>551,956</u>
Capital assets, being depreciated:				
Water system	3,270,896	89,867	(114,592)	3,246,171
Wastewater system	3,048,583	456,149	-	3,504,732
Vehicles and equipment	127,878	-	-	127,878
Total capital assets being depreciated	<u>6,447,357</u>	<u>546,016</u>	<u>(114,592)</u>	<u>6,878,781</u>
Less accumulated depreciation for:				
Water system	(934,285)	(106,049)	32,806	(1,007,528)
Wastewater system	(864,797)	(121,656)	-	(986,453)
Vehicles and equipment	(87,885)	(13,575)	-	(101,460)
Total accumulated depreciation	<u>(1,886,967)</u>	<u>(241,280)</u>	<u>32,806</u>	<u>(2,095,441)</u>
Total capital assets being depreciated, net	<u>4,560,390</u>	<u>304,736</u>	<u>(81,786)</u>	<u>4,783,340</u>
Total capital assets, net	<u>\$ 5,470,974</u>	<u>\$ 492,124</u>	<u>\$ (627,802)</u>	<u>\$ 5,335,296</u>

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 4 - CAPITAL ASSETS (continued)

The following is an analysis of the changes in capital assets for the year ended December 31, 2011:

	<u>Balance at December 31, 2010</u>	<u>Additions</u>	<u>Disposals/ Retirements</u>	<u>Balance at December 31, 2011</u>
Capital assets, not being depreciated:				
Land	\$ 56,156	\$ -	\$ -	\$ 56,156
Water rights	333,200	-	-	333,200
Construction in progress	83,698	437,530	-	521,228
Total capital assets, not being depreciated	<u>473,054</u>	<u>437,530</u>	<u>-</u>	<u>910,584</u>
Capital assets, being depreciated:				
Water system	3,242,042	28,854	-	3,270,896
Wastewater system	3,048,583	-	-	3,048,583
Vehicles and equipment	128,544	8,320	(8,986)	127,878
Total capital assets being depreciated	<u>6,419,169</u>	<u>37,174</u>	<u>(8,986)</u>	<u>6,447,357</u>
Less accumulated depreciation for:				
Water system	(827,348)	(106,937)	-	(934,285)
Wastewater system	(764,358)	(100,439)	-	(864,797)
Vehicles and equipment	(76,495)	(20,376)	8,986	(87,885)
Total accumulated depreciation	<u>(1,668,201)</u>	<u>(227,752)</u>	<u>8,986</u>	<u>(1,886,967)</u>
Total capital assets being depreciated, net	<u>4,750,968</u>	<u>(190,578)</u>	<u>-</u>	<u>4,560,390</u>
Total capital assets, net	<u>\$ 5,224,022</u>	<u>\$ 246,952</u>	<u>\$ -</u>	<u>\$ 5,470,974</u>

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 5 – LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2012:

	Balance at December 31, 2011	Additions	Refunded/ Reductions	Balance at December 31, 2012	Due Within One Year
Bonds and loan payable:					
GO Refunding Bonds Series 2010	\$ 3,800,000	\$ -	\$ -	\$ 3,800,000	\$ 15,000
CWRPDA Loan	365,000	-	18,250	346,750	18,250
Total bonds and loan payable	<u>4,165,000</u>	<u>-</u>	<u>18,250</u>	<u>4,146,750</u>	<u>33,250</u>
Capital leases:					
Capital Lease - Loader	19,041	-	6,171	12,870	6,537
Capital Lease - Copier	6,197	-	2,101	4,096	2,194
Total long-term obligations	<u>\$ 4,190,238</u>	<u>\$ -</u>	<u>\$ 26,522</u>	<u>\$ 4,163,716</u>	<u>\$ 41,981</u>

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2011:

	Balance at December 31, 2010	Additions	Refunded/ Reductions	Balance at December 31, 2011	Due Within One Year
Bonds and loan payable:					
GO Refunding Bonds Series 2010	\$ 3,800,000	\$ -	\$ -	\$ 3,800,000	\$ -
CWRPDA Loan	-	365,000	-	365,000	18,250
Total bonds and loan payable	<u>3,800,000</u>	<u>365,000</u>	<u>-</u>	<u>4,165,000</u>	<u>18,250</u>
Capital leases:					
Capital Lease - Loader	24,866	-	5,825	19,041	6,171
Capital Lease - Copier	8,210	-	2,013	6,197	2,101
Total long-term obligations	<u>\$ 3,833,076</u>	<u>\$ 365,000</u>	<u>\$ 7,838</u>	<u>\$ 4,190,238</u>	<u>\$ 26,522</u>

General Obligation Refunding Bonds, Series 2010

On March 31, 2010, the District issued \$3,800,000 of General Obligation Refunding Bonds dated March 31, 2010. The bonds are term bonds due December 1, 2034. The bonds are subject to mandatory sinking fund redemption, in part, by lot, on December 1, 2013, and on each December 1 thereafter. The bonds bear interest at 7.125%, payable semi-annually on June 1 and December 1. The bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in part in integral multiples of \$5,000, on December 1, 2020, and on any date thereafter, upon payment of the principal amount of the bonds being redeemed plus accrued interest to the redemption date, without redemption premium. The bonds in the aggregate principal amount not to exceed \$500,000 are subject to extraordinary redemption prior to maturity, at the option of the District, as a whole or integral multiples of \$5,000, on any one or more interest payment dates, upon payment of the principal amount of the bonds being redeemed plus accrued interest to the redemption date, without redemption premium.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 5 – LONG-TERM OBLIGATIONS (continued)

Security for the bonds is provided by a pledge of the District’s property taxes, specific ownership taxes, and other legally available moneys of the District. The District is required to impose a mill levy, without limitation of rate, in the amount sufficient pay the principal and interest on the bonds as they become due.

Colorado Water Resources and Power Development Authority Loan

On April 15, 2011, the District entered into a \$365,000 Loan Agreement with the Colorado Water Resources and Power Development Authority (CWRPDA) dated April 15, 2011. The loan bears an interest rate of 0%. The loan requires semi-annual principal only payments of \$9,125 on May 1 and November 1 beginning on May 1, 2012 and continuing through November 1, 2031. The loan was entered into to fund capital improvements consisting of a dewatering press and headworks screening enhancements in order to convert liquid biosolids into compost.

Security for the loan is provided by a pledge of the net revenue of the District, excluding certain revenues as defined in the loan agreement. Additionally the District has covenanted to establish and collect such rates, fees and charges, together with other available revenues will be at least sufficient to pay the sum of: a) operation and maintenance expenses, b) 110% of the debt services on the loan, c) the amount, if any, to be paid into any debt service reserve account in connection with any obligations secured by a lien on the net revenue which lien is on a parity with the lien of this loan agreement on the net revenue, d) a sum equal to the debt service on any obligations secured by a lien on the net revenue which lien is subordinate to the lien of this loan agreement on the net revenue, and e) amounts necessary to pay and discharge all charges and liens or other indebtedness not described above and payable out of the gross revenue of the District.

The District’s general obligation bonds and loan will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 33,250	\$ 270,750	\$ 304,000
2014	38,250	269,681	307,931
2015	38,250	268,256	306,506
2016	48,250	266,831	315,081
2017	68,250	264,694	332,944
2018-2022	696,250	1,227,281	1,923,531
2023-2027	1,021,250	968,644	1,989,894
2028-2032	1,473,000	574,632	2,047,632
2033-2034	730,000	79,087	809,087
	<u>\$ 4,146,750</u>	<u>\$ 4,189,856</u>	<u>\$ 8,336,606</u>

**TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011**

NOTE 5 – LONG-TERM OBLIGATIONS (continued)

Capital Lease - Loader

On November 12, 2009, the District entered into a capital lease obligation to purchase a Bobcat skid-steer loader for \$30,809. The payments of \$593, representing principal and interest at 5.783%, are due monthly through November 2014. The District capitalized the cost of the loader in the amount of \$30,809, which as of December 31, 2012 and 2011 had accumulated depreciation of \$19,512 and \$13,351, respectively. During 2012 and 2011 the District incurred and paid interest of \$939 and \$1,285, respectively, under this capital lease.

Capital Lease – Copier

On November 5, 2009, the District entered into a capital lease obligation to purchase a Konica Minolta copier for \$10,450. The payments of \$194, representing principal and interest at 4.480%, are due monthly through November 2014. The District capitalized the cost of the copier in the amount of \$10,450, which as of December 31, 2012 and 2011 had accumulated depreciation of \$6,618 and \$4,528, respectively. During 2012 and 2011 the District incurred and paid interest of \$227 and \$316, respectively, under this capital lease.

The District’s capital lease obligations will mature as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2013	\$ 9,443
2014	8,458
Total minimum lease payments	<u>17,901</u>
Amount representing interest	(935)
Present value of minimum lease payments	<u>\$ 16,966</u>

Authorized Debt

On November 4, 1997, a majority of the District’s voters authorized the issuance of general obligation indebtedness in an amount not to exceed the following amounts and for the following purposes: \$5,000,000 for a sanitary sewage collection and transmission system; \$3,000,000 for a complete potable and non-potable water supply, treatment, storage, transmission, and distribution system; \$8,000,000 for the purpose of refunding, paying or defeasing other financial obligations of the District; for a total authorization of \$16,000,000. As of December 31, 2012, the District had utilized \$5,300,000 of the total authorized debt, resulting in \$10,700,000 of authorized but unissued general obligation indebtedness.

NOTE 6 - NET POSITION

The District has net position consisting of three components – net investment in capital assets, restricted and unrestricted.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 6 - NET POSITION (continued)

Net investment in capital assets, consists of capital assets, net of accumulated depreciation and if applicable 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, 2012 and 2011, the District had invested in capital assets of \$1,413,583 and \$1,557,728, respectively.

Restricted net position includes amounts that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed through constitutional provisions or enabling legislation. The District had restricted net position of \$1,300 and \$1,600 as of December 31, 2012 and 2011, respectively, as required by Article X, Section 20 of the Constitution of the State of Colorado (See Note 11).

At December 31, 2012, the District had restricted net position of \$149,114, representing accumulated cash and cash equivalents in the bond surplus account, which is restricted for the payment of debt service on the District's General Obligation Refunding Bonds, Series 2010. At December 31, 2011, the District had restricted net position of \$184,721, representing \$140,976 of accumulated cash and cash equivalents in the bond surplus account, which is restricted for the payment of debt service on the District's General Obligation Refunding Bonds, Series 2010, and \$43,745 representing unspent loan proceeds restricted for capital asset construction and acquisition.

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 maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 8 – INTERGOVERNMENTAL AGREEMENT

The District has entered into an intergovernmental agreement with Grand County (County) related to the operation of a wastewater treatment system. The District has the capacity to treat 200,000 gallons of wastewater influent and 418 pounds of BOD organic material per day. The amended 1041 permit allows the plan to service 714 single-family taps. As of December 31, 2012, 192 taps have been sold to residents within the community.

Total costs associated with the facility, including construction, land purchase, engineering and inspection fees, developer expenses and organization costs, legal and accounting costs were borne by the District and the County at 66.7% and 33.3%, respectively. Ownership of the facility is to be shared by the District and the County based on the same percentages of shared costs. With the completion of the wastewater treatment plant in 2001 and the upgrade in 2005, the District and the County agreed to share the operating expenses of the plant in the same ratio of ownership.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 8 – INTERGOVERNMENTAL AGREEMENT (continued)

For the years ended December 31, 2012 and 2011, the District billed the County \$66,903 and \$70,264, respectively for the County's share of the operational costs of the facilities. For the year ended December 31, 2012, the District also billed the County \$23,660 for the County's share of the capital improvements to the facilities.

NOTE 9 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO

Plan Description

The District contributes to the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The LGDTF provides retirement and disability, post-retirement annual increases, and death benefits for members or their beneficiaries. All employees of the District are members of the LGDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the LGDTF. That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy

The District is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements of plan members and the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.0 percent and for the District it is 10.00 percent of covered salary. A portion of the District's contribution (1.02 percent of covered salary) is allocated to the Health Care Trust Fund (See Note 10). If the District rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay employer contributions on the amounts paid for the retiree, additionally contributions are required to be paid by the retiree. The District is also required to pay an amortization equalization disbursement equal to 2.2 percent for the calendar years 2012, 2011 and 2010. For 2012, 2011 and 2010, the District was required to pay a supplemental amortization equalization in the amount of 1.5 percent of the total payroll for the calendar year. For the years ending December 31, 2012, 2011, and 2010, the District's employer contributions to LGDTF were \$22,723, \$21,508, and \$20,958, respectively, equal to the required contributions for each year. For the years ending December 31, 2012, 2011, and 2010, the District's employee contributions to LGDTF were \$14,336, \$13,570, and \$16,972, respectively, equal to the required contributions for each year.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 10 – POST RETIREMENT HEALTHCARE BENEFITS

Plan Description

The District contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy

The District is required to contribute at a rate of 1.02 percent of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. For the years ending December 31, 2012, 2011 and 2010, the District's employer contributions to the HCTF were \$1,828, \$1,730 and \$1,686, respectively, equal to their required contributions for each year.

NOTE 11 - 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.

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.

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, 1995 a majority of the District's voters approved the following ballot question:

Shall Tabernash Meadows Water and Sanitation District be authorized to collect, retain and spend developer contributions, rates, fees, tolls and charges, and any other revenues not derived from ad valorem taxes in 1996 and each year thereafter, and shall such revenues and any investment income thereon be collected and spent as a voter-approved revenue change, without regard to any spending, revenue-raising or other limitation of Article X, Section 20 of the Colorado Constitution, or any other law?

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 11 - TAX, SPENDING AND DEBT LIMITATIONS (continued)

On November 5, 1996 a majority of the District's voters approved the following ballot question:

Shall Tabernash Meadows Water and Sanitation District be increased \$15,000 annually, commencing with a total mill levy not to exceed 6.325 mills certified in 1996, and by whatever additional amounts are raised each year thereafter from a total mill levy not to exceed 6.325 mills, for the purpose of funding any lawful expenses of the District, and shall such revenues and any investment income thereon be collected and spent as a voter-approved revenue change without regard to and spending, revenue-raising or other limitation of Article X Section 20 of the Colorado Constitution or any other law; and shall the revenue from such taxes and any investment income thereon also be approved for 1997 and each thereafter as an increased levy under section 29-1-302, C.R.S.?

On November 4, 1997 a majority of the District's voters approved the following ballot questions:

Shall Tabernash Meadows Water and Sanitation District taxes be increased \$500,000 annually, or by such lesser annual amount as may be necessary to pay the District's operations, maintenance, and other expenses: such taxes to consist of an ad valorem mill levy imposed without limitation of rate or with such limitations as may be determined by the Board, and in amounts sufficient to produce the annual increase set forth above or such lesser amount as may be necessary, 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 constitute voter-approved revenue changes and be collected and spent by the District each year 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?

Shall Tabernash Meadows Water and Sanitation District, for purposes other than enterprises, and as a voter-approved revenue change, be authorized to collect, retain, and spend the amount of \$500,000 annually from any revenue sources other than ad valorem taxes, including but not limited to tap fees, facility fees, service charges, administrative charges, grants, or any other fee, rate, toll, penalty, income or charge imposed, collected, or authorized by law to be imposed or collected by the District, and shall such revenues be collected and spent by the District without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, and without limiting in any year the amount of other revenues that may be collected and spent by the District?

On November 3, 1998 a majority of the District's voters approved the following ballot question:

Shall Tabernash Meadows Water and Sanitation District, for the purposes other than enterprises, and as a voter-approved revenue change, be authorized to collect, retain, and spend the amount of \$2,000,000 annually from any revenue sources other than ad valorem taxes, including but not limited to tap fees, facility fees, service charges, inspection charges, administrative charges, grants, or any other fee, rate, toll, penalty, income or charge imposed, collected, or authorized by law to be imposed or collected by the District, and shall such revenues, be collected and spent by the District without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 11 - TAX, SPENDING AND DEBT LIMITATIONS (continued)

Constitution, and without limiting, in 1998 or any year thereafter, the amount of other revenues that may be collected and spent by the District under Section 29-1-301, C.R.S. or any other statute or law?

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 the District's activities qualify as an Enterprise within the meaning of TABOR.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and many of the provisions, including the calculation of fiscal year spending limits, growth factors, and qualification as an Enterprise, may require judicial interpretation.

NOTE 12 - NEW GASB STANDARDS/NET POSITION RESTATEMENT

For the year ended December 31, 2012, the District implemented the following GASB Statements:

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* - GASBS No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* - GASBS No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* - GASBS No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Although this Statement is effective for periods beginning after December 15, 2012, the District elected to early implement it in fiscal year 2012 in conjunction with the implementation of GASBS No. 63.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 12 - NEW GASB STANDARDS/NET POSITION RESTATEMENT (continued)

The implementation of GASB 65 resulted in the restatement of the beginning net position of the District as of December 31, 2010 and December 31, 2011 as noted below:

Net assets/net position as originally reported December 31, 2010	\$ 2,865,783
Adjustment to remove bond issuance costs, net	<u>(153,620)</u>
Restated net position December 31, 2010	<u>\$ 2,712,163</u>
Net assets/net position as originally reported December 31, 2011	\$ 2,621,765
Effect of removal of bond issuance costs, net, as noted above	<u>(153,620)</u>
Adjustment for amortization of bond issuance costs in 2011	<u>6,423</u>
Restated net position December 31, 2011	<u>\$ 2,474,568</u>

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

SUPPLEMENTAL INFORMATION

**TABERNASH MEADOWS WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2012**

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
General property taxes	\$ 42,428	\$ 42,428	\$ -
Bond property taxes	281,734	281,734	-
Specific ownership tax	5,000	13,730	8,730
County portion of operations	66,903	66,903	-
County portion of capital	-	23,660	23,660
Interest income	2,700	2,665	(35)
Other income	19,000	21,698	2,698
Service charges	279,792	285,393	5,601
Total Revenues	<u>697,557</u>	<u>738,211</u>	<u>40,654</u>
EXPENDITURES			
Salaries and benefits	205,797	211,113	(5,316)
HR development	4,000	5,861	(1,861)
Contract/professional services	10,000	20,149	(10,149)
Vehicle expense	7,000	8,819	(1,819)
Operating supply/equipment	20,000	25,403	(5,403)
Operating supply non-reimburse	1,000	2,183	(1,183)
Lab testing	7,200	9,326	(2,126)
Biosolids removal	3,000	4,308	(1,308)
Utilities	30,000	28,410	1,590
Snow removal	2,250	1,590	660
Communication	8,000	7,180	820
Office supply	5,000	11,791	(6,791)
Permits	3,000	2,390	610
Dues and subscriptions	1,600	1,619	(19)
Audit and accounting	22,900	20,744	2,156
Treasurer fees	16,000	16,247	(247)
General and water rights legal	20,000	30,930	(10,930)
Board of directors/election	1,000	47	953
General liability insurance	14,150	15,794	(1,644)
Capital expenditures	-	69,788	(69,788)
Bond administration	1,150	1,500	(350)
Bond and capital lease interest	271,910	271,916	(6)
Bond and capital lease principal	26,522	26,522	-
Contingency	880,914	-	880,914
Total expenditures	<u>1,562,393</u>	<u>793,630</u>	<u>768,763</u>
NET CHANGE IN FUNDS AVAILABLE	<u>(864,836)</u>	<u>(55,419)</u>	<u>809,417</u>
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>877,723</u>	<u>916,840</u>	<u>39,117</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 12,887</u>	<u>\$ 861,421</u>	<u>\$ 848,534</u>

Funds available at is computed as follows:

Current assets	\$ 1,250,735
Current liabilities	(82,958)
Deferred inflows of resources	(348,337)
Add back current portion of bonds, loan and capital leases payable	<u>41,981</u>
	<u>\$ 861,421</u>

**TABERNASH MEADOWS WATER AND SANITATION DISTRICT
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Year Ended December 31, 2012**

Revenue (budgetary basis)	\$ 738,211	
Gain on exchange of capital assets	35,813	
Revenues per Statement of Revenues, Expenses and Changes in Fund Net Position	774,024	
 Expenditures (budgetary basis)	 793,630	
Depreciation	241,280	
Amortization of deferred loss on bond refunding	34,988	
Capital outlay	(69,788)	
Bond and capital lease principal	(26,522)	
Expenses per Statement of Revenues, Expenses and Changes in Fund Net Position	973,588	
 Change in net position per Statement of Revenues, Expenses and Changes in Fund Net Position	 \$ (199,564)	

OTHER INFORMATION

**TABERNASH MEADOWS WATER AND SANITATION DISTRICT
SUMMARY OF ASSESSED VALUATION , MILL LEVY
AND PROPERTY TAXES COLLECTED
Year Ended December 31, 2012**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Property Taxes		Percentage Collected to Levied
		Operations	Debt Service	Levied	Collected	
2009	\$ 6,834,210	6.325	20.000	\$ 179,911	\$ 174,395	96.9%
2010	\$ 7,884,250	6.325	30.000	\$ 286,395	\$ 293,884	102.6%
2011	\$ 8,090,390	6.325	30.000	\$ 293,884	\$ 293,884	100.0%
2012	\$ 6,707,960	6.325	42.000	\$ 324,162	\$ 324,162	100.0%
Estimated for year ending December 31, 2013	\$ 6,786,890	6.325	45.000	\$ 348,337		

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.