

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

**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 and 2012**

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## SCHILLING & COMPANY, INC.

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

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

We have audited the accompanying financial statements of Forest View Acres Water District (District) as of and for the years ended December 31, 2013 and 2012, 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 Forest View Acres Water District (District), as of December 31, 2013 and 2012, 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

### *Required Supplementary Information*

Management has not presented the management's discussion and analysis that governmental 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.

### *Other Information*

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  
July 29, 2014

## **BASIC FINANCIAL STATEMENTS**

**FOREST VIEW ACRES WATER DISTRICT**  
**STATEMENTS OF NET POSITION**  
**December 31, 2013 and 2012**

<b>ASSETS</b>	<u>2013</u>	<u>2012</u>
<b>CURRENT ASSETS</b>		
Cash and investments - unrestricted	\$ 289,189	\$ 175,594
Cash and investments - restricted	1,737,746	1,882,766
Accounts receivable - customers	15,765	26,403
Cash with County Treasurer	498	414
Property taxes receivable	51,474	52,259
Prepaid expenses	194	7,117
Total current assets	<u>2,094,866</u>	<u>2,144,553</u>
 <b>CAPITAL ASSETS</b>		
Land	64,192	64,192
Water rights	2,286,675	2,281,675
CIP	468,424	260,634
Water treatment plants	1,121,097	1,121,097
Water collection and distribution	1,717,882	1,717,882
Wells	691,572	691,572
	<u>6,349,842</u>	<u>6,137,052</u>
Less accumulated depreciation	2,187,894	2,072,935
Total capital assets	<u>4,161,948</u>	<u>4,064,117</u>
 <b>TOTAL ASSETS</b>	 <u>6,256,814</u>	 <u>6,208,670</u>
 <b>LIABILITIES</b>		
Accounts payable	56,026	60,879
Noncurrent liabilities:		
Due within one year	100,000	50,000
Due in more than one year	1,850,000	1,950,000
Total liabilities	<u>2,006,026</u>	<u>2,060,879</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred property tax revenue	51,474	52,259
Total deferred inflows of resources	<u>51,474</u>	<u>52,259</u>
 <b>NET POSITION</b>		
Net investment in capital assets	3,949,694	3,946,883
Restricted for		
Operations and maintenance	98,625	95,038
Emergencies	1,900	1,800
Website development	-	5,000
Unrestricted	149,095	46,811
Total net position	<u>\$ 4,199,314</u>	<u>\$ 4,095,532</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 POSITION**  
**Years Ended December 31, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b>OPERATING REVENUE</b>		
Water usage and related fees	\$ 503,912	\$ 493,709
	503,912	493,709
<b>OPERATING EXPENSES</b>		
Operations manager	61,143	63,313
Repairs and maintenance	114,456	102,938
Supplies and chemicals	4,163	10,618
Utilities	36,563	32,760
Water testing	-	796
Engineering	-	298
Other	7,484	13,471
Depreciation	114,959	114,959
Total operating expenses	338,768	339,153
<b>GROSS INCOME FROM OPERATIONS</b>	165,144	154,556
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
District management	106,029	82,011
Utility billing	21,400	26,550
Election costs	-	10,387
Insurance/SDA dues	7,687	7,276
Director fees	6,600	7,900
Legal	7,383	3,493
Audit	8,881	8,523
Other	8,269	6,829
Total general and administrative expenses	166,249	152,969
<b>NET INCOME (LOSS) FROM OPERATIONS</b>	(1,105)	1,587
<b>NONOPERATING REVENUE AND (EXPENSE)</b>		
Property and specific ownership taxes	57,476	56,891
Debt service fees	-	57,153
Reimbursements	4,487	-
Net investment earnings	207	295
Miscellaneous income	2,036	4,962
Treasurer's fees	(784)	(781)
Debt issue costs	-	(28,006)
Interest expense	-	(6,994)
Paying agent fees	-	(167)
Total nonoperating revenue and (expense)	63,422	83,353
<b>INCOME BEFORE CAPITAL GRANTS AND CONTRIBUTIONS</b>	62,317	84,940
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>		
Grant Revenue	23,465	5,000
Water tap fees	18,000	16,000
	41,465	21,000
<b>CHANGE IN NET POSITION</b>	103,782	105,940
<b>NET POSITION - BEGINNING OF YEAR</b>	4,095,532	3,989,592
<b>NET POSITION - END OF YEAR</b>	\$ 4,199,314	\$ 4,095,532

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, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 514,550	\$ 487,349
Cash payments to suppliers for goods and services	(370,239)	(438,062)
Net cash provided by operating activities	144,311	49,287
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES</b>		
Property and specific ownership, net of fees	56,608	56,107
Reimbursements	4,487	-
Other	2,036	4,962
Net cash provided by noncapital financing activities	63,131	61,069
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from CWRPDA Loan	-	2,000,000
Grant revenue	23,465	15,000
Contributed capital - tap fees	18,000	16,000
Debt service fees	-	57,153
Acquisition of capital assets	(230,539)	(209,865)
Principal paid on long-term debt	(50,000)	(240,871)
Interest paid on long-term debt	-	(8,618)
Loan issue cost	-	(26,935)
Paying agent fees	-	(167)
Net cash (required) by capital and related financing activities	(239,074)	1,601,697
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investment income	207	295
Net cash provided by investing activities	207	295
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(31,425)	1,712,348
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	2,058,360	346,012
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,026,935	\$ 2,058,360
<b>Reconciliation of operating income from operations to net cash provided by operating activities</b>		
Gain (loss) from operations	\$ (1,105)	\$ 1,587
Adjustments to reconcile gain (loss) from operations to net cash provided by operating activities:		
Depreciation	114,959	114,959
Effect of changes in operating assets and liabilities:		
Accounts receivable	10,638	(6,360)
Prepaid expenses	6,923	(6,947)
Accounts payable	12,896	(53,952)
Net cash provided by operating activities	\$ 144,311	\$ 49,287

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, 2013 and 2012**

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

**Basis of Accounting**

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

**FOREST VIEW ACRES WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 and 2012**

**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 Position. 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, Capital Projects Fund and Enterprise Fund for the year ended December 31, 2013. 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 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.

**FOREST VIEW ACRES WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 and 2012**

**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.

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

For the year ended December 31, 2012, the District implemented GASB Statement No. 65, Items Previously Reported as Assets and Liabilities (see Note 10). Debt issuance costs are now treated as a period cost and expensed in the year incurred. Since the unamortized debt issuance costs at December 31, 2011 were immaterial, the 2011 financial statements were not restated. The unamortized balance at December 31, 2011 was fully amortized in the year ended December 31, 2012.

**FOREST VIEW ACRES WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 and 2012**

**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, 2013 and 2012, the District's cash deposits had bank balances of \$93,572 and \$61,186 and carrying balances of \$104,758 and \$59,978 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

**FOREST VIEW ACRES WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 and 2012**

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

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

At December 31, 2013 and 2012, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	
		<u>2013</u>	<u>2012</u>
Colorado Liquid Asset Trust (ColoTrust)	Less than 1 year	<u>\$1,922,177</u>	<u>\$1,998,382</u>

**Colotrust**

At December 31, 2013 and 2012, 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, 2013 and 2012 statement of net assets as follows:

	<u>2013</u>	<u>2012</u>
Cash and investments - unrestricted	\$ 289,189	\$ 175,594
Cash and investments - restricted	1,737,746	1,882,766
	<u>\$2,026,935</u>	<u>\$2,058,360</u>
Deposits	\$ 104,758	\$ 59,978
Investments	1,922,177	1,998,382
	<u>\$2,026,935</u>	<u>\$2,058,360</u>

**FOREST VIEW ACRES WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 and 2012**

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

**Bond Reserves**

The bond resolution relating to the 1995 Water Revenue Refunding and Improvement Bonds required 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 interpreted 2) above to be ten percent of the bond proceeds of the issuance. As of December 31, 2012, the bonds have been redeemed, therefore no reserve was required.

**NOTE 4 - CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2013 and 2012 follows:

	<u>Balance at December 31, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2013</u>
Capital assets, not being depreciated:				
Land	\$ 64,192	\$ -	\$ -	\$ 64,192
Water rights	2,281,675	5,000	-	2,286,675
CIP	260,634	207,790	-	468,424
Total capital assets, not being depreciated	<u>2,606,501</u>	<u>212,790</u>	<u>-</u>	<u>2,819,291</u>
Capital assets, being depreciated:				
Water treatment plants	1,121,097	-	-	1,121,097
Water collection and distribution	1,717,882	-	-	1,717,882
Wells	691,572	-	-	691,572
Total capital assets being depreciated	<u>3,530,551</u>	<u>-</u>	<u>-</u>	<u>3,530,551</u>
Less accumulated depreciation for:				
Water treatment plants	773,518	56,055	-	829,573
Water collection and distribution	735,009	34,358	-	769,367
Wells	564,408	24,546	-	588,954
Total accumulated depreciation	<u>2,072,935</u>	<u>114,959</u>	<u>-</u>	<u>2,187,894</u>
Total capital assets being depreciated, net	<u>1,457,616</u>	<u>(114,959)</u>	<u>-</u>	<u>1,342,657</u>
Total capital assets, net	<u>\$ 4,064,117</u>	<u>\$ 97,831</u>	<u>-</u>	<u>\$ 4,161,948</u>

**FOREST VIEW ACRES WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 and 2012**

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

	<u>Balance at December 31, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2012</u>
Capital assets, not being depreciated:				
Land	\$ 64,192	\$ -	\$ -	\$ 64,192
Water rights	2,281,675	-	-	2,281,675
CIP	44,777	247,437	31,580	260,634
Total capital assets, not being depreciated	<u>2,390,644</u>	<u>247,437</u>	<u>31,580</u>	<u>2,606,501</u>
Capital assets, being depreciated:				
Water treatment plants	1,121,097	-	-	1,121,097
Water collection and distribution	1,686,302	31,580	-	1,717,882
Wells	691,572	-	-	691,572
Total capital assets being depreciated	<u>3,498,971</u>	<u>31,580</u>	<u>-</u>	<u>3,530,551</u>
Less accumulated depreciation for:				
Water treatment plants	717,463	56,055	-	773,518
Water collection and distribution	700,652	34,357	-	735,009
Wells	539,861	24,547	-	564,408
Total accumulated depreciation	<u>1,957,976</u>	<u>114,959</u>	<u>-</u>	<u>2,072,935</u>
Total capital assets being depreciated, net	<u>1,540,995</u>	<u>(83,379)</u>	<u>-</u>	<u>1,457,616</u>
Total capital assets, net	<u>\$ 3,931,639</u>	<u>\$ 164,058</u>	<u>31,580</u>	<u>\$ 4,064,117</u>

**FOREST VIEW ACRES WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 and 2012**

**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, 2013 and 2012.

	<u>Balance at December 31, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2013</u>	<u>Due Within One Year</u>
CWRPDA Loan	\$ 2,000,000	\$ -	\$ 50,000	\$ 1,950,000	\$ 100,000
	<u>\$ 2,000,000</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 1,950,000</u>	<u>\$ 100,000</u>
	<u>Balance at December 31, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2012</u>	<u>Due Within One Year</u>
1995 Water Revenue Refunding and Improvement Bonds	\$ 225,000	\$ -	\$ 225,000	\$ -	\$ -
Department of Local Affairs Loan	15,871	-	15,871	-	-
CWRPDA Loan	<u>-</u>	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>	<u>50,000</u>
	<u>\$ 240,871</u>	<u>\$ 2,000,000</u>	<u>\$ 240,871</u>	<u>\$ 2,000,000</u>	<u>\$ 50,000</u>

**\$2,000,000 Drinking Water Revolving Fund Direct Loan, dated June 15, 2012, 0% interest, term 20 years**, for improvements to the water distribution system and upgrades to the water treatment facilities, including but not limited to reconditioning wells, replacing transmission and distribution lines, rehabilitating the intake area, installing new pumps, and installing new meters.

Commencing on November 1, 2013, the District will make semi-annual principal payments of \$50,000, due each May 1<sup>st</sup> and November 1<sup>st</sup>, thereafter, for the term of twenty years. The District may prepay the loan, in whole or in part without penalty.

The loan proceeds are held in the Drinking Water Revolving Fund and disbursed to the District as funds are requisitioned and authorized by an officer of the District and approved by the Colorado Water Resources & Power Development Authority (the Authority), and the State Department of Public Health and Environment.

The loan agreement requires the District to maintain an operations and maintenance reserve in an amount equal to three months of operation and maintenance expenses, excluding depreciation, of the System as set forth in the annual budget. As of December 31, 2013 and 2012, the District has restricted net position in the amount of \$98,625 and \$95,038, respectively in compliance with this requirement.

**FOREST VIEW ACRES WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 and 2012**

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

**\$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. These bonds were fully redeemed on June 1, 2012.

**\$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. The District made an early retirement payment to the Department of Local Affairs loan in the amount of \$16,333, including \$15,871 principal and \$462 interest, in March of 2012. This payment completely satisfied the contractual obligation for repayment to the Department of Local Affairs.

As of December 31, 2013 and 2012, the District had no authorized but unissued debt.

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 100,000	\$ -	\$ 100,000
2015	100,000	-	100,000
2016	100,000	-	100,000
2017	100,000	-	100,000
2018	100,000	-	100,000
2019 - 2023	500,000	-	500,000
2024 - 2028	500,000	-	500,000
2029 - 2033	450,000	-	450,000
	<u>\$ 1,950,000</u>	<u>\$ -</u>	<u>\$ 1,950,000</u>

**NOTE 6 - NET POSITION**

The District's net position consists of three components – net investment in capital assets, restricted, and unrestricted.

**FOREST VIEW ACRES WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 and 2012**

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

Net investment in capital assets 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, 2013 and 2012, the District had net investment in capital assets calculated as follows:

	2013	2012
Net investment in capital assets:		
Capital assets, net	\$ 4,161,948	\$ 4,064,117
Cash and investments - restricted (unspent loan proceeds)	1,737,746	1,882,766
Current portion of long-term obligations	(100,000)	(50,000)
Noncurrent portion of long-term obligations	(1,850,000)	(1,950,000)
Net investment in capital asset	\$ 3,949,694	\$ 3,946,883

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 by law through constitutional provisions or enabling legislation. The District's restricted net position as of December 31, 2013 and 2012 is as follows:

	2013	2012
Restricted:		
Operating and maintenance reserve	\$ 98,625	\$ 95,038
Emergencies	1,900	1,800
Website development	-	5,000
	\$ 100,525	\$ 101,838

**NOTE 7 – RISK MANAGEMENT**

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2013. 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.

**FOREST VIEW ACRES WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 and 2012**

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

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

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

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

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

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

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

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

## **SUPPLEMENTAL INFORMATION**

**FOREST VIEW ACRES WATER DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Year Ended December 31, 2013**

	<u>Original/Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>REVENUE</b>			
Water usage fees	\$ 135,000	\$ 178,259	\$ 43,259
Availability to serve	10,000	10,290	290
Capital replacement fee	166,000	169,018	3,018
Late fees	3,000	2,350	(650)
Service fee charges	150,000	143,845	(6,155)
Property tax	52,278	52,259	(19)
Specific ownership	4,705	5,218	513
Tap fees	16,000	18,000	2,000
Transfer fees	-	150	150
Interest income	200	207	7
Water Source Protection Grant	5,000	-	(5,000)
WQIF Grant	60,000	8,465	(51,535)
Small Hydropower Loan Program	15,000	15,000	-
Insurance reimbursement	-	4,487	4,487
Other	2,000	2,036	36
Total revenues	<u>619,183</u>	<u>609,584</u>	<u>(9,599)</u>
<b>EXPENDITURES</b>			
Operations			
Operations manager	85,500	61,143	24,357
Repairs and maintenance	62,000	92,307	(30,307)
Supplies and chemicals	14,000	4,163	9,837
Utilities	42,000	36,563	5,437
Meter reading and maintenance	12,000	22,149	(10,149)
Water testing	2,500	-	2,500
Engineering	2,000	-	2,000
Training and education	1,000	-	1,000
Administrative			
District management and accounting	99,000	123,993	(24,993)
Utility billing	25,000	21,400	3,600
Insurance/SDA dues	8,000	7,687	313
Directors fees	8,000	6,600	1,400
Legal	20,000	7,383	12,617
Audit	9,000	8,881	119
Treasurer's fees	1,000	784	216
Other	3,500	13,603	(10,103)
CWRPDA loan principal	100,000	50,000	50,000
Infrastructure projects	1,251,000	196,977	1,054,023
Total expenditures	<u>1,745,500</u>	<u>653,633</u>	<u>1,091,867</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, 2013**  
(Continued)

	Original/Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
<b>NET CHANGE IN FUNDS AVAILABLE</b>	(1,126,317)	(44,049)	1,082,268
<b>FUNDS AVAILABLE - BEGINNING OF YEAR</b>	2,034,329	2,031,415	(2,914)
<b>FUNDS AVAILABLE - END OF YEAR</b>	\$ 908,012	\$ 1,987,366	\$ 1,079,354

Funds available is computed as follows:

Current assets	\$ 2,094,866
Current liabilities	(56,026)
Deferred inflows of resources	(51,474)
	\$ 1,987,366

**FOREST VIEW ACRES WATER DISTRICT  
RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO STATEMENT  
OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
Year Ended December 31, 2013**

<b>REVENUE (budgetary basis)</b>	\$ 609,584
Total revenue per statements of revenues, expenses and changes in fund net position	609,584
 <b>EXPENDITURES (budgetary basis)</b>	 653,633
Depreciation	114,959
Capital Outlay	(212,790)
Bond and loan principal	(50,000)
Total expenses per statement of revenues, expenses and changes in fund net position	505,802
 <b>CHANGE IN NET POSITION PER STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION</b>	 \$ 103,782

## **OTHER INFORMATION**

**FOREST VIEW ACRES WATER DISTRICT**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**December 31, 2013**

**\$2,000,000 CWRPDA Loan**  
**Dated June 15, 2012**  
**Principal Due May 1 and November 1**  
**Bearing 0% Interest**

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 100,000	\$ -	\$ 100,000
2015	100,000	-	100,000
2016	100,000	-	100,000
2017	100,000	-	100,000
2018	100,000	-	100,000
2019	100,000	-	100,000
2020	100,000	-	100,000
2021	100,000	-	100,000
2022	100,000	-	100,000
2023	100,000	-	100,000
2024	100,000	-	100,000
2025	100,000	-	100,000
2026	100,000	-	100,000
2027	100,000	-	100,000
2028	100,000	-	100,000
2029	100,000	-	100,000
2030	100,000	-	100,000
2031	100,000	-	100,000
2032	100,000	-	100,000
2033	50,000	-	50,000
	<u>\$ 1,950,000</u>	<u>\$ -</u>	<u>\$ 1,950,000</u>

**FOREST VIEW ACRES WATER DISTRICT  
SUMMARY OF ASSESSED VALUATION , MILL LEVY  
AND PROPERTY TAXES COLLECTED  
Year Ended December 31, 2013**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>	<u>Property Taxes</u>		<u>Percentage Collected to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
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%
2012	\$ 10,395,390	5.000	\$ 51,977	\$ 51,954	100.0%
2013	\$ 10,451,870	5.000	\$ 52,259	\$ 52,259	100.0%
Estimated for year ending December 31, 2014	\$ 10,294,870	5.000	\$ 51,474		

**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.