

FOREST VIEW ACRES WATER DISTRICT
El Paso County, Colorado

FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013

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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, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Forest View Acres Water District (District), as of December 31, 2014 and 2013, 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 omitted 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 is 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 23, 2015

BASIC FINANCIAL STATEMENTS

FOREST VIEW ACRES WATER DISTRICT
STATEMENTS OF NET POSITION
December 31, 2014 and 2013

ASSETS	2014	2013
CURRENT ASSETS		
Cash and investments - unrestricted	\$ 322,904	\$ 289,189
Cash and investments - restricted	1,173,766	1,737,746
Accounts receivable - customers	14,764	15,765
Cash with County Treasurer	470	498
Property taxes receivable	51,882	51,474
Prepaid expenses	663	194
Total current assets	1,564,449	2,094,866
 CAPITAL ASSETS		
Land	64,192	64,192
Water rights	2,286,675	2,286,675
Master plan	84,823	-
CIP	1,232,582	468,424
Water treatment plants	1,190,166	1,121,097
Water collection and distribution	1,717,882	1,717,882
Wells	691,572	691,572
	7,267,892	6,349,842
Less accumulated depreciation	2,306,307	2,187,894
Total capital assets	4,961,585	4,161,948
 TOTAL ASSETS	6,526,034	6,256,814
 LIABILITIES		
Accounts payable	102,116	56,026
Retainage payable	34,972	-
Noncurrent liabilities:		
Due within one year	100,000	100,000
Due in more than one year	1,750,000	1,850,000
Total liabilities	1,987,088	2,006,026
 DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue	51,882	51,474
Deferred grant revenue	7,325	-
Total deferred inflows of resources	59,207	51,474
 NET POSITION		
Net investment in capital assets	4,285,351	3,949,694
Restricted for		
Operations and maintenance	122,793	98,625
Emergencies	1,900	1,900
Unrestricted	69,695	149,095
Total net position	\$ 4,479,739	\$ 4,199,314

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, 2014 and 2013

	2014	2013
OPERATING REVENUE		
Water usage and related fees	\$ 490,976	\$ 503,912
Total operating revenue	490,976	503,912
OPERATING EXPENSES		
Operations manager	49,826	61,143
Repairs and maintenance	81,823	114,456
Supplies and chemicals	2,710	4,163
Utilities	16,617	36,563
Other	6,599	7,484
Depreciation	118,413	114,959
Total operating expenses	275,988	338,768
GROSS INCOME FROM OPERATIONS	214,988	165,144
GENERAL AND ADMINISTRATIVE EXPENSES		
District management	70,936	106,029
Utility billing	21,013	21,400
Election costs	1,855	-
Insurance/SDA dues	7,472	7,687
Director fees	6,000	6,600
Legal	8,890	7,383
Audit	11,545	8,881
Other	7,546	8,269
Total general and administrative expenses	135,257	166,249
NET INCOME (LOSS) FROM OPERATIONS	79,731	(1,105)
NONOPERATING REVENUE AND (EXPENSE)		
Property and specific ownership taxes	56,882	57,476
Reimbursements income	-	4,487
Tap fee reimbursements	(7,500)	-
Net investment earnings	230	207
Miscellaneous income	2,904	2,036
Treasurer's fees	(773)	(784)
Total nonoperating revenue (expense)	51,743	63,422
INCOME BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	131,474	62,317
CAPITAL GRANTS AND CONTRIBUTIONS		
Grant Revenue	126,451	23,465
Water tap fees	22,500	18,000
Total capital grants and contributions	148,951	41,465
CHANGE IN NET POSITION	280,425	103,782
NET POSITION - BEGINNING OF YEAR	4,199,314	4,095,532
NET POSITION - END OF YEAR	\$ 4,479,739	\$ 4,199,314

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, 2014 and 2013**

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 491,977	\$ 514,550
Cash payments to suppliers for goods and services	(308,069)	(370,239)
Net cash provided by operating activities	183,908	144,311
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES		
Property and specific ownership, net of fees	56,137	56,608
Reimbursements	-	4,487
Other	2,904	2,036
Net cash provided by noncapital financing activities	59,041	63,131
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Grant revenue	126,451	23,465
Contributed capital - tap fees	22,500	18,000
Tap fee reimbursements	(7,500)	-
Acquisition of capital assets	(822,220)	(230,539)
Principal paid on long-term debt	(100,000)	(50,000)
Net cash (required) by capital and related financing activities	(780,769)	(239,074)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment income	230	207
Net cash provided by investing activities	230	207
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(537,590)	(31,425)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,026,935	2,058,360
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,489,345	\$ 2,026,935
Reconciliation of operating income from operations to net cash provided by operating activities		
Gain (loss) from operations	\$ 79,731	\$ (1,105)
Adjustments to reconcile gain (loss) from operations to net cash provided by operating activities:		
Depreciation	118,413	114,959
Effect of changes in operating assets and liabilities:		
Accounts receivable	1,001	10,638
Prepaid expenses	(469)	6,923
Accounts payable	(14,768)	12,896
Net cash provided by operating activities	\$ 183,908	\$ 144,311

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, 2014 and 2013**

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, 2014 and 2013**

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 general operations and administration, capital improvements, debt service and water operations in a single General Fund for the year ended December 31, 2014. These activities 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, 2014 and 2013**

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.

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

**FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013**

NOTE 3 - CASH AND INVESTMENTS (continued)

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, 2014 and 2013, the District's cash deposits had bank balances of \$351,577 and \$93,572 and carrying balances of \$321,593 and \$104,758 respectively.

Investments

The District has not adopted a formal investment policy however, the District follows state statutes regarding investments.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States and certain U.S. government agency securities and the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Certain reverse repurchase agreements
- . Certain securities lending agreements
- . Certain corporate bonds
- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

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

At December 31, 2014 and 2013, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	
		<u>2014</u>	<u>2013</u>
Colorado Liquid Asset Trust (ColoTrust)	Less than 1 year	<u>\$1,175,077</u>	<u>\$1,922,177</u>

**FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013**

NOTE 3 - CASH AND INVESTMENTS (continued)

Colotrust

At December 31, 2014 and 2013, 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, 2014 and 2013 statement of net position as follows:

	<u>2014</u>	<u>2013</u>
Cash and investments - unrestricted	\$ 322,904	\$ 289,189
Cash and investments - restricted	<u>1,173,766</u>	<u>1,737,746</u>
	<u>\$1,496,670</u>	<u>\$2,026,935</u>
Deposits	\$ 321,593	\$ 104,758
Investments	<u>1,175,077</u>	<u>1,922,177</u>
	<u>\$1,496,670</u>	<u>\$2,026,935</u>

**FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013**

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2014 and 2013 follows:

	<u>Balance at December 31, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2014</u>
Capital assets, not being depreciated:				
Land	\$ 64,192	\$ -	\$ -	\$ 64,192
Water rights	2,286,675	-	-	2,286,675
Master plan	-	84,823	-	84,823
CIP	468,424	918,050	153,892	1,232,582
Total capital assets, not being depreciated	<u>2,819,291</u>	<u>1,002,873</u>	<u>153,892</u>	<u>3,668,272</u>
Capital assets, being depreciated:				
Water treatment plants	1,121,097	69,069	-	1,190,166
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>69,069</u>	<u>-</u>	<u>3,599,620</u>
Less accumulated depreciation for:				
Water treatment plants	829,573	59,508	-	889,081
Water collection and distribution	769,367	34,358	-	803,725
Wells	588,954	24,547	-	613,501
Total accumulated depreciation	<u>2,187,894</u>	<u>118,413</u>	<u>-</u>	<u>2,306,307</u>
Total capital assets being depreciated, net	<u>1,342,657</u>	<u>(49,344)</u>	<u>-</u>	<u>1,293,313</u>
Total capital assets, net	<u>\$ 4,161,948</u>	<u>\$ 953,529</u>	<u>153,892</u>	<u>\$ 4,961,585</u>

**FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013**

NOTE 4 - CAPITAL ASSETS (continued)

	<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, 2014 and 2013**

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, 2014 and 2013.

	<u>Balance at December 31, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2014</u>	<u>Due Within One Year</u>
CWRPDA Loan	\$ 1,950,000	\$ -	\$ 100,000	\$ 1,850,000	\$ 100,000
	<u>\$ 1,950,000</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 1,850,000</u>	<u>\$ 100,000</u>
	<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>

\$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 1st and November 1st, 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, 2014 and 2013, the District has restricted net position in the amount of \$122,793 and \$98,625, respectively in compliance with this requirement.

**FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013**

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

As of December 31, 2014 and 2013, 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>
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
2020-2024	500,000	-	500,000
2025-2029	500,000	-	500,000
2030-2033	350,000	-	350,000
	<u>\$ 1,850,000</u>	<u>\$ -</u>	<u>\$ 1,850,000</u>

NOTE 6 - NET POSITION

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

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, 2014 and 2013, the District had net investment in capital assets calculated as follows:

	<u>2014</u>	<u>2013</u>
Net investment in capital assets:		
Capital assets, net	\$ 4,961,585	\$ 4,161,948
Cash and investments - restricted (unspent loan proceeds)	1,173,766	1,737,746
Current portion of long-term obligations	(100,000)	(100,000)
Noncurrent portion of long-term obligations	(1,750,000)	(1,850,000)
Net investment in capital assets	<u>\$ 4,285,351</u>	<u>\$ 3,949,694</u>

**FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013**

NOTE 6 - NET POSITION (continued)

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, 2014 and 2013 is as follows:

	2014	2013
Restricted:		
Operating and maintenance reserve	\$ 122,793	\$ 98,625
Emergencies	1,900	1,900
	\$ 124,693	\$ 100,525

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, 2014. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability and boiler and machinery coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 8 - TAX, SPENDING AND DEBT LIMITATIONS

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

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

**FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013**

NOTE 8 - TAX, SPENDING AND DEBT LIMITATIONS (continued)

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.

NOTE 9 – CONSTRUCTION COMMITMENTS

The District had active construction projects as of December 31, 2014. Commitments totaled \$76,634.

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, 2014

	<u>Original/Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUE			
Water usage fees	\$ 160,000	\$ 157,948	\$ (2,052)
Availability to serve	10,000	8,887	(1,113)
Capital replacement fee	166,000	171,637	5,637
Late fees	600	3,580	2,980
Service fee charges	142,000	146,074	4,074
Property tax	51,527	51,447	(80)
Specific ownership	5,000	5,435	435
Tap fees	16,000	22,500	6,500
Transfer fees	-	2,850	2,850
Interest income	100	230	130
E&MIF Grant	150,000	74,916	(75,084)
WQIF Grant	50,000	51,535	1,535
Other	2,500	2,904	404
Total revenues	<u>753,727</u>	<u>699,943</u>	<u>(53,784)</u>
EXPENDITURES			
Operations			
Operations manager	92,700	49,826	42,874
Repairs and maintenance	80,000	54,636	25,364
Supplies and chemicals	10,000	2,710	7,290
Utilities	39,200	16,617	22,583
Meter reading and maintenance	25,000	27,187	(2,187)
Water testing	2,000	-	2,000
Engineering	1,000	-	1,000
Tap fee reimbursement	-	7,500	(7,500)
Training and education	1,000	-	1,000
Other	-	6,599	(6,599)
Administrative			
District management and accounting	139,000	70,936	68,064
Utility billing	20,000	21,013	(1,013)
Insurance/SDA dues	8,000	7,472	528
Directors fees	8,000	6,000	2,000
Election costs	10,000	1,855	8,145
Legal	30,000	8,890	21,110
Audit	9,000	11,545	(2,545)
Treasurer's fees	773	773	-
Website maintenance	5,000	2,949	2,051
Other	10,500	4,597	5,903
CWRPDA loan principal	100,000	100,000	-
Infrastructure projects	1,419,000	918,050	500,950
Total expenditures	<u>2,010,173</u>	<u>1,319,155</u>	<u>691,018</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, 2014
(Continued)

	<u>Original/Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
NET CHANGE IN FUNDS AVAILABLE	(1,256,446)	(619,212)	637,234
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>1,903,633</u>	<u>1,987,366</u>	<u>83,733</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 647,187</u>	<u>\$ 1,368,154</u>	<u>\$ 720,967</u>

Funds available is computed as follows:

Current assets	\$ 1,564,449
Current liabilities	(137,088)
Deferred inflows of resources	<u>(59,207)</u>
	<u>\$ 1,368,154</u>

**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, 2014**

REVENUE (budgetary basis)	\$ 699,943
Total revenue per statements of revenues, expenses and changes in fund net position	699,943
 EXPENDITURES (budgetary basis)	 1,319,155
Depreciation	118,413
Capital Outlay	(918,050)
Bond and loan principal	(100,000)
Total expenses per statement of revenues, expenses and changes in fund net position	419,518
 CHANGE IN NET POSITION PER STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION	 \$ 280,425

OTHER INFORMATION

**FOREST VIEW ACRES WATER DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2014**

<u>Year Ending December 31,</u>	\$2,000,000 CWRPDA Loan Dated June 15, 2012 Principal Due May 1 and November 1 Bearing 0% Interest		
	Principal	Interest	Total
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
	\$ 1,850,000	\$ -	\$ 1,850,000

**FOREST VIEW ACRES WATER DISTRICT
SUMMARY OF ASSESSED VALUATION , MILL LEVY
AND PROPERTY TAXES COLLECTED
Year Ended December 31, 2014**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied	Property Taxes		Percentage Collected to Levied
			Levied	Collected	
2010	\$ 11,523,230	5.000	\$ 57,615	\$ 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%
2014	\$ 10,294,870	5.000	\$ 51,474	\$ 51,447	99.9%
Estimated for year ending December 31, 2015	\$ 10,376,440	5.000	\$ 51,882		

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.