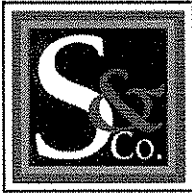


**FOREST VIEW ACRES WATER DISTRICT**  
**El Paso County, Colorado**

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

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**SCHILLING & COMPANY, INC.**

*Certified Public Accountants*

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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, 2012 and 2011, and the related notes to the 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 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, 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

### *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 25, 2013

**FOREST VIEW ACRES WATER DISTRICT**  
**STATEMENTS OF NET POSITION**  
**December 31, 2012 and 2011**

<b>ASSETS</b>	<u>2012</u>	<u>2011</u>
<b>CURRENT ASSETS</b>		
Cash and investments - unrestricted	\$ 175,594	\$ 258,012
Cash and investments - restricted	1,882,766	88,000
Accounts receivable - customers	26,403	20,043
Accounts receivable - grants	-	10,000
Cash with County Treasurer	414	411
Property taxes receivable	52,259	51,977
Prepaid expenses	7,117	170
Total current assets	<u>2,144,553</u>	<u>428,613</u>
<b>CAPITAL ASSETS</b>		
Land	64,192	64,192
Water rights	2,281,675	2,281,675
CIP	260,634	44,777
Water treatment plants	1,121,097	1,121,097
Water collection and distribution	1,717,882	1,686,302
Wells	691,572	691,572
	<u>6,137,052</u>	<u>5,889,615</u>
Less accumulated depreciation	2,072,935	1,957,976
Total capital assets	<u>4,064,117</u>	<u>3,931,639</u>
<b>OTHER ASSETS</b>		
Bond issue costs, net of accumulated amortization	-	1,071
Total other assets	<u>-</u>	<u>1,071</u>
<b>TOTAL ASSETS</b>	<u>6,208,670</u>	<u>4,361,323</u>
<b>LIABILITIES</b>		
Accounts payable	60,879	77,259
Accrued interest payable	-	1,624
Noncurrent liabilities:		
Due within one year	50,000	75,034
Due in more than one year	1,950,000	165,837
Total liabilities	<u>2,060,879</u>	<u>319,754</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred property tax revenue	52,259	51,977
Total deferred inflows of resources	<u>52,259</u>	<u>51,977</u>
<b>NET POSITION</b>		
Net investment in capital assets	3,946,883	3,691,839
Restricted for		
Debt service	-	88,000
Operations and maintenance	95,038	-
Emergencies	1,800	1,900
Website development	5,000	-
Unrestricted	46,811	295,853
Total net position	<u>\$ 4,095,532</u>	<u>\$ 3,989,592</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, 2012 and 2011**

	2012	2011
<b>OPERATING REVENUE</b>		
Water usage and related fees	\$ 493,709	\$ 490,686
	493,709	490,686
<b>OPERATING EXPENSES</b>		
Operations manager	63,313	45,950
Repairs and maintenance	102,938	100,234
Supplies and chemicals	10,618	10,265
Utilities	32,760	30,848
Water testing	796	267
Engineering	298	7,064
Depreciation	114,959	113,398
Other	13,471	5,026
Total operating expenses	339,153	313,052
<b>GROSS INCOME FROM OPERATIONS</b>	154,556	177,634
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
District management	82,011	70,102
Utility billing	26,550	25,330
Election costs	10,387	-
Insurance/SDA dues	7,276	7,155
Director fees	7,900	6,500
Legal	3,493	3,554
Audit	8,523	4,700
Other	6,829	6,856
Total general and administrative expenses	152,969	124,197
<b>NET INCOME FROM OPERATIONS</b>	1,587	53,437
<b>NONOPERATING REVENUE AND (EXPENSE)</b>		
Property and specific ownership taxes	56,891	63,006
Debt service fees	57,153	56,548
Reimbursements	-	978
Wilde settlement proceeds	-	49,094
Net investment earnings	295	278
Miscellaneous income	4,962	3,157
Legal fees - settlement	-	(25,857)
Treasurer's fees	(781)	(872)
Debt issue costs	(28,006)	(668)
Interest expense	(6,994)	(21,501)
Paying agent fees	(167)	(400)
Total nonoperating revenue and (expense)	83,353	123,763
<b>INCOME BEFORE CAPITAL GRANTS AND CONTRIBUTIONS</b>	84,940	177,200
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>		
Grant Revenue	5,000	10,000
Water tap fees	16,000	48,000
	21,000	58,000
<b>CHANGE IN NET POSITION</b>	105,940	235,200
<b>NET POSITION - BEGINNING OF YEAR</b>	3,989,592	3,754,392
<b>NET POSITION - END OF YEAR</b>	\$ 4,095,532	\$ 3,989,592

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, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 487,349	\$ 497,989
Cash payments to suppliers for goods and services	(438,062)	(313,825)
Net cash provided by operating activities	49,287	184,164
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES</b>		
Property and specific ownership, net of fees	56,107	62,088
Settlement proceeds	-	49,094
Reimbursements	-	978
Other	4,962	3,157
Legal fees - settlement	-	(25,857)
Net cash provided by noncapital financing activities	61,069	89,460
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from CWRPDA Loan	2,000,000	-
Grant revenue	15,000	84,438
Contributed capital - tap fees	16,000	48,000
Debt service fees	57,153	56,548
Acquisition of capital assets	(209,865)	(220,031)
Principal paid on long-term debt	(240,871)	(69,794)
Interest paid on long-term debt	(8,618)	(22,059)
Loan issue costs	(26,935)	-
Paying agent fees	(167)	(400)
Net cash provided (required) by capital and related financing activities	1,601,697	(123,298)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investment income	295	278
Net cash provided by investing activities	295	278
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,712,348	150,604
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	346,012	195,408
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,058,360	\$ 346,012
<b>Reconciliation of operating income from operations to net cash provided by operating activities</b>		
Gain from operations	\$ 1,587	\$ 53,437
Adjustments to reconcile gain from operations to net cash provided by operating activities:		
Depreciation	114,959	113,398
Effect of changes in operating assets and liabilities:		
Accounts receivable	(6,360)	7,303
Prepaid expenses	(6,947)	-
Accounts payable	(53,952)	10,026
Net cash provided by operating activities	\$ 49,287	\$ 184,164

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, 2012 and 2011**

**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, 2012 and 2011**

**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, Debt Service Fund, Capital Projects Fund and Enterprise Fund for the year ended December 31, 2012. 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, 2012 and 2011**

**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, 2011 bond issuance costs and bond premiums and discounts were amortized over the respective terms of the bonds using the effective interest method.

**FOREST VIEW ACRES WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 and 2011**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 have been restated and the unamortized balance at December 31, 2011 has been fully amortized in the year ended December 31, 2012.

**Reclassifications**

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

**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, 2012 and 2011, the District's cash deposits had bank balances of \$61,186 and \$295,185 and carrying balances of \$59,978 and \$286,798 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

**FOREST VIEW ACRES WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 and 2011**

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

- . 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, 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 Liquid Asset Trust (ColoTrust)	Less than 1 year	<u>\$1,998,382</u>	<u>\$ 59,214</u>

**Colostrust**

At December 31, 2012 and 2011, 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, 2012 and 2011 statement of net assets as follows:

	<u>2012</u>	<u>2011</u>
Cash and investments - unrestricted	\$ 175,594	\$ 258,012
Cash and investments - restricted	1,882,766	88,000
	<u>\$2,058,360</u>	<u>\$ 346,012</u>
Deposits	\$ 59,978	\$ 286,798
Investments	1,998,382	59,214
	<u>\$2,058,360</u>	<u>\$ 346,012</u>

**FOREST VIEW ACRES WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 and 2011**

**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 has interpreted 2) above to be ten percent of the bond proceeds of the issuance. The reserve requirement at December 31, 2011 was \$88,000. At December 31, 2011, the District had sufficient cash and investments to meet this reserve requirement. 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, 2012 and 2011 follows:

	<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, 2012 and 2011**

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

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

**FOREST VIEW ACRES WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 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 years ended December 31, 2012 and 2011.

	<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	-	2,000,000	-	2,000,000	50,000
	<u>\$ 240,871</u>	<u>\$ 2,000,000</u>	<u>\$ 240,871</u>	<u>\$ 2,000,000</u>	<u>\$ 50,000</u>
	<u>Balance at December 31, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2011</u>	<u>Due Within One Year</u>
1995 Water Revenue Refunding and Improvement Bonds	\$ 290,000	\$ -	\$ 65,000	\$ 225,000	\$ 70,000
Department of Local Affairs Loan	20,665	-	4,794	15,871	5,034
	<u>\$ 310,665</u>	<u>\$ -</u>	<u>\$ 69,794</u>	<u>\$ 240,871</u>	<u>\$ 75,034</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, 2012, the District has restricted net position in the amount of \$95,038 in compliance with this requirement.

**FOREST VIEW ACRES WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 and 2011**

**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, 2012 and 2011, 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>
2013	\$ 50,000	\$ -	\$ 50,000
2014	100,000	-	100,000
2015	100,000	-	100,000
2016	100,000	-	100,000
2017	100,000	-	100,000
2018 - 2022	500,000	-	500,000
2023 - 2027	500,000	-	500,000
2028 - 2032	500,000	-	500,000
2033	50,000	-	50,000
	<u>\$ 2,000,000</u>	<u>\$ -</u>	<u>\$ 2,000,000</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, 2012 and 2011**

**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, 2012 and 2011, the District had net investment in capital assets calculated as follows:

	2012	2011
Net investment in capital assets:		
Capital assets, net	\$ 4,064,117	\$ 3,931,639
Bond issuance and discount costs (net of accumulated amortization)	-	1,071
Cash and investments - restricted (unspent loan proceeds)	1,882,766	-
Current portion of long-term obligations	(50,000)	(75,034)
Noncurrent portion of long-term obligations	(1,950,000)	(165,837)
Net investment in capital asset	\$ 3,946,883	\$ 3,691,839

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, 2012 and 2011 is as follows:

	2012	2011
Restricted:		
Debt service	\$ -	\$ 88,000
Operating and maintenance reserve	95,038	-
Emergencies	1,800	1,900
Website development	5,000	-
	\$ 101,838	\$ 89,900

**NOTE 7 – SETTLEMENTS**

**Wilde Settlement**

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

The calculated damages of \$49,056, including accrued interest, were garnished from one of the District's bank accounts on December 29, 2009 and subsequently remitted to the court. The District's Motion for Reconsideration was granted in part in January 2010. In September 2011, the District prevailed and the courts were ordered to return the District's funds plus accrued interest. The District received \$49,094 during the year ended December 31, 2011.

**FOREST VIEW ACRES WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 and 2011**

**NOTE 8 - RISK MANAGEMENT**

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2012. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability and boiler and machinery coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

**NOTE 9 - TAX, SPENDING AND DEBT LIMITATIONS**

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

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

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

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

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.

**FOREST VIEW ACRES WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 and 2011**

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

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 10 - NEW GASB STANDARDS**

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.

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

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

	Original/Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
<b>REVENUE</b>			
Water usage fees	\$ 135,000	\$ 155,495	\$ 20,495
Debt service fees	60,000	57,153	(2,847)
Availability to serve	13,000	11,040	(1,960)
Capital replacement fee	153,000	167,887	14,887
Late fees	5,000	2,116	(2,884)
Service fee charges	150,000	157,171	7,171
Property tax	52,955	51,954	(1,001)
Specific ownership	4,500	4,937	437
Tap fees	16,000	16,000	-
Transfer fees	500	-	(500)
Interest income	350	295	(55)
Water Source Protection Grant	5,000	-	(5,000)
S.I.P.A. Grant	-	5,000	5,000
CDPHE Planning Grant	10,000	-	(10,000)
Authority IGA Reimbursables	75,000	-	(75,000)
Authority IGA Loan Proceeds	1,425,000	2,000,000	575,000
Other	2,500	4,962	2,462
Total revenues	<u>2,107,805</u>	<u>2,634,010</u>	<u>526,205</u>
<b>EXPENDITURES</b>			
<b>Operations</b>			
Operations manager	85,500	63,313	22,187
Repairs and maintenance	72,000	77,610	(5,610)
Supplies and chemicals	16,500	10,618	5,882
Utilities	53,350	32,760	20,590
Meter reading and maintenance	15,000	25,328	(10,328)
Water testing	3,500	796	2,704
Engineering	2,900	298	2,602
Training and education	2,000	-	2,000
<b>Administrative</b>			
District management and accounting	79,000	82,011	(3,011)
Utility billing	25,000	26,550	(1,550)
Election costs	-	10,387	(10,387)
Insurance/SDA dues	8,000	7,276	724
Directors fees	8,000	7,900	100
Legal	12,000	3,493	8,507
Audit	5,000	8,523	(3,523)
Treasurer's fees	1,000	781	219
Other	6,400	20,300	(13,900)
Bond/loan principal	75,828	240,871	(165,043)
Authority IGA payment	100,000	-	100,000
Interest expense	16,312	6,994	9,318
Loan issuance costs	-	26,935	(26,935)
Paying agent fees	500	167	333
Infrastructure projects	1,553,000	247,437	1,305,563
Total expenditures	<u>2,140,790</u>	<u>900,348</u>	<u>1,240,442</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, 2012**  
(Continued)

	<u>Original/Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>NET CHANGE IN FUNDS AVAILABLE</b>	(32,985)	1,733,662	1,766,647
<b>FUNDS AVAILABLE - BEGINNING OF YEAR</b>	<u>211,517</u>	<u>297,753</u>	<u>86,236</u>
<b>FUNDS AVAILABLE - END OF YEAR</b>	<u>\$ 178,532</u>	<u>\$ 2,031,415</u>	<u>\$ 1,852,883</u>

Funds available is computed as follows:

Current assets	\$ 2,144,553
Current liabilities	(60,879)
Deferred inflows of resources	<u>(52,259)</u>
	<u>\$ 2,031,415</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, 2012**

<b>REVENUE (budgetary basis)</b>	\$ 2,634,010
Loan proceeds	<u>(2,000,000)</u>
Total revenue per statements of revenues, expenses and changes in fund net position	<u>634,010</u>
 <b>EXPENDITURES (budgetary basis)</b>	 900,348
Depreciation	114,959
Bond issuance costs amortization	1,071
Capital Outlay	(247,437)
Bond and loan principal	<u>(240,871)</u>
Total expenses per statement of revenues, expenses and changes in fund net position	<u>528,070</u>
 <b>CHANGE IN NET POSITION PER STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION</b>	 <u><u>\$ 105,940</u></u>

## **OTHER INFORMATION**

**FOREST VIEW ACRES WATER DISTRICT**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**December 31, 2012**

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

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 50,000	\$ -	\$ 50,000
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>\$ 2,000,000</u>	<u>\$ -</u>	<u>\$ 2,000,000</u>



**FOREST VIEW ACRES WATER DISTRICT  
SUMMARY OF ASSESSED VALUATION , MILL LEVY  
AND PROPERTY TAXES COLLECTED  
Year Ended December 31, 2012**

<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>	
2008	\$ 10,527,930	5.000	\$ 52,640	\$ 52,053	98.9%
2009	\$ 10,768,610	5.000	\$ 53,843	\$ 53,843	100.0%
2010	\$ 11,523,230	5.000	\$ 57,616	\$ 57,615	100.0%
2011	\$ 11,590,950	5.000	\$ 57,955	\$ 57,928	100.0%
2012	\$ 10,395,390	5.000	\$ 51,977	\$ 51,954	100.0%
Estimated for year ending December 31, 2013	\$ 10,451,870	5.000	\$ 52,259		

**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.