

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

**FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Tabernash Meadows Water and Sanitation 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 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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tabernash Meadows Water and Sanitation District, as of December 31, 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

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

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 basic financial statements. Such 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 supplemental information is fairly stated, in all material respects, in relation to the basic 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
May 26, 2015

**TABERNASH MEADOWS WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2014 and 2013**

Our discussion and analysis of Tabernash Water and Sanitation District's (District) financial performance provides an overview of the District's financial activities for the fiscal years ended December 31, 2014 and 2013. Please read it in conjunction with the District's basic financial statements which begin on page 1.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

FINANCIAL SUMMARY AND ANALYSIS

Net Position

2014

As noted earlier, net position may serve as a useful indicator of the District's financial position. As noted in the table below, in 2014 the District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$1,840,043 a decrease from 2013 of \$202,314 or 9.9%. Total assets decreased by \$212,883, or 3.4%, primarily due to the net loss for 2014 and its impact on current assets and the depreciation of capital assets. Capital asset activity is discussed below in the capital asset and debt administration section.

**TABERNASH MEADOWS WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2014 and 2013**

There was an overall decrease in liabilities of \$46,473 from 2013 to 2014 or 1.1%. This decrease was primarily due to the District making the scheduled debt service payments on the outstanding bonds, loan and capital leases. Long-term obligation activity is discussed below in the capital asset and debt administration section.

2013

As noted in the table below, in 2013 the District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$2,042,357 a decrease from 2012 of \$232,647 or 10.2%. Total assets decreased by \$243,016 primarily due to the net loss for 2013 and its impact on current assets and the depreciation of capital assets. Capital asset activity is discussed below in the capital asset and debt administration section.

There was an overall decrease in liabilities of \$42,993. This decrease was primarily due to the District making the schedule debt service payments on the outstanding bonds, loan and capital leases. Long-term obligation activity is discussed below in the capital asset and debt administration section.

NET POSITION

	December 31,		
	2014	2013	2012
ASSETS			
Current assets	\$ 1,195,983	\$ 1,217,741	\$ 1,250,735
Capital assets, net	4,934,149	5,125,274	5,335,296
Total assets	<u>6,130,132</u>	<u>6,343,015</u>	<u>6,586,031</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refunding	172,026	207,015	242,003
Total deferred outflows of resources	<u>172,026</u>	<u>207,015</u>	<u>242,003</u>
LIABILITIES			
Current liabilities	78,227	86,450	82,958
Long-term liabilities	4,037,000	4,075,250	4,121,735
Total liabilities	<u>4,115,227</u>	<u>4,161,700</u>	<u>4,204,693</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	346,888	345,973	348,337
Total deferred inflows of resources	<u>346,888</u>	<u>345,973</u>	<u>348,337</u>
NET POSITION			
Net investment in capital assets	1,030,925	1,210,554	1,413,583
Restricted	301,383	268,722	150,414
Unrestricted	507,735	563,081	711,007
Total net position	<u>\$ 1,840,043</u>	<u>\$ 2,042,357</u>	<u>\$ 2,275,004</u>

**TABERNASH MEADOWS WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2014 and 2013**

Changes in Net Position

	CHANGES IN NET POSITION		
	Years Ended December 31,		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
REVENUES			
Operating revenue:			
Charges for services	\$ 412,489	\$ 392,279	\$ 397,654
Nonoperating revenue:			
Property taxes	344,666	349,544	324,162
Specific ownership taxes	17,675	16,090	13,730
Investment earnings	1,556	1,584	2,665
Gain (loss) on disposal of capital assets	(174)	-	35,813
Total revenues	<u>776,212</u>	<u>759,497</u>	<u>774,024</u>
EXPENSES			
Operating expenses:			
Water operations	111,802	131,634	158,643
Sewer operations	226,526	236,365	187,352
Administration	74,818	58,720	61,661
Depreciation	241,975	239,984	241,280
Nonoperating expenses:			
Interest, fiscal charges and other	323,405	325,441	324,652
Total expenses	<u>978,526</u>	<u>992,144</u>	<u>973,588</u>
CHANGES IN NET POSITION	<u>(202,314)</u>	<u>(232,647)</u>	<u>(199,564)</u>
NET POSITION - BEGINNING OF YEAR	<u>2,042,357</u>	<u>2,275,004</u>	<u>2,474,568</u>
NET POSITION - END OF YEAR	<u><u>\$ 1,840,043</u></u>	<u><u>\$ 2,042,357</u></u>	<u><u>\$ 2,275,004</u></u>

2014

As noted in the table above, the District's net position for 2014 decreased by \$202,314. Overall revenue increased by \$16,715. Property taxes decreased by \$4,788, or 1.4%, for 2014 due to a 14.1% decrease in the District's assessed valuation. The impact of the decrease in the assessed valuation was partially offset by an 8.000 mill levy increase in mill levy for debt service. Offsetting the decrease in property tax revenue was \$20,210, or 5.2%, increase in charges for services. This increase was due to the District increasing the combined water and wastewater base rates effective January 1, 2014 from \$312 per quarter to \$333 per quarter, or 6.7%. Remaining revenues were relatively consistent from with 2013's balances.

Overall expenses remained consistent with from 2013 to 2014 with an overall decrease of \$13,618, or 1.4%. Water and sewer operating expenses both decreased in 2014. For water operations, the District incurred less water rights legal fee and wages. These savings were partially offset by increases in health insurance. For sewer operations, the District incurred less costs for operating supplies and lab testing supplies. These savings were partially offset by increases in wages and health insurance.

**TABERNASH MEADOWS WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2014 and 2013**

2013

As noted in the table above, the District's net position for 2013 decreased by \$232,647. Overall revenue decreased by \$14,527. Property taxes increased by \$25,382 for 2013 due to a 1.2% increase in the District's assessed valuation and a 3.000 mill levy increase in mill levy for debt service. This increase in property taxes was offset by a decrease of \$35,813 of gain on disposal of capital assets. In 2012 the District recognized a gain on the exchange of storage rights for water rights, as discussed in further detail below.

Overall expenses remained consistent with from 2012 to 2013 with an overall increase of \$18,556, or 1.9%.

BUDGETARY HIGHLIGHTS

During 2014 the appropriated expenditures were \$1,582,638 and actual expenditures were \$799,071 or \$783,567 under budget. Budgeted revenues were \$770,460 and actual revenues were \$776,386 or \$5,926 more than budget. For 2014 the District budgeted \$95,639 for capital expenditures, however the actual capital expenditures were \$51,024, or \$44,615 under budget. The budget was not amended for 2014.

Although 2014 expenditures were budgeted at \$890,052, including a \$20,000 contingency, the overall appropriation for expenditures was set by the Board of Directors at \$1,582,638. Since appropriated expenditures is the legally approved level of expenditures, the difference of \$692,586 between the budgeted and appropriated expenditures has been added to the \$20,000 contingency for financial statement presentation.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets at December 31, 2014, 2013 and 2012 is as follows:

CAPITAL ASSETS (net of accumulated depreciation)					
	2012	Change	2013	Change	2014
Land	\$ 56,156	\$ -	\$ 56,156	\$ -	\$ 56,156
Water rights	495,800	-	495,800	-	495,800
Water system	2,238,643	(105,613)	2,133,030	(91,244)	2,041,786
Wastewater system	2,518,279	(91,943)	2,426,336	(94,159)	2,332,177
Vehicles and equipment	26,418	(12,466)	13,952	(5,722)	8,230
Total	<u>\$ 5,335,296</u>	<u>\$ (210,022)</u>	<u>\$ 5,125,274</u>	<u>\$ (191,125)</u>	<u>\$ 4,934,149</u>

2014

During 2014 the District's capital asset additions amounted to \$51,024, which was comprised of water wells #2 and #3 improvements of \$15,798, SCADA system upgrades of \$17,883, and lighting and electrical sub panel upgrades of \$11,780. Additionally, the District purchased a computer and two probes for a total of \$5,563 which were integral to the SCADA system

**TABERNASH MEADOWS WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2014 and 2013**

upgrades. During 2014, the District's capital lease for the BizHub C252 Copier was terminated and the copier with an original capitalized cost of \$10,450 was returned. The copier was not fully depreciated and as a result the District incurred a \$174 loss on the disposal of the copier. Also during 2014, the District's capital lease for the Bobcat skid-steer loader ended. The District exercised the bargain purchase option for the Bobcat and now owns it outright.

Also during 2014, the District Board of Directors amended the District's capitalization limit policy, reducing the limit from \$5,000 to \$2,500.

2013

During 2013 the District's capital asset additions amounted to \$29,962, which was comprised of I-Beam rust mitigation at the wastewater treatment plant.

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

Long-Term Obligations

The District's long-term obligations at December 31, 2014, 2013 and 2012 are as follows:

	LONG-TERM OBLIGATIONS				
	<u>2012</u>	<u>Change</u>	<u>2013</u>	<u>Change</u>	<u>2014</u>
GO Refunding Bonds Series 2010	\$ 3,800,000	\$ (15,000)	\$ 3,785,000	\$ (20,000)	\$ 3,765,000
CWRPDA Loan	346,750	(18,250)	328,500	(18,250)	310,250
Capital leases	16,966	(8,731)	8,235	(8,235)	-
Total	<u>\$ 4,163,716</u>	<u>\$ (41,981)</u>	<u>\$ 4,121,735</u>	<u>\$ (46,485)</u>	<u>\$ 4,075,250</u>

2014

During 2014 the District did not enter into any additional debt. The debt service payments on the bonds, loan and capital leases were made as scheduled. Both the BizHub C252 Copier and Bobcat skid-steer loader capital leases ended during 2014.

2013

During 2013 the District did not enter into any additional debt. The debt service payments on the bonds, loan and capital leases were made as scheduled.

ECONOMIC FACTORS NEXT YEAR'S BUDGET AND RATES

For 2015, the District's combined water and wastewater base rates remained at \$333 per quarter. For 2015's property taxes, the District's assessed valuation for property taxes rebounded slightly by .3%. The District's general operations and debt service mill levies remained the same at 6.325 mills and 53.000 mills, respectively. As a result property taxes levied are only slightly higher than those levied and collected in 2014. Total budgeted revenues for 2015 are \$799,284. Total budget expenditures for 2015 are \$940,263, resulting in a budget

**TABERNASH MEADOWS WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2014 and 2013**

deficit of \$140,979. This budget anticipates this deficit will be offset by the District's funds available carryover. Although expenditures are budgeted at \$940,263, the overall appropriation for expenditures was set by the Board of Directors at \$1,627,572.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
December 31, 2014 and 2013

	2014	2013
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents - Unrestricted	\$ 521,902	\$ 548,241
Cash and cash equivalents - Restricted	186,252	166,526
Accounts receivable:		
Customers	83,208	79,357
Others	13,150	50,476
Prepaid expenses	20,397	715
Prepaid tap inventory	24,000	24,000
Property taxes receivable	347,074	348,426
Total current assets	1,195,983	1,217,741
CAPITAL ASSETS		
Capital assets, not being depreciated	551,956	551,956
Capital assets, being depreciated	6,936,550	6,908,743
	7,488,506	7,460,699
Less accumulated depreciation and amortization	(2,554,357)	(2,335,425)
Total capital assets	4,934,149	5,125,274
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on bond refunding	172,026	207,015
Total deferred outflows of resources	172,026	207,015
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 6,302,158	\$ 6,550,030
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 12,443	\$ 13,980
Accrued general leave	5,061	3,422
Interest payable	22,473	22,563
Bonds, loan and capital leases payable - current	38,250	46,485
Total current liabilities	78,227	86,450
NONCURRENT LIABILITIES		
Bonds, loan and capital leases payable - noncurrent	4,037,000	4,075,250
Total noncurrent liabilities	4,037,000	4,075,250
Total liabilities	4,115,227	4,161,700
DEFERRED INFLOWS OF RESOURCES		
Deferred property taxes	346,888	345,973
Total deferred inflows of resources	346,888	345,973
NET POSITION		
Net investment in capital assets	1,030,925	1,210,554
Restricted for:		
Emergencies	1,100	1,300
Debt service	186,252	166,526
Operations and maintenance reserve	114,031	100,896
Unrestricted	507,735	563,081
Total net position	1,840,043	2,042,357
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 6,302,158	\$ 6,550,030

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

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
Years Ended December 31, 2014 and 2013

	2014	2013
OPERATING REVENUE		
Service charges - water	\$ 166,349	\$ 161,869
Service charges - sewer	133,200	125,208
Intergovernmental charges for services	101,522	101,302
Other charges for services	11,418	3,900
Total operating revenue	412,489	392,279
 OPERATING EXPENSES		
Water operations	111,802	131,634
Sewer operations	226,526	236,365
Administration	74,818	58,720
Depreciation	241,975	239,984
Total operating expenses	655,121	666,703
 OPERATING LOSS	(242,632)	(274,424)
 NONOPERATING REVENUE (EXPENSE)		
Property taxes	344,666	349,544
Specific ownership taxes	17,675	16,090
Net investment income	1,556	1,584
Loss on disposal of capital assets	(174)	-
County treasurer's fees	(17,256)	(17,496)
Bond and lease interest and fiscal charges	(306,149)	(307,945)
Total nonoperating revenue (expense)	40,318	41,777
 CHANGE IN NET POSITION	(202,314)	(232,647)
 NET POSITION - BEGINNING OF YEAR	2,042,357	2,275,004
 NET POSITION - END OF YEAR	\$ 1,840,043	\$ 2,042,357

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

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 445,964	\$ 373,853
Payments to vendors	(213,430)	(199,011)
Payments to employees	(219,296)	(212,931)
Net cash provided (required) by operating activities	13,238	(38,089)
CASH:		
Capital asset purchases	(51,024)	(29,962)
Principal paid on capital debt	(46,485)	(41,981)
Interest paid on capital debt	(271,250)	(272,957)
Net cash required by capital financing activities	(368,759)	(344,900)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property and specific ownership taxes received	364,608	364,223
County treasurer's fees paid	(17,256)	(17,496)
Interest received	1,556	1,584
Net cash provided by noncapital financing activities	348,908	348,311
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,613)	(34,678)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	714,767	749,445
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 708,154	\$ 714,767
 RECONCILIATION OF OPERATING LOSS TO CASH FLOWS REQUIRED BY OPERATING ACTIVITIES		
Operating loss	\$ (242,632)	\$ (274,424)
Adjustments to reconcile (loss) from operations to net cash provided (required) by operating activities:		
Depreciation	241,975	239,984
Effects of changes in operating assets and liabilities:		
Accounts receivable	33,475	(18,426)
Prepaid expenses	(19,682)	15,789
Accounts payable	(1,537)	243
Accrued general leave	1,639	(1,255)
Net cash provided (required) by operating activities	\$ 13,238	\$ (38,089)
 NON-CASH CAPITAL FINANCING ACTIVITIES		
Loss on disposal of capital assets	\$ (174)	\$ -

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

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1 – DEFINITION OF REPORTING ENTITY

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

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

Basis of Accounting

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

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

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating Revenues and Expenses

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

Budgets

In accordance with the Local Government Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue and reported as deferred inflows of resources in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

Cash Equivalents

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

Investments

Investments are stated at fair value.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable

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

Prepaid Expenses

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

Capital Assets

Capital assets are recorded at cost except for those assets which have been contributed which are stated at estimated fair value at the date of contribution. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. The District's capitalization threshold for depreciable assets of \$5,000 for 2013 was lowered to \$2,500 for 2014. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Water system	25 - 30 years
Wastewater	25 - 30 years
Vehicles and equipment	3 - 5 years

Estimates

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

Tap Fees and Contributed Lines

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

Deferred Loss on Bond Refunding

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

**TABERNASH MEADOWS WATER AND SANITATION DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2014 and 2013**

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, 2014, the District had cash deposits with a bank balance of \$489,472 and a carrying balance of \$480,801. At December 31, 2013, the District had cash deposits with a bank balance of \$558,216 and a carrying balance of \$544,296.

Investments

The District has not adopted a formal investment policy, however, the District follows Colorado State Statutes which specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

At December 31, 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 Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	\$ 227,353	\$ 170,471

**TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 3 - CASH AND INVESTMENTS (continued)

CSAFE

At December 31, 2014 and 2013 the District has invested in the CSAFE, which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing CSAFE. The CSAFE is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, highest rate commercial paper and repurchase agreements collateralized by U.S. Treasury securities. CSAFE is rated AAAM by Standard & Poor's. Information related to Standard & Poor's ratings can be obtained from Standard & Poor's.

As of December 31, 2014 and 2013, the District's cash and cash equivalents were comprised of the following:

	<u>2014</u>	<u>2013</u>
Deposits	\$ 480,801	\$ 544,296
Investments - CSAFE	227,353	170,471
Total cash and cash equivalents	<u>\$ 708,154</u>	<u>\$ 714,767</u>

The District's cash and cash equivalents as of December 31, 2014 and 2013 are classified in the accompanying financial statements as follows:

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents - Unrestricted	\$ 521,902	\$ 548,241
Cash and cash equivalents - Restricted	186,252	166,526
Total cash and cash equivalents	<u>\$ 708,154</u>	<u>\$ 714,767</u>

The restricted cash and cash equivalents at December 31, 2014 and 2013 consists of \$186,252 and \$166,526, respectively, restricted for the payment of debt service on the District's general obligation bonds.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 4 - CAPITAL ASSETS

The following is an analysis of the changes in capital assets for the year ended December 31, 2014:

	<u>Balance at December 31, 2013</u>	<u>Additions</u>	<u>Disposals/ Retirements</u>	<u>Balance at December 31, 2014</u>
Capital assets, not being depreciated:				
Land	\$ 56,156	\$ -	\$ -	\$ 56,156
Water rights	495,800	-	-	495,800
Total capital assets, not being depreciated	<u>551,956</u>	<u>-</u>	<u>-</u>	<u>551,956</u>
Capital assets, being depreciated:				
Water system	3,246,171	15,798	-	3,261,969
Wastewater system	3,534,694	29,663	-	3,564,357
Vehicles and equipment	127,878	5,563	(23,217)	110,224
Total capital assets being depreciated	<u>6,908,743</u>	<u>51,024</u>	<u>(23,217)</u>	<u>6,936,550</u>
Less accumulated depreciation for:				
Water system	(1,113,141)	(107,042)	-	(1,220,183)
Wastewater system	(1,108,358)	(123,822)	-	(1,232,180)
Vehicles and equipment	(113,926)	(11,111)	23,043	(101,994)
Total accumulated depreciation	<u>(2,335,425)</u>	<u>(241,975)</u>	<u>23,043</u>	<u>(2,554,357)</u>
Total capital assets being depreciated, net	<u>4,573,318</u>	<u>(190,951)</u>	<u>(174)</u>	<u>4,382,193</u>
Total capital assets, net	<u>\$ 5,125,274</u>	<u>\$ (190,951)</u>	<u>\$ (174)</u>	<u>\$ 4,934,149</u>

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 4 - CAPITAL ASSETS (continued)

The following is an analysis of the changes in capital assets for the year ended December 31, 2013:

	<u>Balance at December 31, 2012</u>	<u>Additions</u>	<u>Disposals/ Retirements</u>	<u>Balance at December 31, 2013</u>
Capital assets, not being depreciated:				
Land	\$ 56,156	\$ -	\$ -	\$ 56,156
Water rights	495,800	-	-	495,800
Total capital assets, not being depreciated	<u>551,956</u>	<u>-</u>	<u>-</u>	<u>551,956</u>
Capital assets, being depreciated:				
Water system	3,246,171	-	-	3,246,171
Wastewater system	3,504,732	29,962	-	3,534,694
Vehicles and equipment	127,878	-	-	127,878
Total capital assets being depreciated	<u>6,878,781</u>	<u>29,962</u>	<u>-</u>	<u>6,908,743</u>
Less accumulated depreciation for:				
Water system	(1,007,528)	(105,613)	-	(1,113,141)
Wastewater system	(986,453)	(121,905)	-	(1,108,358)
Vehicles and equipment	(101,460)	(12,466)	-	(113,926)
Total accumulated depreciation	<u>(2,095,441)</u>	<u>(239,984)</u>	<u>-</u>	<u>(2,335,425)</u>
Total capital assets being depreciated, net	<u>4,783,340</u>	<u>(210,022)</u>	<u>-</u>	<u>4,573,318</u>
Total capital assets, net	<u>\$ 5,335,296</u>	<u>\$ (210,022)</u>	<u>\$ -</u>	<u>\$ 5,125,274</u>

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE 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 year ended December 31, 2014:

	Balance at December 31, 2013	Additions	Refunded/ Reductions	Balance at December 31, 2014	Due Within One Year
Bonds and loan payable:					
GO Refunding Bonds Series 2010	\$ 3,785,000	\$ -	\$ 20,000	\$ 3,765,000	\$ 20,000
CWRPDA Loan	328,500	-	18,250	310,250	18,250
Total bonds and loan payable	<u>4,113,500</u>	<u>-</u>	<u>38,250</u>	<u>4,075,250</u>	<u>38,250</u>
Capital leases:					
Capital Lease - Loader	6,333	-	6,333	-	-
Capital Lease - Copier	1,902	-	1,902	-	-
Total long-term obligations	<u>\$ 4,121,735</u>	<u>\$ -</u>	<u>\$ 46,485</u>	<u>\$ 4,075,250</u>	<u>\$ 38,250</u>

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2013:

	Balance at December 31, 2012	Additions	Refunded/ Reductions	Balance at December 31, 2013	Due Within One Year
Bonds and loan payable:					
GO Refunding Bonds Series 2010	\$ 3,800,000	\$ -	\$ 15,000	\$ 3,785,000	\$ 20,000
CWRPDA Loan	346,750	-	18,250	328,500	18,250
Total bonds and loan payable	<u>4,146,750</u>	<u>-</u>	<u>33,250</u>	<u>4,113,500</u>	<u>38,250</u>
Capital leases:					
Capital Lease - Loader	12,870	-	6,537	6,333	6,333
Capital Lease - Copier	4,096	-	2,194	1,902	1,902
Total long-term obligations	<u>\$ 4,163,716</u>	<u>\$ -</u>	<u>\$ 41,981</u>	<u>\$ 4,121,735</u>	<u>\$ 46,485</u>

General Obligation Refunding Bonds, Series 2010

On March 31, 2010, the District issued \$3,800,000 of General Obligation Refunding Bonds dated March 31, 2010. The bonds are term bonds due December 1, 2034. The bonds are subject to mandatory sinking fund redemption, in part, by lot, on December 1, 2013, and on each December 1 thereafter. The bonds bear interest at 7.125%, payable semi-annually on June 1 and December 1. The bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in part in integral multiples of \$5,000, on December 1, 2020, and on any date thereafter, upon payment of the principal amount of the bonds being redeemed plus accrued interest to the redemption date, without redemption premium. The bonds in the aggregate principal amount not to exceed \$500,000 are subject to extraordinary redemption prior to maturity, at the option of the District, as a whole or integral multiples of \$5,000, on any one or more interest payment dates, upon payment of the principal amount of the bonds being redeemed plus accrued interest to the redemption date, without redemption premium. The bonds were issued to refund the General Obligation Bonds, Series 2000.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 5 – LONG-TERM OBLIGATIONS (continued)

Security for the bonds is provided by a pledge of the District’s property taxes, specific ownership taxes, and other legally available moneys of the District. The District is required to impose a mill levy, without limitation of rate, in the amount sufficient pay the principal and interest on the bonds as they become due. For both the years ended December 31, 2014 and 2013, the District levied 53.000 mills for the payment of the debt service on these bonds. The remaining principal and interest to be paid on the bonds as of December 31, 2014 is \$7,414,425.

Colorado Water Resources and Power Development Authority Loan

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

Security for the loan is provided by a pledge of the net revenue of the District, excluding certain revenues as defined in the loan agreement. Additionally the District has covenanted to establish and collect such rates, fees and charges, together with other available revenues will be at least sufficient to pay the sum of: a) operation and maintenance expenses, b) 110% of the debt services on the loan, c) the amount, if any, to be paid into any debt service reserve account in connection with any obligations secured by a lien on the net revenue which lien is on a parity with the lien of this loan agreement on the net revenue, d) a sum equal to the debt service on any obligations secured by a lien on the net revenue which lien is subordinate to the lien of this loan agreement on the net revenue, and e) amounts necessary to pay and discharge all charges and liens or other indebtedness not described above and payable out of the gross revenue of the District. As of December 31, 2014, the remaining principal to be paid on the loan from the pledged net revenue is \$310,250. For the year ended December 31, 2013 the District was not in compliance with the revenue requirement described in b) above. During 2014 the District increased the water and sewer rates to customers effective January 1, 2014 the District was in compliance with the revenue requirement described in b) above for the year ending December 31, 2014.

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 38,250	\$ 268,256	\$ 306,506
2016	48,250	266,831	315,081
2017	68,250	264,694	332,944
2018	118,250	261,131	379,381
2019	128,250	254,006	382,256
2020-2024	811,250	1,137,150	1,948,400
2025-2029	1,191,250	830,063	2,021,313
2030-2034	1,671,500	367,294	2,038,794
	<u>\$ 4,075,250</u>	<u>\$ 3,649,425</u>	<u>\$ 7,724,675</u>

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 5 – LONG-TERM OBLIGATIONS (continued)

Capital Lease - Loader

On November 12, 2009, the District entered into a capital lease obligation to purchase a Bobcat skid-steer loader for \$30,809. The payments of \$593, representing principal and interest at 5.783%, were due monthly through November 2014. The District capitalized the cost of the loader in the amount of \$30,809, which as of December 31, 2014 and 2013 had accumulated depreciation of \$30,809 and \$25,674, respectively. During 2014 and 2013 the District incurred and paid interest of \$185 and \$573, respectively, under this capital lease. This lease was paid off during 2014 and the District exercised the bargain purchase option for the equipment.

Capital Lease – Copier

On November 5, 2009, the District entered into a capital lease obligation to purchase a Konica Minolta copier for \$10,450. The payments of \$194, representing principal and interest at 4.480%, were due monthly through November 2014. The District capitalized the cost of the copier in the amount of \$10,450, which as of December 31, 2013 had accumulated depreciation of \$8,708. This lease was paid off during 2014 and the District did not exercise the bargain purchase option and returned the equipment, incurring a loss on disposal of \$174. During 2014 and 2013 the District incurred and paid interest of \$134 and \$38, respectively, under this capital lease.

Authorized Debt

On November 4, 1997, a majority of the District's voters authorized the issuance of general obligation indebtedness in an amount not to exceed the following amounts and for the following purposes: \$5,000,000 for a sanitary sewage collection and transmission system; \$3,000,000 for a complete potable and non-potable water supply, treatment, storage, transmission, and distribution system; \$8,000,000 for the purpose of refunding, paying or defeasing other financial obligations of the District; for a total authorization of \$16,000,000. As of December 31, 2014, the District had utilized \$5,300,000 of the total authorized debt, resulting in \$10,700,000 of authorized but unissued general obligation indebtedness.

NOTE 6 - NET POSITION

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

The net investment in capital assets of capital assets, net of accumulated depreciation and if applicable reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2014 and 2013, the District had net investments in capital assets of \$1,030,925 and \$1,210,554, respectively.

Restricted net position includes amounts that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed through constitutional provisions or enabling legislation. The District had restricted net position

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 6 - NET POSITION (continued)

of \$1,100 and \$1,300 as of December 31, 2014 and 2013, respectively, as required by Article X, Section 20 of the Constitution of the State of Colorado (See Note 11).

At December 31, 2014 and 2013, the District had restricted net position of \$186,252 and \$166,526, respectively, representing accumulated cash and cash equivalents in the bond surplus account, which is restricted for the payment of debt service on the District's General Obligation Refunding Bonds, Series 2010 (See Note 5).

At December 31, 2014 and 2013, the District had restricted net position of \$114,031 and \$100,896, respectively, representing the operations and maintenance reserve required by the Loan Agreement with the Colorado Water Resources and Power Development Authority (See Note 5).

NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God. The District maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 8 – INTERGOVERNMENTAL AGREEMENT

The District has entered into an intergovernmental agreement with Grand County (County) related to the operation of a wastewater treatment system. The District has the capacity to treat 200,000 gallons of wastewater influent and 418 pounds of BOD organic material per day. The amended 1041 permit allows the plan to service 714 single-family taps. As of December 31, 2014, the District has issued 268 taps of which 222 were being billed for service. The County has reported to the District that it has sold 135 taps. The County is responsible for billing and collection related to these 135 taps.

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

For the years ended December 31, 2014 and 2013, the District billed the County \$89,792 and \$91,325, respectively for the County's share of the operational costs of the facilities and also billed the County \$11,730 and \$9,977, respectively, for the County's share of the capital improvements to the facilities.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 9 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO

Plan Description

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

Funding Policy

The District is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements of plan members and the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.0 percent and for the District it is 10.00 percent of covered salary. A portion of the District's contribution (1.02 percent of covered salary) is allocated to the Health Care Trust Fund (See Note 10). If the District rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay employer contributions on the amounts paid for the retiree, additionally contributions are required to be paid by the retiree. The District is also required to pay an amortization equalization disbursement equal to 2.2 percent for the calendar years 2014, 2013 and 2012. For 2014, 2013 and 2012, the District was required to pay a supplemental amortization equalization in the amount of 1.5 percent of the total payroll for the calendar year. For the years ending December 31, 2014, 2013, and 2012, the District's employer contributions to LGDTF were \$22,015, \$22,289 and \$22,723, respectively, equal to the required contributions for each year. For the years ending December 31, 2014, 2013, and 2012, the District's employee contributions to LGDTF were \$13,889, \$14,062 and \$14,336, respectively, equal to the required contributions for each year.

NOTE 10 – POST RETIREMENT HEALTHCARE BENEFITS

Plan Description

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

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 10 – POST RETIREMENT HEALTHCARE BENEFITS (continued)

Funding Policy

The District is required to contribute at a rate of 1.02 percent of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. For the years ending December 31, 2014,

2013 and 2012, the District's employer contributions to the HCTF were \$1,771, \$1,793 and \$1,828, respectively, equal to their required contributions for each year.

NOTE 11 - TAX, SPENDING AND DEBT LIMITATIONS

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

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

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

On November 7, 1995 a majority of the District's voters approved the following ballot question:

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

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

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

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014 and 2013

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

revenue from such taxes and any investment income thereon also be approved for 1997 and each year thereafter as an increased levy under section 29-1-302, C.R.S.?

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

Shall Tabernash Meadows Water and Sanitation District taxes be increased \$500,000 annually, or by such lesser annual amount as may be necessary to pay the District's operations, maintenance, and other expenses: such taxes to consist of an ad valorem mill levy imposed without limitation of rate or with such limitations as may be determined by the Board, and in amounts sufficient to produce the annual increase set forth above or such lesser amount as may be necessary, to be used for the purpose of paying the District's operations, maintenance, and other expenses; and shall the proceeds of such taxes and investment income thereon constitute voter-approved revenue changes and be collected and spent by the District each year without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, or Section 29-1-301, Colorado Revised Statutes?

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

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

Shall Tabernash Meadows Water and Sanitation District, for the purposes other than enterprises, and as a voter-approved revenue change, be authorized to collect, retain, and spend the amount of \$2,000,000 annually from any revenue sources other than ad valorem taxes, including but not limited to tap fees, facility fees, service charges, inspection charges, administrative charges, grants, or any other fee, rate, toll, penalty, income or charge imposed, collected, or authorized by law to be imposed or collected by the District, and shall such revenues, be collected and spent by the District without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, and without limiting, in 1998 or any year thereafter, the amount of other revenues that may be collected and spent by the District under Section 29-1-301, C.R.S. or any other statute or law?

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes a significant portion of the District's activities qualify as an Enterprise within the meaning of TABOR.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 11 - 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 many of the provisions, including the calculation of fiscal year spending limits, growth factors, and qualification as an Enterprise, may require judicial interpretation.

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

SUPPLEMENTAL INFORMATION

**TABERNASH MEADOWS WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2014**

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
General property taxes	\$ 36,886	\$ 36,747	\$ (139)
Bond property taxes	309,086	307,919	(1,167)
Specific ownership tax	11,000	17,675	6,675
County portion of operations	89,160	89,792	632
County portion of capital	12,994	11,730	(1,264)
Interest income	1,250	1,556	306
Other income	9,000	11,418	2,418
Service charges	301,084	299,549	(1,535)
Total revenues	<u>770,460</u>	<u>776,386</u>	<u>5,926</u>
EXPENDITURES			
Salaries and benefits	225,127	220,935	4,192
HR development	5,000	3,433	1,567
Contract/professional services	20,000	20,185	(185)
Vehicle expense	8,200	8,369	(169)
Operating supply/equipment	18,000	20,638	(2,638)
Operating supply non-reimburse	-	45	(45)
Lab testing	17,000	10,378	6,622
Biosolids removal	8,000	8,466	(466)
Utilities	34,100	30,521	3,579
Snow removal	2,500	950	1,550
Communication	9,620	6,882	2,738
Office supply	8,000	9,236	(1,236)
Permits	2,700	2,390	310
Dues and subscriptions	1,900	2,404	(504)
Audit and accounting	21,050	20,844	206
Treasurer fees	17,299	17,256	43
General and water rights legal	37,000	17,061	19,939
Board of directors/election	2,000	347	1,653
General liability insurance	18,628	20,592	(1,964)
Capital expenditures	95,639	51,024	44,615
Bond administration	1,900	1,568	332
Bond and capital lease interest	269,682	269,592	90
Bond and capital lease principal	46,707	46,485	222
Contingency	712,586	9,470	703,116
Total expenditures	<u>1,582,638</u>	<u>799,071</u>	<u>783,567</u>
NET CHANGE IN FUNDS AVAILABLE	<u>(812,178)</u>	<u>(22,685)</u>	<u>789,493</u>
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>827,263</u>	<u>831,803</u>	<u>4,540</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 15,085</u>	<u>\$ 809,118</u>	<u>\$ 794,033</u>

Funds available at is computed as follows:

Current assets	\$ 1,195,983
Current liabilities	(78,227)
Deferred inflows of resources	(346,888)
Add back current portion of bonds, loan and capital leases payable	<u>38,250</u>
	<u>\$ 809,118</u>

**TABERNASH MEADOWS WATER AND SANITATION DISTRICT
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Year Ended December 31, 2014**

Revenue (budgetary basis)	<u>\$</u>	776,386
Revenues per Statement of Revenues, Expenses and Changes in Fund Net Position		<u>776,386</u>
Expenditures (budgetary basis)		799,071
Depreciation		241,975
Amortization of deferred loss on bond refunding		34,989
Loss on disposal of capital assets		174
Capital outlay		(51,024)
Bond and capital lease principal		<u>(46,485)</u>
Expenses per Statement of Revenues, Expenses and Changes in Fund Net Position		<u>978,700</u>
Change in net position per Statement of Revenues, Expenses and Changes in Fund Net Position	<u>\$</u>	<u>(202,314)</u>

OTHER INFORMATION

**TABERNASH MEADOWS WATER AND SANITATION 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
		Operations	Debt Service	Levied	Collected	
2009	\$ 6,834,210	6.325	20.000	\$ 179,911	\$ 174,395	96.9%
2010	\$ 7,884,250	6.325	30.000	\$ 286,395	\$ 349,544	122.0%
2011	\$ 8,090,390	6.325	30.000	\$ 293,883	\$ 293,884	100.0%
2012	\$ 6,707,960	6.325	42.000	\$ 324,162	\$ 324,162	100.0%
2013	\$ 6,786,890	6.325	45.000	\$ 348,337	\$ 349,544	100.3%
2014	\$ 5,831,820	6.325	53.000	\$ 345,973	\$ 344,666	99.6%
Estimated for year ending December 31, 2015	\$ 5,847,250	6.325	53.000	\$ 346,888		

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.