

**North Shore Water District  
Grand County, Colorado**

**FINANCIAL STATEMENTS**

**With Independent Auditors' Report**

**December 31, 2012**

North Shore Water District

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Certified Public Accountants and Business Consultants

## Independent Auditors' Report

To the Board of Directors  
North Shore Water District  
Grand County, Colorado

We have audited the accompanying financial statements of North Shore Water District (the District) as of and for the year ended December 31, 2012, 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 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.

### Opinion

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

### Other Matters

Management has omitted management's discussion and analysis that 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.

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 as listed in the table of contents is presented for purposes of additional analysis and legal requirements, and is not a required part of 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.

*Wagner Barnes & Giggis, PC*

Lakewood, Colorado  
July 12, 2013

## **BASIC FINANCIAL STATEMENTS**

**North Shore Water District**  
**STATEMENT OF NET POSITION**  
**December 31, 2012**

**ASSETS**

**Current assets**

Cash and investments	\$ 59,679
Cash and investments - restricted	100
Accounts receivable	5,678
Property taxes receivable	1,487
<b>Total current assets</b>	<u>66,944</u>

**Capital assets, net**

1,166,104

**Total assets**

\$ 1,233,048

**LIABILITIES**

**Current liabilities**

Accounts and retainage payable	\$ 909
Deferred property taxes	1,487
Interest payable	5,052
Current maturities of long-term obligations	20,272
<b>Total current liabilities</b>	<u>27,720</u>

**Long-term obligations**

252,876

**Total liabilities**

280,596

**NET POSITION**

Invested in capital assets, net of related debt	892,956
Restricted	100
Unrestricted	59,396
<b>Total net position</b>	<u>\$ 952,452</u>

*The accompanying Notes to Financial Statements are an integral part of these statements.*

North Shore Water District  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
For the Year Ended December 31, 2012

<b>OPERATING REVENUES - WATER</b>	
Water fees	\$ 97,870
<b>Total operating revenues - water</b>	<u>97,870</u>
<b>OPERATING EXPENSES - WATER</b>	
Depreciation	25,865
Repairs and maintenance	7,406
Three Lakes operation	6,180
Utilities	3,005
Water testing and treatment	1,119
<b>Total operating expenses - water</b>	<u>43,575</u>
<b>GROSS PROFIT FROM WATER OPERATIONS</b>	<u>54,295</u>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	
Directors expenses	4,614
Insurance	1,829
Miscellaneous	2,120
Telephone	2,333
Three Lakes administration	10,083
<b>Total general and administrative expenses</b>	<u>20,979</u>
<b>OPERATING INCOME</b>	<u>33,316</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Property taxes	1,473
Specific ownership taxes	62
Net investment income	223
Interest expense	(15,752)
County Treasurer's fees	(70)
<b>Total nonoperating revenues (expenses)</b>	<u>(14,064)</u>
<b>CHANGE IN NET POSITION</b>	19,252
<b>NET POSITION, Beginning of year</b>	<u>933,200</u>
<b>NET POSITION, End of year</b>	<u>\$ 952,452</u>

*The accompanying Notes to Financial Statements are an integral part of these statements.*

North Shore Water District  
**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2012

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers	\$ 93,213
Payments to suppliers of goods or services	(38,239)
<b>Net cash provided by operating activities</b>	<u>54,974</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Property taxes collected for operations	1,473
Specific ownership taxes	62
County Treasurer's fee	(70)
<b>Net cash provided by noncapital financing activities</b>	<u>1,465</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>	
Interest on debt	(16,050)
Loan principal payment	(47,878)
<b>Net cash (used) by capital financing activities</b>	<u>(63,928)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest received from investments	223
<b>Net cash provided by investing activities</b>	<u>223</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(7,266)
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<u>67,045</u>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<u><u>\$ 59,779</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Net operating income	\$ 33,316
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	25,865
(Increase) decrease in:	
Accounts receivable	(4,657)
Increase (decrease) in:	
Accounts payable	450
<b>Net cash (used) by operating activities</b>	<u><u>\$ 54,974</u></u>

*The accompanying Notes to Financial Statements are an integral part of these statements.*



**North Shore Water District**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**Note 1 – Definition of reporting entity**

The District, a quasi-municipal corporation and political subdivision of the State of Colorado, was organized in 1964 and is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in Grand County, Colorado. The District was established to provide water service to inhabitants of the District. On February 10, 2011, the District amended the District's name from "North Shore Water and Sanitation District" to "North Shore Water District." The name change did not affect the responsibilities or obligations to the citizens in the District.

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

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 District follows Governmental Accounting Standards Board pronouncements.

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.

**North Shore Water District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**DECEMBER 31, 2012**

**Basis of Accounting**

The District's financial statements are reported using the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and payments on loans are recorded as reductions in liabilities. Tap fees and contributed assets from developers are recorded as capital contributions when received or collectible.

**Operating revenues and expenses**

The District distinguishes between operating revenues and expenses from nonoperating items in the Statement of Revenues, Expenses and Changes in 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 capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

**Cash equivalents**

For purposes of the Statement of Cash Flows, the District considers cash deposits and highly liquid investments with original maturities of three months or less from the date of acquisition, to be cash equivalents.

**Investments**

Investments for the District are reported at fair value.

**Accounts receivable, allowance for doubtful accounts**

Any and all user charges constitute a perpetual lien on or against property served until paid. Such liens may be foreclosed upon as provided by the State of Colorado. Therefore, no provision for uncollectible receivables has been made in the financial statements.

**North Shore Water District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**DECEMBER 31, 2012**

**Property Taxes**

Property taxes are levied 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 or 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 and 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 the year they are levied and measureable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

**Capital assets**

Capital assets include water rights, water system infrastructure, furniture and equipment. Capital assets are defined by the District as those assets with an initial, individual cost of \$500 or greater. 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 or at the developer's cost.

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 fixed assets, as applicable. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Water lines and mechanical	25 to 50 years
Office and other equipment	5 to 25 years

**Water rights**

The cost of water rights includes acquisition cost, legal and engineering costs related to the development and augmentation of those rights. Water rights have a perpetual life, thus the cost is not amortized. All other costs, including costs incurred for the protection of those rights are expensed.

**North Shore Water District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**DECEMBER 31, 2012**

**Capital contributions**

Grants are recognized as capital contributions as soon as all eligibility requirements imposed by the provider have been met. Water lines contributed to the District by developers are recorded as capital contributions and additions to the water system when received. Tap fees are recorded as capital contributions when received.

**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 total appropriation can only be modified upon completion of notification and publication requirements.

**Estimates**

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Change in accounting estimate**

During 2012, the District evaluated the remaining useful lives of certain water system assets. The useful lives were extended based on this evaluation. The effect on operating profit was an increase of approximately \$28,000.

**New accounting pronouncements**

In June 2011, the GASB issued Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position. GASB 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 four components, which are, assets, deferred outflows of resources, liabilities and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. The District adopted GASB Statement 63 in fiscal year 2012.

**North Shore Water District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**DECEMBER 31, 2012**

**Note 3 – Cash and investments**

Cash and investments are reflected on the December 31, 2012 Statement of Net position as follows:

	2012
Cash and cash equivalents	\$ 59,779
Total cash and investments	\$ 59,779

Cash and investments as of December 31, 2010 consist of the following:

Deposits with financial institutions	\$ 49,736
Investments	10,043
Total cash and investments	\$ 59,779

At December 31, 2012, the District's cash deposits had a bank balance of \$81,174 and a carrying balance of \$49,736.

**Deposits with financial institutions**

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.

**Custodial credit risk - deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has not adopted a deposit policy for custodial credit risk. As of December 31, 2012, none of the District's bank balance was exposed to custodial credit risk.

**Investments**

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

**North Shore Water District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**DECEMBER 31, 2012**

The District primarily limits its investments to local government investments pools, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to custodial credit risk for investments that are in the possession of another party.

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

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

The local government investment pool, in which the District has invested, is the Colorado Surplus Asset Fund Trust (CSAFE). CSAFE is rated AAAM by Standard and Poor's.

As of December 31, 2012, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	\$ 10,043
Total investments		<u>\$ 10,043</u>

**CSAFE**

During 2012, the District invested in the Colorado Surplus Asset Fund Trust (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 the Trust. The trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in

**North Shore Water District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**DECEMBER 31, 2012**

connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE.

**Restricted cash and investments**

Restricted cash includes emergency reserves as required by Article X, Section 20 of the Constitution of the State of Colorado (See Note 9) of \$100 at December 31, 2012.

**Note 4 – Capital assets**

Capital asset activity for the year ended December 31, 2012 was as follows:

	Balance at December 31, 2011	Increases	Decreases	Balance at December 31, 2012
Capital assets, not being depreciated				
Water rights	\$ 4,200	\$ -	\$ -	\$ 4,200
Total capital assets, not being depreciated	<u>4,200</u>	<u>-</u>	<u>-</u>	<u>4,200</u>
Capital assets being depreciated				
Water lines and mechanical	1,409,042	-	-	1,409,042
Machinery and equipment	93,609	-	-	93,609
Office equipment	1,511	-	-	1,511
Total capital assets being depreciated	<u>1,504,162</u>	<u>-</u>	<u>-</u>	<u>1,504,162</u>
Less accumulated depreciation for				
Water lines and mechanical	221,273	25,865	-	247,138
Machinery and equipment	93,609	-	-	93,609
Office equipment	1,511	-	-	1,511
Total accumulated depreciation	<u>316,393</u>	<u>25,865</u>	<u>-</u>	<u>342,258</u>
Total capital assets being depreciated, net	<u>1,187,769</u>	<u>(25,865)</u>	<u>-</u>	<u>1,161,904</u>
Capital assets, net	<u>\$ 1,191,969</u>	<u>\$ (25,865)</u>	<u>\$ -</u>	<u>\$ 1,166,104</u>

Depreciation expense for the year ended December 31, 2012 was charged to water operations.

**North Shore Water District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**DECEMBER 31, 2012**

**Note 5 – Long-term obligations**

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

	Balance at December 31, 2011	Additions	Reductions	Balance at December 31, 2012	Due Within One Year
Loan	\$ 321,026	\$ -	\$ 47,878	\$ 273,148	\$ 20,272

**Loan**

On November 6, 2007, the District entered into a Loan/Grant Contract (the Contract) under the Energy and Mineral Impact Assistance Program with the State of Colorado's Department of Local Affairs (the State). The loan in the original amount of \$439,314 is payable annually, with interest at the rate of 5%, on September 1, beginning on September 1, 2009, in equal installments of principal and interest of \$33,930. The final payment is due on September 1, 2023. During 2012, the District made principal payments of \$30,000 in excess of the required payment.

Debt service on the loan follows:

Year Ended December 31,	Principal	Interest	Total
2013	\$ 20,272	\$ 13,658	\$ 33,930
2014	21,286	12,644	33,930
2015	22,350	11,580	33,930
2016	23,468	10,462	33,930
2017	24,641	9,289	33,930
2018-2022	142,966	26,684	169,650
2023	18,165	908	19,073
	\$ 273,148	\$ 85,225	\$ 358,373

**Debt authorization**

At December 31, 2012, the District had no authorized but unissued indebtedness.



North Shore Water District

NOTES TO FINANCIAL STATEMENTS  
(continued)

DECEMBER 31, 2012

**Note 6 – Net position**

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. As of December 31, 2012, the District had invested in capital assets, net of related debt calculated as follows:

Capital assets, net	\$ 1,166,104
Current portion of outstanding long-term obligations	(18,772)
Noncurrent portion of outstanding long-term obligations	(254,376)
Invested in capital assets, net of related debt	<u>\$ 892,956</u>

Restricted assets include net position that are restricted for use either externally imposed by creditors, grantors, contributors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. As of December 31, 2012, the District had restricted net position of \$100, for emergencies as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 9).

The District's unrestricted net position as of December 31, 2012 was \$59,396.

**Note 7 – Intergovernmental agreement**

The District entered into an agreement with Three Lakes Water and Sanitation District (Three Lakes), located in Grand County, Colorado, whereby Three Lakes performs all operational and administrative functions of the District. During 2012, the District paid Three Lakes \$6,180 for operational services and \$10,083 for administration.

**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 and omissions; injuries to personnel, or natural disasters.

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, boiler and machinery and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

**North Shore Water District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**DECEMBER 31, 2012**

The District pays annual premiums to the Pool for liability, property, and public officials liability. 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 limitation**

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 which 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.

Spending and revenue limits are determined based on the prior year's fiscal year spending as adjusted for allowable increases for inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenues in excess of the fiscal year spending limit must be refunded unless retention of such revenue has been approved by the voters.

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

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

\* \* \* \* \*

**SUPPLEMENTAL INFORMATION**

North Shore Water District  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)**  
 For the Year Ended December 31, 2012

	Original and Final Budgeted Amounts	Actual (Budgetary Basis)	Variance with Final Budget - Favorable (Unfavorable)
<b>REVENUES</b>			
Water fees	\$ 97,000	\$ 97,870	\$ 870
Tap fees	6,000	-	(6,000)
Property taxes	1,473	1,473	-
Specific ownership taxes	75	62	(13)
Net investment income	580	223	(357)
<b>Total revenues</b>	<u>105,128</u>	<u>99,628</u>	<u>(5,500)</u>
<b>EXPENDITURES</b>			
Repairs and maintenance	15,000	7,406	7,594
Three Lakes operation	9,181	6,180	3,001
Utilities	4,100	3,005	1,095
Water testing and treatment	3,000	1,119	1,881
Directors expenses	4,256	4,614	(358)
Elections	300	317	(17)
Insurance	1,895	1,829	66
Legal	1,000	-	1,000
Miscellaneous	2,205	1,804	401
Telephone	2,600	2,333	267
Three Lakes administration	9,826	10,083	(257)
Interest expense	16,051	15,752	299
County Treasurer's fees	98	70	28
Loan principal payment	17,879	47,878	(29,999)
Contingency	83,696	-	83,696
<b>Total expenditures</b>	<u>171,087</u>	<u>102,390</u>	<u>68,697</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(65,959)	(2,762)	63,197
<b>BEGINNING FUNDS AVAILABLE</b>	<u>66,039</u>	<u>62,258</u>	<u>(3,781)</u>
<b>ENDING FUNDS AVAILABLE</b>	<u>\$ 80</u>	<u>\$ 59,496</u>	<u>\$ 59,416</u>

**North Shore Water District**  
**RECONCILIATION OF ACTUAL (BUDGETARY BASIS) TO STATEMENT**  
**OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Year Ended December 31, 2012**

Revenues (budgetary basis)	\$	99,628
Total revenues per Statement of Revenues, Expenses and Changes in Net Position		99,628
Expenditures (budgetary basis)		102,390
Depreciation		25,865
Loan principal payment		(47,879)
Total expenses per Statement of Revenues, Expenses and Changes in Net Position		80,376
Change in net assets per Statement of Revenues, Expenses and Changes In Net Position	\$	19,252