



CATAMOUNT METROPOLITAN DISTRICT

**FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

December 31, 2012

CONTENTS

	Page
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	7
STATEMENT OF ACTIVITIES	8
BALANCE SHEET – GOVERNMENTAL FUNDS.....	9
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION	10
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	11
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	12
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND.....	13
NOTES TO FINANCIAL STATEMENTS.....	14

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

April 16, 2013

The Board of Directors
Catamount Metropolitan District

We have audited the accompanying financial statements of the governmental activities and each major fund of Catamount Metropolitan 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 from 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 District'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 District'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 respective financial position of the governmental activities and each major fund of Catamount Metropolitan District, as of December 31, 2012, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Board of Directors
Catamount Metropolitan District
Page Two

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 3 through 6 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.

Chadwick, Steinkirchner, Davis & Co., P.C.

Catamount Metropolitan District

Management's Discussion and Analysis

December 31, 2012

As management of Catamount Metropolitan District ("District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2012.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. Current year to prior year comparisons are presented below to help users evaluate the results of the District over the past two years.

The Statement of Net Position presents information on all of the District's assets, deferred outflows, liabilities, and deferred inflows, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

For 2012, the governmental activities of the District relate to the operation and maintenance of the roadway, lake, domestic water treatment and certain sewage disposal and septic systems in the District. The government-wide financial statements can be found on pages 7 and 8 of this report.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District used only a governmental fund for 2012.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing

decisions. The governmental funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found starting on page 14 of this report.

Government-wide Financial Analysis: The following table shows a condensed statement of net position as of December 31, 2012 and December 31, 2011 derived from the government-wide financial statements.

**Catamount Metropolitan District
Net Position**

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011 (Restated)</u>
Assets:		
Current assets	\$ 1,879,209	\$ 1,693,413
Capital and other assets	13,562,117	13,983,183
Total Assets	<u>15,441,326</u>	<u>15,676,596</u>
Liabilities and Deferred Inflows:		
Current liabilities and deferred inflows	672,848	581,649
Long-term and other liabilities	1,267,000	1,361,000
Total Liabilities and Deferred Inflows	<u>1,939,848</u>	<u>1,942,649</u>
Net Position:		
Net investment in capital assets	12,295,117	12,622,183
Restricted	282,777	283,745
Unrestricted	923,584	828,019
Total Net Position	<u>\$ 13,501,478</u>	<u>\$ 13,733,947</u>

The largest portion of the District's net position is reflected in the net investment in capital assets, (i.e. land, buildings, vehicles, equipment, and infrastructure). The District uses these assets to provide services to its citizens. Accordingly, these assets are not an available source for payment of future spending. The District also has restricted net positions for emergencies and future debt service and a remaining balance of \$923,584 which is unrestricted.

At the end of the current fiscal year, the District has positive net position in all categories.

The changes in net position for the years ended December 31, 2012 and December 31, 2011 is summarized in the following table:

**Catamount Metropolitan District
Change in Net Position**

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u> <u>(Restated)</u>
Revenues:		
Charges for services	\$ 126,700	\$ 124,275
Capital contributions	61,123	-
Property taxes	551,764	774,610
Assessments	180,469	69,492
Interest and other income	9,741	13,414
Total Revenues	<u>929,797</u>	<u>981,791</u>
Expenses:		
General government	235,452	228,679
Public works	859,763	905,138
Interest expense	67,051	70,809
Total Expenses	<u>1,162,266</u>	<u>1,204,626</u>
Change in Net Position	<u>(232,469)</u>	<u>(222,835)</u>
Net Position- Beginning	<u>13,733,947</u>	<u>13,956,782</u>
Net Position- Ending	<u>\$ 13,501,478</u>	<u>\$ 13,733,947</u>

The primary reason for the decrease in net position during both 2012 and 2011 was the depreciation taken on the District infrastructure in excess of operating revenues net of operating expenses.

Financial Analysis of the District's Funds

As mentioned early, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund revenues were \$920,297 in 2012 and \$981,791 in 2011. The primary reason for the decrease is attributed to a decrease in revenues due to an abatement of property taxes.

General Fund expenditures were \$825,700 in 2012 and \$726,500 in 2011. This increase was primarily related to a major road overlay and capital improvements in 2012.

As of the end of 2012, the District's governmental fund reported an ending fund balance of \$1,206,361, an increase of \$94,597 from 2011. These balances are broken down into categories of non-spendable for funds that have already been spent towards the 2013 budget, reserved for emergencies and debt service, assigned for future capital replacements, and unassigned. The increase was primarily used to replenish capital replacement reserves of the District.

Budget variances: The General Fund ending fund balance finished the year \$54,173 ahead of budget, despite an abatement of property taxes incurred at the end of the year. A budget to actual statement for the General Fund can be found on page 13 of this report.

Capital assets: The District's total net capital assets decreased by (\$421,066) as a result of current year depreciation expense being greater than additions. Additional information as well as a detailed classification of the District's net capital assets can be found in the Notes to the Financial Statements on page 20 of this report.

Long-term debt: The District retired \$94,000 of debt during 2012. The District still has \$1,075,000 of additional bonds issued but not drawn that it can draw upon, if needed, in future years to complete additional capital projects. Details regarding the District's long-term debt are located in Note D on pages 21 through 22 of this report.

Request for Information:

This financial report is designed to provide a general overview of the 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 Catamount Metropolitan District, c/o Robertson & Marchetti, P.C., 28 Second Street, Suite 213, Edwards, CO 81632, (970) 926-6060.

Catamount Metropolitan District

STATEMENT OF NET POSITION

December 31, 2012

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 1,266,712
Accounts receivable	26,423
Property taxes receivable	577,462
Prepaid expenses	6,038
Due from other governments	2,574
Noncurrent assets	
Capital assets, net	
Land	402,344
Buildings	1,157,273
Vehicles and equipment	98,507
Infrastructure	11,903,993
Total Assets	<u>15,441,326</u>
LIABILITIES	
Accounts payable	95,386
Non-current liabilities, due within one year	
Bonds	98,000
Non-current liabilities, due in more than one year	
Bonds	1,169,000
Total Liabilities	<u>1,362,386</u>
DEFERRED INFLOWS OF RESOURCES	
Property taxes	577,462
Total Deferred Inflows of Resources	<u>577,462</u>
Total Liabilities and Deferred Inflows of Resources	<u>1,939,848</u>
NET POSITION	
Net investment in capital assets	12,295,117
Restricted for emergencies	22,777
Restricted for debt service	260,000
Unrestricted	923,584
Total Net Position	<u>\$ 13,501,478</u>

The accompanying notes are an integral part of this statement.

Catamount Metropolitan District

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2012

	<u>General</u>
ASSETS	
Cash and investments	\$ 1,266,712
Accounts receivables	26,423
Property taxes receivable	577,462
Prepaid expenses	6,038
Due from other governments	2,574
Total Assets	<u>1,879,209</u>
LIABILITIES	
Liabilities	
Accounts payable	<u>95,386</u>
Total Liabilities	95,386
DEFERRED INFLOWS OF RESOURCES	
Property taxes	<u>577,462</u>
Total Deferred Inflows of Resources	<u>577,462</u>
Total Liabilities and Deferred Inflows of Resources	<u>672,848</u>
FUND EQUITY	
Nonspendable	6,038
Restricted for emergencies	22,777
Restricted for debt service	260,000
Assigned for capital replacements	746,665
Unassigned	170,881
Total Fund Equity	<u>\$ 1,206,361</u>

The accompanying notes are an integral part of this statement.

Catamount Metropolitan District

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

December 31, 2012

Amounts reported for governmental activities in the Statement of Net Position
are different because:

Total fund balance - governmental funds	\$ 1,206,361
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	13,562,117
Long-term liabilities such as bonds and other loans are not due and payable in the current period and, therefore, are not reported in the funds	<u>(1,267,000)</u>
Net Position of Governmental Activities	<u>\$ 13,501,478</u>

The accompanying notes are an integral part of this statement.

Catamount Metropolitan District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

Year ended December 31, 2012

	<u>General</u>
Revenues	
Taxes	\$ 551,764
Assessments	180,469
Water user fees	73,687
Tap fees and meters	8,823
Sewer user fees	52,313
Interest earnings	(5,903)
Other income	59,144
Total revenues	<u>920,297</u>
Expenditures	
Current	
General government	235,452
Public works	195,482
Debt service	
Principal	94,000
Interest	67,051
Capital outlay	233,715
Total expenditures	<u>825,700</u>
	94,597
	<u>1,111,764</u>
	<u>\$ 1,206,361</u>

The accompanying notes are an integral part of this statement.

Catamount Metropolitan District

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended December 31, 2012

Amounts reported for governmental activities in the Statement of Activities are
different because:

Net Change in Fund Balances - Governmental Funds	\$ 94,597
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period (\$664,281-\$243,215.)	(421,066)
Governmental funds report the repayment of principal on long-term debt as expenditures. However, these repayments are not reported as expenses in the statement of activities, but rather a reduction of debt in the statement of net position. This amount is the effect of the difference in the treatment of these repayments.	<u>94,000</u>
Change in Net Position of Governmental Activities	<u>\$ (232,469)</u>

The accompanying notes are an integral part of this statement.

Catamount Metropolitan District

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND

Year ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance With Budget Favorable (Unfavorable)
Revenues				
Taxes	\$ 608,157	\$ 608,157	\$ 551,764	\$ (56,393)
Operating assessments	180,439	180,439	180,469	30
Water user fees	68,000	68,000	73,687	5,687
Sewer user fees	51,341	51,341	52,313	972
Tap and meter fees	-	-	8,823	8,823
Interest earnings	10,838	10,838	(5,903)	(16,741)
Other income	13,650	65,650	59,144	(6,506)
Total revenues	<u>932,425</u>	<u>984,425</u>	<u>920,297</u>	<u>(64,128)</u>
Expenditures				
General government				
Personnel costs	108,794	108,794	108,795	(1)
Professional fees	82,567	82,567	66,057	16,510
Insurance	21,897	21,897	23,302	(1,405)
Building and office	31,565	31,565	20,153	11,412
Treasurer's fees	17,131	17,131	17,145	(14)
Public works				
Road repairs and maintenance	13,257	13,257	11,230	2,027
Lake and dam maintenance	21,030	21,030	33,625	(12,595)
Streetscape maintenance	20,893	20,893	15,431	5,462
Vehicle and equipment maintenance	26,500	26,500	21,657	4,843
Water system operations	68,035	68,035	76,324	(8,289)
Sewer system operations	35,341	35,341	31,996	3,345
Other	7,920	7,920	5,219	2,701
Debt service				
Principal	94,000	94,000	94,000	-
Interest	67,066	67,066	67,051	15
Capital outlay	248,000	300,000	233,715	66,285
Total expenditures	<u>863,996</u>	<u>915,996</u>	<u>825,700</u>	<u>90,296</u>
Excess of Revenues Over (Under) Expenditures	68,429	68,429	94,597	26,168
Fund balance - beginning	1,083,759	1,083,759	1,111,764	28,005
Fund balance - ending	<u>\$ 1,152,188</u>	<u>\$ 1,152,188</u>	<u>\$ 1,206,361</u>	<u>\$ 54,173</u>

The accompanying notes are an integral part of this statement.

CATAMOUNT METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

Catamount Metropolitan District (the District) is a quasi-municipal corporation organized by a court order dated February 17, 1989 and governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Routt County, Colorado. The District was established to fund and assist in the coordination of facilities for water, sanitation, roadway, parks and recreation, transportation, cable television and translation and mosquito control facilities.

Originally, there were six Catamount Districts. During 1999, all of the land area within Districts No. 3 through No. 6 was excluded through an order of the District Court and simultaneously included into either District No. 1 or District No. 2. The District was formed to finance operations and possibly a portion of future infrastructure constructed by District No. 1. The District was not responsible for reimbursing District No. 1 for any capital outlay related to initial subdivision infrastructure improvements. These infrastructure improvements were funded by contributions from Catamount Development, Inc. (the Developer). During 2004, Lake Catamount District No. 1 was dissolved and merged with No. 2 to form Catamount Metropolitan District.

2. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations, which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria above, the District is not financially accountable for any other entity, nor is the District a component unit of any other government.

3. Government-wide and Fund Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District had only governmental activities during the year.

CATAMOUNT METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Government-wide Financial Statements

In the government-wide Statement of Net Position, the governmental activities column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt, obligations, and deferred inflows of resources. The District's net position is reported in four parts: net position restricted for debt service, net position restricted for emergencies, net investment in capital assets, and unrestricted net position.

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, deferred inflows, fund equity, revenues and expenditures.

The fund focus is on current available resources and budget compliance.

4. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District used only a governmental fund for 2012.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, liabilities, and deferred inflows is reported as fund equity.

The District reports the following major governmental fund:

General Fund – The General Fund is used to account for all financial resources of the District except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Colorado and the bylaws of the District.

CATAMOUNT METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Measurement Focus and Basis of Accounting

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements.

Long-Term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on long-term debt, if any, is recognized when due.

6. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as contributions awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available.

7. Use of Estimates

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

CATAMOUNT METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Property Taxes

Property taxes are not due and payable until after the assessment year has ended, and are not included in the budget or Statement of Revenues, Expenditures, and Changes in Fund Balance of the assessment year. Property taxes are recorded as deferred inflows in the year they are levied and measurable. Property tax revenues are recorded as revenue in the year they are available or collected. Property taxes are levied on or before December 15 of each year and attach as an enforceable lien on the property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15.

9. Capital Assets

Capital assets are defined by the District as assets with an initial cost of \$5,000 or more. Such assets are valued at their historical cost or estimated fair value if donated, and depreciated over their estimated useful lives using the straight-line method. Estimated useful lives of asset types are as follows:

	<u>Estimated lives</u>
Buildings	30 years
Machinery and equipment	7 - 10 years
Infrastructure	30 years

10. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Law. The budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles ("GAAP"). As required by the Colorado statutes, the District followed the following timetable in approving and enacting a budget for the ensuing year:

- (1) For the 2012 budget year, prior to August 23, 2011, the County Assessor sent the District the assessed valuation of all taxable property within the District's boundaries.
- (2) On or before October 15, 2011, the District's accountant submitted to the District's Board of Directors a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
- (3) The Board held a public hearing on the proposed budget and capital program no later than 45 days prior to the close of the fiscal year.

CATAMOUNT METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

10. Stewardship, Compliance, and Accountability - Continued

- (4) For the 2012 budget, prior to December 15, 2011, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.
- (5) For the 2012 budget, the budget and appropriating resolution were adopted prior to December 31, 2011.
- (6) After adoption of the budget resolution, the District may make the following changes: a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; b) supplemental appropriations to the extent of revenues in excess of those estimated in the budget; c) emergency appropriations; and d) reduction of appropriations for which originally estimated revenues are insufficient.

The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year-end. There was one supplemental appropriation made during 2012 which increased expenditures by \$52,000 to allow for construction of a gate, which was funded through private donations.

11. Fund Equity

Beginning with fiscal year 2011 the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. In the fund financial statements the following classifications describe the relative strength of the spending constraints.

- *Non-spendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) or is legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions or enabling legislation.
- *Committed fund balance* - The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision making authority, the Board, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board.
- *Assigned fund balance* - The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the Board or other individuals authorized to assign funds to be used for a specific purpose. Assigned fund balances in special revenue funds will also include any remaining fund balance that is not restricted or committed. This classification is necessary to indicate that those funds are, at a minimum intended to be used for the purpose of that particular fund.

CATAMOUNT METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

11. Fund Equity - Continued

- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the above criteria. The District will only report a positive unassigned fund balance in the General Fund.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications - committed and then assigned fund balances before using unassigned fund balances.

NOTE B – 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. As of December 31, 2012, the District had cash deposits of \$667,136, of which \$649,192 was covered by federal depository insurance. The remainder is covered under PDPA as noted above.

State statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of the State of Colorado or of any county, school district, and certain towns and cities therein, notes or bonds secured by insured mortgages or trust deeds, obligations of national mortgage associations, certain repurchase agreements, and local government investment pools.

The District had invested \$604,192 in the Colorado Local Governmental Liquid Asset Trust, (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. A designated custodial bank provides safekeeping and depository services to Colotrust in connection with the direct investment and withdrawal functions of Colotrust. Substantially all securities owned by Colotrust are held by the Federal Reserve Bank in the account maintained for the custodial bank. Colotrust funds carry a Standard & Poor's AAA rating. There is no custodial, interest rate, or foreign currency risk exposure.

CATAMOUNT METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE C – CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 402,344	\$ —	\$ —	\$ 402,344
Capital assets being depreciated				
Vehicles and equipment	210,566	47,036	30,342	227,260
Buildings	1,296,322	—	—	1,296,322
Infrastructure				
Roadway landscaping entry features	1,874,380	—	—	1,874,380
Roads	5,955,208	196,179	—	6,151,387
Drainage	396,007	—	—	396,007
Planning and engineering	1,255,138	—	—	1,255,138
Lake infrastructure	251,485	—	—	251,485
Water system	5,830,739	—	—	5,830,739
Sewer system	2,326,601	—	—	2,326,601
Total capital assets being depreciated	19,396,446	243,215	30,342	19,609,319
Less accumulated depreciation for:				
Vehicles and equipment	138,447	20,648	30,342	128,753
Buildings	95,838	43,211	—	139,049
Infrastructure				
Roadway landscaping entry features	566,951	62,479	—	629,430
Roads	2,001,248	202,611	—	2,203,859
Drainage	137,478	13,200	—	150,678
Planning and engineering	436,656	41,838	—	478,494
Lake infrastructure	88,020	8,383	—	96,403
Water system	1,614,213	194,357	—	1,808,570
Sewer system	736,756	77,554	—	814,310
Total accumulated depreciation	5,815,607	664,281	30,342	6,449,546
Total capital assets being depreciated, net	13,580,839	(421,066)	—	13,159,773
 Governmental activities capital assets, net	 \$ 13,983,183	\$ (421,066)	\$ —	\$ 13,562,117

Depreciation expense is all allocated to the “public works” function in the Statement of Activities for governmental activities.

CATAMOUNT METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE D – LONG-TERM DEBT

The following is a schedule of changes in long-term debt during 2012:

	December 31, <u>2011</u>	<u>Additions</u>	<u>Payments</u>	December 31, <u>2012</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds payable, 2006	\$ 436,000	\$ –	\$ 79,000	\$ 357,000	\$ 83,000
Bonds payable, 2009	<u>925,000</u>	<u>–</u>	<u>15,000</u>	<u>910,000</u>	<u>15,000</u>
Total governmental activities long-term debt	<u>\$ 1,361,000</u>	<u>\$ –</u>	<u>\$ 94,000</u>	<u>\$ 1,267,000</u>	<u>\$ 98,000</u>

On February 15, 2006 the District issued \$650,000 of general obligation water bonds to construct two water treatment facilities. The bonds have a fixed interest rate of 5.25% with interest only payments for three years. Principal reductions commenced on June 30, 2009 and are due annually each June 30 thereafter until maturity on June 30, 2016 or prior prepayment.

The future minimum payments on the bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 83,000	\$ 16,564	\$ 99,564
2014	87,000	12,101	99,101
2015	92,000	7,403	99,403
2016	<u>95,000</u>	<u>2,494</u>	<u>97,494</u>
Total	<u>\$ 357,000</u>	<u>\$ 38,562</u>	<u>\$ 395,562</u>

CATAMOUNT METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE D – LONG-TERM DEBT – CONTINUED

On April 1, 2009 the District issued \$2,000,000 of general obligation bonds to construct water and road improvements. As of December 31, 2012, the District had drawn \$925,000 of the available balance and can draw the remaining \$1,075,000 in future periods. The bonds have a fixed interest rate of 5.00% through April 1, 2019, after which the Bank may reprice the bonds. Principal reductions commenced on December 31, 2012 and are due annually each December 31 thereafter until maturity on December 31, 2028 or prior prepayment.

The future minimum payments on the bonds, given the current principal balance, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 15,000	\$ 45,500	\$ 60,500
2014	15,000	44,750	59,750
2015	15,000	44,000	59,000
2016	20,000	43,250	63,250
2017	120,000	42,250	162,250
2018-2022	690,000	115,500	805,500
2023	<u>35,000</u>	<u>1,750</u>	<u>36,750</u>
Total	<u>\$ 910,000</u>	<u>\$ 337,000</u>	<u>\$ 1,247,000</u>

Future minimum payments on all long-term debt are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 98,000	\$ 62,064	\$ 160,064
2014	102,000	56,851	158,851
2015	107,000	51,403	158,403
2016	115,000	45,744	160,744
2017	120,000	42,250	162,250
2018-2022	690,000	115,500	805,500
2023	<u>35,000</u>	<u>1,750</u>	<u>36,750</u>
Total	<u>\$ 1,267,000</u>	<u>\$ 375,562</u>	<u>\$ 1,642,562</u>

CATAMOUNT METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE E – EMPLOYEE RETIREMENT PLAN

The District provides a defined contribution money purchase plan and trust (the Plan) administered by the ICMA Retirement Corporation. All full-time, year-round employees of the District are eligible for the Plan. Under terms of the Plan, the District and each participant are required to contribute 6.2% of the participant's earnings. Contributions are fully vested immediately and loans to participants are allowed.

District contributions to the Plan during the year ended December 31, 2012 were \$7,045.

NOTE F – INTERGOVERNMENTAL AGREEMENTS

Catamount Ranch Pipeline Project

In July 2000, the District entered into an agreement with Routt County, Colorado authorizing the District to construct a water pipeline to transport water from the Yampa River to Catamount Ranch. Catamount Ranch may use the water for irrigation, recreation, fishing, and aesthetic purposes. The District may also provide water by exchange to neighboring landowners for irrigation.

Agreement with City of Steamboat Springs

In May 2001, the District entered into an agreement with the Developer and the City of Steamboat Springs (the City) to deliver supplemental irrigation water to the City. Delivery is to include only water rights owned or leased by the City in accordance with the administration of Yampa River water rights. The District agrees to make available to the City one cubic foot out of the total ten cubic feet of the capacity within the District's pipeline. The City will reimburse the District for electrical pumping costs for delivery of the water.

NOTE G – COMMITMENTS AND CONTINGENCIES

During the normal course of business, the District may incur claims and other assertions against it from various agencies and individuals. Management of the District and its legal representatives have disclosed that there are no material outstanding claims against the District at December 31, 2012

NOTE H – 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.

CATAMOUNT METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE H – RISK MANAGEMENT – CONTINUED

The District has elected to participate in the Colorado Special District Property and Liability Pool (the Pool), which is sponsored by the Special District Association of Colorado. The Pool provides property and general liability, automobile physical damage and liability, public official's liability and machinery coverage to its members. Members of the Pool are required to make additional surplus contributions. 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. During the year ended December 31, 2012 the Pool made no distributions to the District.

Condensed financial statement data for the Colorado Special Districts Property and Liability Pool as of December 31, 2011 (the latest information available) is as follows:

	<u>Colorado Special District Property and Liability Pool</u>
Assets	\$ 32,049,483
Liabilities	\$ 14,644,379
Net Assets	<u>17,405,104</u>
	<u>\$ 32,049,483</u>
Revenue	\$ 10,915,289
Investment income and other	<u>303,746</u>
Total revenue	11,219,035
Expenses	<u>11,355,571</u>
Excess of revenues over expenses	<u>\$ (136,536)</u>

NOTE I – TABOR AMENDMENT

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations, which apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that of the prior year, extension of any expiring tax, or tax policy change directly causing a new tax revenue gain to any local government. Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple fiscal year or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in future years.

CATAMOUNT METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE I – TABOR AMENDMENT – CONTINUED

As of December 31, 2012, the District had total authorized debt of \$34,000,000 of which \$3,281,991 has been issued, leaving an authorized but unissued balance of \$30,718,009.

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of the fiscal year spending (excluding bonded debt service) for fiscal years ended after December 31, 1994. At December 31, 2012 the District had the required 3% or \$22,777 reserved for emergencies.

Under TABOR, the initial base for local government spending and revenue limits is December 31, 1992 fiscal year spending. Future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for inflation in the prior calendar year plus annual local growth. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions. Revenue, if any, in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue.

NOTE J – CHANGE IN ACCOUNTING PRINCIPLE

Effective January 1, 2012, the District retroactively changed its method of recognizing debt issuance costs in its financial statements to conform with GASB No. 65, *Items Previously Reported as Assets and Liabilities*. Under the new accounting method, such costs are to be expensed in the period incurred rather than being deferred and amortized over the life of the debt. The effect of the change decreased ending net position for the year ended December 31, 2011 by \$44,186 from an ending net position of \$13,778,133 to an ending net position of \$13,733,947.