



**CATAMOUNT METROPOLITAN DISTRICT**

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

**December 31, 2011**

## CONTENTS

	Page
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS .....	1
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	2
<b>FINANCIAL STATEMENTS</b>	
STATEMENT OF NET ASSETS .....	6
STATEMENT OF ACTIVITIES .....	7
BALANCE SHEET – GOVERNMENTAL FUNDS.....	8
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS.....	9
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS .....	10
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES .....	11
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND.....	12
NOTES TO FINANCIAL STATEMENTS.....	13

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

February 20, 2012

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, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Catamount Metropolitan District's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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, 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 5 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, 2011

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, 2011.

### 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 Assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 2011, 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 6 and 7 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 2011.

**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 13 of this report.

**Government-wide Financial Analysis:** The following table shows a condensed statement of net assets as of December 31, 2011 and December 31, 2010 derived from the government-wide financial statements.

**Catamount Metropolitan District  
Net Assets**

	<b>Governmental Activities</b>	
	<b>2011</b>	<b>2010</b>
<b>Assets:</b>		
Current assets	\$ 1,693,413	\$ 1,700,516
Capital and other assets	14,027,369	14,631,058
<b>Total Assets</b>	<b>15,720,782</b>	<b>16,331,574</b>
<b>Liabilities:</b>		
Current liabilities	581,649	876,034
Long-term and other liabilities	1,361,000	1,448,475
<b>Total Liabilities</b>	<b>1,942,649</b>	<b>2,324,509</b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	12,666,369	13,132,300
Restricted	283,745	291,297
Unrestricted	828,019	583,468
<b>Total Net Assets</b>	<b>\$ 13,778,133</b>	<b>\$ 14,007,065</b>

The largest portion of the District's net assets is reflected in the investment in capital assets, net of related debt (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 net assets restricted for emergencies and future debt service and a remaining balance of \$828,019 which is unrestricted.

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

The changes in net assets for the years ended December 31, 2011 and December 31, 2010 is summarized in the following table:

**Catamount Metropolitan District  
Change in Net Assets**

	<b>Governmental Activities</b>	
	<b>2011</b>	<b>2010</b>
<b>Revenues:</b>		
Charges for services	\$ 124,275	\$ 113,719
Property Taxes	774,610	638,420
Assessments	69,492	138,608
Interest and other income	13,414	24,097
<b>Total Revenues</b>	<b>981,791</b>	<b>914,844</b>
<b>Expenses:</b>		
General government	234,776	246,030
Public works	905,138	791,451
Interest expense	70,809	39,161
<b>Total Expenses</b>	<b>1,210,723</b>	<b>1,076,642</b>
<b>Change in Net Assets</b>	<b>(228,932)</b>	<b>(161,798)</b>
<b>Net Assets- Beginning</b>	<b>14,007,065</b>	<b>14,168,863</b>
<b>Net Assets- Ending</b>	<b>\$ 13,778,133</b>	<b>\$ 14,007,065</b>

The primary reason for the decrease in net assets during both 2011 and 2010 for 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 \$981,791 in 2011 and \$914,844 in 2010. The primary reason for the increase is attributed to the increase in revenues from property taxes which were partially offset by a decrease in assessments.

General Fund expenditures were \$726,500 in 2011 and \$1,795,526 in 2010. This decrease was primarily related to the substantial completion of construction on the maintenance facility and a major road overlay in 2010.

As of the end of 2011, the District's governmental fund reported an ending fund balance of \$1,111,764, an increase of \$287,282 from 2010. These balances are broken down into categories of non-spendable for funds that have already been spent towards the 2012 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 \$16,221 ahead of budget, mostly resulting from operations expenditures being lower than originally anticipated and postponement of capital projects which would have been funded through a draw on the District's Bonds. A budget to actual statement for the General Fund can be found on page 12 of this report.

**Capital assets:** The District's total net capital assets decreased by (\$597,592) 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 19 of this report.

**Long-term debt:** The District retired \$119,466 of debt during 2011 but also increased debt by \$31,991, through a draw on the bonds to fund the final construction of the District's maintenance facility . 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 20 through 21 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 ASSETS

December 31, 2011

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 1,059,870
Accounts receivable	31,138
Property taxes receivable	571,039
Prepaid expenses	28,181
Due from other governments	3,185
Noncurrent assets	
Unamortized bond issue costs	44,186
Capital assets, net	
Land	402,344
Buildings	1,200,484
Vehicles and equipment	72,119
Infrastructure	12,308,236
Total Assets	<u>\$ 15,720,782</u>
 <b>LIABILITIES AND NET ASSETS</b>	
<b>Liabilities</b>	
Accounts payable	\$ 10,610
Deferred revenue	571,039
Non-current liabilities, due within one year	
Bonds	107,986
Non-current liabilities, due in more than one year	
Bonds	1,253,014
Total Liabilities	<u>1,942,649</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	12,666,369
Restricted for emergencies	23,745
Restricted for debt service	260,000
Unrestricted	828,019
Total Net Assets	<u>13,778,133</u>
Total Liabilities and Net Assets	<u>\$ 15,720,782</u>

The accompanying notes are an integral part of this statement.



Catamount Metropolitan District

STATEMENT OF ACTIVITIES

Year ended December 31, 2011

Function/Programs	Expenses	Program Revenues			Net (Expense)	Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Governmental Activities	
Governmental activities:						
General government	\$ 234,776	\$ -	\$ -	\$ -	\$ (234,776)	\$ (234,776)
Public works	905,138	124,275	-	-	(780,863)	(780,863)
Interest expense	70,809	-	-	-	(70,809)	(70,809)
Total governmental activities	<u>\$1,210,723</u>	<u>\$ 124,275</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,086,448)</u>	<u>(1,086,448)</u>
			General revenues:			
			Property taxes		774,610	774,610
			Special assessments		69,492	69,492
			Interest earnings		5,514	5,514
			Other income		7,900	7,900
			Total general revenues		<u>857,516</u>	<u>857,516</u>
			Change in net assets		<u>(228,932)</u>	<u>(228,932)</u>
			Net assets - beginning		<u>14,007,065</u>	<u>14,007,065</u>
			Net assets - ending		<u>\$13,778,133</u>	<u>\$13,778,133</u>

The accompanying notes are an integral part of this statement.

Catamount Metropolitan District

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2011

	<u>General</u>
<b>ASSETS</b>	
Cash and investments	\$ 1,059,870
Accounts receivables	31,138
Property taxes receivable	571,039
Prepaid expenses	28,181
Due from other governments	3,185
<b>Total Assets</b>	<u><u>\$ 1,693,413</u></u>
 <b>LIABILITIES AND FUND EQUITY</b>	
<b>Liabilities</b>	
Accounts payable	\$ 10,610
Deferred revenues	571,039
<b>Total Liabilities</b>	<u>581,649</u>
 <b>Fund equity</b>	
Nonspendable	28,181
Restricted for emergencies	23,745
Restricted for debt service	260,000
Assigned for capital replacements	652,668
Unassigned	147,170
<b>Total Fund Equity</b>	<u>1,111,764</u>
<b>Total Liabilities and Fund Equity</b>	<u><u>\$ 1,693,413</u></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 ASSETS

December 31, 2011

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

Total fund balance - governmental funds	\$ 1,111,764
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	13,983,183
Bond issuance costs are not reported as assets in the funds, but are shown as an asset and amortized over the life of the bonds in the statement of net assets.	44,186
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>(1,361,000)</u>
Net Assets of Governmental Activities	<u><u>\$ 13,778,133</u></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, 2011

	General
<b>Revenues</b>	
Taxes	\$ 774,610
Assessments	69,492
Water user fees	69,219
Tap fees and meters	6,736
Sewer user fees	48,320
Interest earnings	5,514
Other income	7,900
<b>Total revenues</b>	<b>981,791</b>
<b>Expenditures</b>	
<b>Current</b>	
General government	228,679
Public works	164,950
<b>Debt service</b>	
Principal	119,466
Interest	70,809
Capital outlay	142,596
<b>Total expenditures</b>	<b>726,500</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	255,291
<b>Other financing sources (uses)</b>	
Debt proceeds	31,991
<b>Excess of Revenues and Other Sources Over (Under) Expenditures</b>	<b>287,282</b>
<b>Fund balance - beginning</b>	<b>824,482</b>
<b>Fund balance - ending</b>	<b>\$ 1,111,764</b>

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, 2011

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

Net Change in Fund Balances - Governmental Funds	\$ 287,282
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 (\$656,129-\$58,537.)	(597,592)
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 assets. This amount is the effect of the difference in the treatment of these repayments.	119,466
Governmental funds report bond issuance costs as expenditures. However, in the statement of activities the cost of obtaining the debt is allocated over the life of the related bonds and reported as amortization expense. This is the amount by which bond issuance costs exceeded amortization (\$0-\$6,097.)	(6,097)
Governmental funds report the issuance of debt proceeds as revenue. However, these proceeds are not reported as revenues in the statement of activities, but rather an increase in long-term liabilities in the statement of net assets. This amount is the effect of the difference in the treatment of the proceeds.	<u>(31,991)</u>
Change in Net Assets of Governmental Activities	<u>\$ (228,932)</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, 2011

	Original and Final Budget	Actual	Variance With Budget Favorable (Unfavorable)
<b>Revenues</b>			
Taxes	\$ 785,704	\$ 774,610	\$ (11,094)
Operating assessments	61,664	61,700	36
Parcel purchase assessments	12,121	7,792	(4,329)
Water user fees	65,000	69,219	4,219
Sewer user fees	48,468	48,320	(148)
Tap fees and meters	-	6,736	6,736
Debt proceeds	430,000	31,991	(398,009)
Interest earnings	8,256	5,514	(2,742)
Other income	6,503	7,900	1,397
Total revenues	1,417,716	1,013,782	(403,934)
<b>Expenditures</b>			
<b>General government</b>			
Personnel costs	107,057	105,971	1,086
Professional fees	84,255	59,231	25,024
Insurance	24,300	21,259	3,041
Building and office	35,300	20,046	15,254
Treasurer's fees	22,133	22,172	(39)
<b>Public works</b>			
Road repairs and maintenance	11,900	9,311	2,589
Lake and dam maintenance	4,100	15,545	(11,445)
Streetscape maintenance	19,250	14,998	4,252
Vehicle and equipment maintenance	25,300	26,404	(1,104)
Water system operations	67,297	58,000	9,297
Sewer system operations	33,468	34,020	(552)
Other	10,700	6,672	4,028
<b>Debt service</b>			
Principal	119,466	119,466	-
Interest	81,739	70,809	10,930
Capital outlay	501,500	142,596	358,904
Total expenditures	1,147,765	726,500	421,265
Excess of Revenues Over (Under) Expenditures	269,951	287,282	17,331
Fund balance - beginning	825,592	824,482	(1,110)
Fund balance - ending	\$ 1,095,543	\$ 1,111,764	\$ 16,221

The accompanying notes are an integral part of this statement.

CATAMOUNT METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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**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, 2011

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Government-wide Financial Statements**

In the government-wide Statement of Net Assets, 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 and obligations. The District's net assets are reported in four parts: net assets restricted for debt service, net assets restricted for emergencies, invested in capital assets net of related debt, and unrestricted net assets.

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net assets 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, reserves, fund equity, revenues and expenditures/expenses.

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 2011.

**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 and liabilities 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, 2011

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**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. Special Assessments

The principal portions of special assessments are recognized as revenue when cash is received. The full amount of the receivable is offset by an equal deferred revenue account.

8. 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CATAMOUNT METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

9. 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 revenue 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.

10. 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

11. 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:

CATAMOUNT METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

11. Stewardship, Compliance, and Accountability - Continued

- (1) For the 2011 budget year, prior to August 23, 2010, the County Assessor sent the District the assessed valuation of all taxable property within the District's boundaries.
- (2) On or before October 15, 2010, 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.
- (4) For the 2011 budget, prior to December 15, 2010, 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 2011 budget, the budget and appropriating resolution were adopted prior to December 31, 2010.
- (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.

CATAMOUNT METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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**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, 2011, the District had cash deposits of \$586,146, of which \$570,600 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 \$501,220 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, 2011

**NOTE C – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 402,344	\$ –	\$ –	\$ 402,344
Capital assets being depreciated				
Vehicles and equipment	202,166	8,400	–	210,566
Buildings	1,246,185	50,137	–	1,296,322
Infrastructure				
Roadway landscaping entry features	1,874,380	–	–	1,874,380
Roads	5,955,208	–	–	5,955,208
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	<u>2,326,601</u>	<u>–</u>	<u>–</u>	<u>2,326,601</u>
Total capital assets being depreciated	19,337,909	58,537	–	19,396,446
Less accumulated depreciation for:				
Vehicles and equipment	121,012	17,435	–	138,447
Buildings	53,463	42,375	–	95,838
Infrastructure				
Roadway landscaping entry features	504,472	62,479	–	566,951
Roads	1,802,741	198,507	–	2,001,248
Drainage	124,278	13,200	–	137,478
Planning and engineering	394,818	41,838	–	436,656
Lake infrastructure	79,637	8,383	–	88,020
Water system	1,419,854	194,359	–	1,614,213
Sewer system	<u>659,203</u>	<u>77,553</u>	<u>–</u>	<u>736,756</u>
Total accumulated depreciation	<u>5,159,478</u>	<u>656,129</u>	<u>–</u>	<u>5,815,607</u>
Total capital assets being depreciated, net	<u>14,178,431</u>	<u>(597,592)</u>	<u>–</u>	<u>13,580,839</u>
Governmental activities capital assets, net	<u>\$ 14,580,775</u>	<u>\$ (597,592)</u>	<u>\$ –</u>	<u>\$ 13,983,183</u>

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, 2011

**NOTE D – LONG-TERM DEBT**

The following is a schedule of changes in long-term debt during 2011:

	<u>December 31,</u> <u>2010</u>	<u>Additions</u>	<u>Payments</u>	<u>December 31,</u> <u>2011</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities					
Tractor lease	\$ 11,480	\$ -	\$ 11,480	\$ -	\$ -
Bonds payable, 2004	32,986	-	32,986	-	-
Bonds payable, 2006	511,000	-	75,000	436,000	79,000
Bonds payable, 2009	<u>893,009</u>	<u>31,991</u>	<u>-</u>	<u>925,000</u>	<u>15,000</u>
Total governmental activities long-term debt	<u>\$ 1,448,475</u>	<u>\$ 31,991</u>	<u>\$ 119,466</u>	<u>\$ 1,361,000</u>	<u>\$ 94,000</u>

On September 15, 2004 the District issued \$600,000 of general obligation bonds to purchase land and property from the Developer within the District. The bonds had a fixed interest rate of 4.77% and were payable over a seven-year period. The bonds required interest only payments on the 15th of each month and equal principal payments on July 15 of each year. The bonds were subject to prior redemption at the amount of remaining principal plus accrued interest. The bonds were completely paid off during the year.

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>
2012	\$ 79,000	\$ 20,816	\$ 99,816
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>\$ 436,000</u>	<u>\$ 59,378</u>	<u>\$ 495,378</u>

CATAMOUNT METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

**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, 2011, the District has 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. Interest only payments based on the amount then drawn are to be made for three years. Principal reductions will commence 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>
2012	\$ 15,000	\$ 46,250	\$ 61,250
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
2017-2021	660,000	148,500	808,500
2022-2023	<u>185,000</u>	<u>11,000</u>	<u>196,000</u>
Total	<u>\$ 925,000</u>	<u>\$ 383,250</u>	<u>\$ 1,308,250</u>

On November 10, 2006 the District entered into a capital lease agreement with Wells Fargo Brokerage Services, LLC for the purchase of a 2006 Ford Tractor. The lease had a fixed interest rate of 4.25% and was payable over a five-year period beginning August 1, 2007 and each August 1 thereafter until August 1, 2011. The lease was completely paid off during the year.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 94,000	\$ 67,066	\$ 161,066
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
2017-2021	660,000	148,500	808,500
2022-2023	<u>185,000</u>	<u>11,000</u>	<u>196,000</u>
Total	<u>\$ 1,361,000</u>	<u>\$ 442,628</u>	<u>\$ 1,803,628</u>

CATAMOUNT METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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**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, 2011 were \$6,990.

**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, 2011.

**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, 2011

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**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, 2011 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 is as follows:

	<u>Colorado Special District Property and Liability Pool</u>
Assets	\$ <u>32,049,483</u>
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, 2011

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**NOTE I – TABOR AMENDMENT – CONTINUED**

As of December 31, 2011, 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, 2011 the District had the required 3% or \$23,745 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.