

BMR METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2010 and 2009

with

Independent Auditors' Report

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# L. PAUL GOEDECKE P.C.

CERTIFIED PUBLIC ACCOUNTANTS

950 WADSWORTH BLVD.  
SUITE 204  
LAKEWOOD, COLORADO 80214  
TELEPHONE (303) 232 2866  
FAX (303) 232-9452  
lpgcpa@qwestoffice.net

## Independent Auditor's Report

Board of Directors  
BMR Metropolitan District

We have audited the accompanying financial statements of the business-type activities of BMR Metropolitan District as of and for the years ended December 31, 2010 and 2009, which collectively comprise the District's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of the BMR Metropolitan District's management. Our responsibility is to express opinions on these financial statements based on our audits.

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 the District, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The District has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the respective financial position of BMR Metropolitan District as of and for the years ended December 31, 2010 and 2009, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the financial statements of BMR Metropolitan District. The supplemental information as listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of BMR Metropolitan District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*L. Paul Goedecke P.C.*

L. Paul Goedecke, P.C.  
April 12, 2011

# BMR METROPOLITAN DISTRICT

## STATEMENT OF NET ASSETS

Years Ending December 31, 2010 and 2009

ASSETS	<u>2010</u>	<u>2009</u>
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 118,117	\$ 149,808
Cash and investments - restricted	1,034,840	-
Prepaid expenses	5,666	-
Accounts receivable	<u>56,946</u>	<u>46,490</u>
Total Current Assets	<u>1,215,569</u>	<u>196,298</u>
<b>CAPITAL ASSETS</b>		
Construction in progress	70,423	-
Water system	2,507,563	2,507,563
Less accumulated depreciation	<u>(753,674)</u>	<u>(690,985)</u>
Net Capital Assets	<u>1,824,312</u>	<u>1,816,578</u>
Total Assets	<u>3,039,881</u>	<u>2,012,876</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	<u>91,982</u>	<u>75,463</u>
Total Current Liabilities	<u>91,982</u>	<u>75,463</u>
<b>NONCURRENT LIABILITIES</b>		
Subordinate obligations - operating		36,206
Due in more than one year	<u>1,034,840</u>	<u>-</u>
Total Noncurrent Liabilities	<u>1,034,840</u>	<u>36,206</u>
Total Liabilities	<u>1,126,822</u>	<u>111,669</u>
<b>NET ASSETS</b>		
Invested in capital assets	789,472	1,816,578
Unrestricted (deficit)	<u>1,123,587</u>	<u>84,629</u>
Total Net Assets	<u>\$ 1,913,059</u>	<u>\$ 1,901,207</u>

The notes to the financial statements are an integral part of these statements.

## BMR METROPOLITAN DISTRICT

### STATEMENT OF REVENUES, EXPENSES, AND AND CHANGES IN NET ASSETS WATER ENTERPRISE FUND For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>OPERATING REVENUES</b>		
Water service and usage fees	\$ 545,947	\$ 516,516
Water availability fee	<u>2,520</u>	<u>2,520</u>
 Total Operating Revenues	 <u>548,467</u>	 <u>519,036</u>
 <b>OPERATING EXPENSES</b>		
Accounting/audit	13,378	9,876
Election expense	527	-
General repairs	7,214	-
Landscape maintenance	-	825
System operator	28,605	47,620
Legal	46,319	28,986
District management	38,546	33,835
Meter installation/inspection	11,844	6,280
Chlorine	1,623	7,129
Chemical testing/iron removal	80,391	42,525
Utilities	81,293	52,754
Water testing	3,971	5,483
Insurance	7,164	4,114
Maintenance	19,954	60,937
Repairs	26,617	1,769
Engineering	60,642	6,760
Water billing service	26,176	24,353
Telephone	1,559	1,118
Truck water	14,511	-
Waste management	1,160	-
Tree spraying	1,095	-
Miscellaneous	3,899	1,811
Depreciation	<u>62,689</u>	<u>62,327</u>
 Total Operating Expenses	 <u>539,177</u>	 <u>398,502</u>
 INCOME (LOSS) FROM OPERATIONS	 <u>9,290</u>	 <u>120,534</u>
 <b>NONOPERATING REVENUES AND (EXPENSES)</b>		
HOA note repayment - interest	(480)	(1,406)
Developer contribution	-	206,150
Other income	<u>3,042</u>	<u>1,390</u>
 Total Nonoperating Revenues (Expenses)	 <u>2,562</u>	 <u>206,134</u>
 NET INCOME (LOSS) - CHANGE IN ASSETS	 11,852	 326,668
 NET ASSETS, BEGINNING OF YEAR	 <u>1,901,207</u>	 <u>1,574,539</u>
 NET ASSETS, END OF YEAR	 <u>\$ 1,913,059</u>	 <u>\$ 1,901,207</u>

The notes to the financial statements are an integral part of these statements.

## BMR METROPOLITAN DISTRICT

### STATEMENT OF CASH FLOWS For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 538,011	\$ 525,764
Payment for operating expenses	<u>(465,635)</u>	<u>(326,977)</u>
Net Cash Provided (Required) by Operating Activities	<u>72,376</u>	<u>198,787</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES:</b>		
Proceeds from subordinate obligations - HOA note	-	61,050
Proceeds from subordinate obligations - CWRPDA loan	1,034,840	-
Repayment - HOA - principal	(36,206)	(24,844)
Repayment - HOA - interest	(480)	(1,406)
Repayment - developer	-	(61,050)
Other non-operating revenue	<u>3,042</u>	<u>1,390</u>
Net Cash Provided (Required) by Noncapital Financing Activities	<u>1,001,196</u>	<u>(24,860)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Water system capital expenditures	<u>(70,423)</u>	<u>(28,940)</u>
Net Cash Provided (Required) by Investing Activities	<u>(70,423)</u>	<u>(28,940)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,003,149	144,987
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>149,808</u>	<u>4,821</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,152,957</u>	<u>\$ 149,808</u>
 <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES</b>		
Net income (loss) from operations	\$ 9,290	\$ 120,534
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES</b>		
Depreciation	62,689	62,327
Changes in Assets and Liabilities:		
Accounts receivable	(10,456)	6,728
Prepaid insurance	(5,666)	-
Accounts payable	<u>16,519</u>	<u>9,198</u>
Net Adjustments	<u>63,086</u>	<u>78,253</u>
<b>NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES</b>	<u>\$ 72,376</u>	<u>\$ 198,787</u>

The notes to the financial statements are an integral part of these statements.

## BMR METROPOLITAN DISTRICT

Notes to Financial Statements  
December 31, 2010 and 2009

### Note 1: Summary of Significant Accounting Policies

The accounting policies of the BMR Metropolitan District, located in Douglas County, Colorado, conform to the accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

#### Definition of Reporting Entity

The District was organized on August 7, 1985 and is a quasi-municipal corporation and political subdivision of the State of Colorado established under the State of Colorado Special District Act. The District was established to provide water for its inhabitants. The District's primary revenues are from water usage charges. The District is governed by an elected Board of Directors.

The District was originally part of the Bell Mountain Ranch Phase II Metropolitan District. On January 1, 1999 the assets of the water enterprise contained within the Phase II District were transferred to the Master District and retitled the BMR Metropolitan District.

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

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District has no component units as defined by the Governmental Accounting Standards Board (GASB), Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

The District has no employees and all operations and administrative functions are contracted.

The District is not financially accountable for any other organization.

## BMR METROPOLITAN DISTRICT

Notes to Financial Statements  
December 31, 2010 and 2009

### Basis of Presentation

The accompanying financial statements are presented per GASB No. 34.

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The statement of net assets reports all financial and capital resources of the District. The difference between the assets and liabilities of the District is reported as net assets.

### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Depreciation is computed and recorded as an operating expense. Expenditures for property, plant and equipment are shown as increases in assets.

The District reports the following major proprietary funds:

Water Enterprise Fund - The Water Enterprise Fund accounts for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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

The District has elected to follow Governmental Accounting Standards Board pronouncements. Therefore, statements issued by the Financial Accounting Standards Board after November 30, 1989, are not applied. In 2004, the District implemented the requirements of GASB Statement No. 34.

## BMR METROPOLITAN DISTRICT

Notes to Financial Statements  
December 31, 2010 and 2009

### Budgetary Accounting

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

### Statement of Cash Flows

For purposes of the statement of cash flows, the District considers cash deposits with a maturity of three months or less to be cash equivalents. During 2010, the District incurred no noncash activities.

### Assets, Liabilities, and Net Assets

#### Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2010 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

### Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

The District follows the practice of pooling cash and investments to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts.

### Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Long-Term Obligations

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities in the statement of net assets.



## BMR METROPOLITAN DISTRICT

Notes to Financial Statements  
December 31, 2010 and 2009

### Deposits

#### Custodial Credit Risk

The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

As of the December 31, 2009, the District's cash deposits had a bank balance of \$118,117 and a carrying balance of \$118,117.

The District does not have a formal policy for deposits. None of the District's deposits was exposed to custodial credit risk.

### Investments

#### Credit Risk

The District investment policy requires that the District follow state statutes for investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

#### Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

#### Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

BMR METROPOLITAN DISTRICT

Notes to Financial Statements  
December 31, 2010 and 2009

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”) is rated AAAM by Standard & Poor’s. COLOTRUST is an investment trust/joint ventures established for local government entities in Colorado to pool surplus funds. The trusts operate similarly to a money market fund with each share maintaining a value of \$1.00.

The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians’ internal records identify the investments owned by COLOTRUST. At December 31, 2010, the District had \$1,034,840 invested in COLOTRUST.

As of December 31, 2010, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
COLOTRUST	Weighted average Under 60 days	\$ <u>1,034,840</u>

Note 3: Capital Assets

An analysis of changes in capital assets for the year ended December 31, 2010 follows:

	<u>Balance</u> <u>01-01-10</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12-31-10</u>
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ -	\$ 70,423	\$ -	\$ 70,423
	-	70,423	-	70,423
<u>Capital assets being depreciated:</u>				
Water system	2,507,563	-	-	2,507,563
	2,507,563	-	-	2,507,563
Accumulated Depreciation	(690,985)	(62,689)	-	(753,674)
Net capital assets being depreciated	<u>1,816,578</u>	<u>(62,689)</u>	<u>-</u>	<u>1,753,889</u>
Business type assets, net	<u>\$ 1,816,578</u>	<u>\$ 7,734</u>	<u>\$ -</u>	<u>\$ 1,824,312</u>

Depreciation expense for the year ended December 31, 2010 was charged to water operations in the amount of \$62,689.

BMR METROPOLITAN DISTRICT

Notes to Financial Statements  
December 31, 2010 and 2009

An analysis of changes in capital assets for the year ended December 31, 2009 follows:

	<u>Balance</u> <u>01-01-09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12-31-09</u>
<u>Capital assets being depreciated:</u>				
Water system	\$ 2,478,623	\$ 28,940	\$ -	\$ 2,507,563
	2,478,623	28,940	-	2,507,563
Accumulated Depreciation	(628,658)	(62,327)	-	(690,985)
Business type assets, net	<u>\$ 1,849,965</u>	<u>\$ (33,387)</u>	<u>\$ -</u>	<u>\$ 1,816,578</u>

Depreciation expense for the year ended December 31, 2009 was charged to water operations in the amount of \$62,327.

Note 4: Long-term Obligations

Operation Funding Agreement

The District entered into an operation funding agreement with the Developer, whereby the Developer funded shortfalls of available revenue and operating expenses.

The Agreement provides for the District to repay the developer advances from surplus revenues, after the payment of debt service obligations and payment of operations and maintenance expenses, which repayment is subject to annual budget and appropriation. During 2009, the District and the Developer agreed to a payment of \$61,050 and the forgiveness of the balance of \$206,150. The amount forgiven was reflected as a developer contribution in 2009.

Annual Appropriation Promissory Note

The District entered into an Annual Appropriation Promissory Note (“Note”) with the Bell Mountain Ranch Homeowners Association, Inc. (“HOA”) on April 10, 2009. The principal amount of the Note is \$61,050. The Note matures on July 1, 2010 and accrues interest at 4.00% per annum. The Note is to be repaid using revenues from the District’s water system and other revenues legally available but only after payment of all reasonable and necessary operations and maintenance expenses. The obligation constitutes a currently budgeted expenditure of the District for the current fiscal year only.

BMR METROPOLITAN DISTRICT

Notes to Financial Statements  
December 31, 2010 and 2009

Drinking Water Revolving Fund Direct Loan

The District entered into a Loan Agreement with Colorado Water Resources and Power Development Authority (“CWRPDA”) on October 22, 2010. The Principal amount of the loan is \$1,034,840 and is to be used for the construction of a new well for system redundancy in the event the existing well shuts down. The loan matures on November 1, 2031 and accrues interest at 2% per annum beginning November 1, 2011. The loan will be repaid using net revenue of the District as defined in the loan agreement. Principal and interest on the loan are due semiannually on each May 1 and November 1, commencing on May 1, 2012. Each payment shall be applied first to interest, then due and payable, and then to principal. The District may prepay the loan repayments, in whole or in part without penalty upon prior written notice of not less than 30 days to the CWRPDA. Prepayments shall be applied first to accrued interest on the portion of the Loan to be prepaid and then to principal payments on the loan. The CWRPDA has created a Project Loan Account in the amount of \$1,034,840 for this loan to be used to pay the costs of the project.

The following is an analysis of changes in long-term debt for the period ending December 31, 2010:

	<u>Balance</u> <u>01-01-10</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12-31-10</u>	<u>Current</u> <u>Portion</u>
CWRPDA Drinking Water					
Revolving Fund Direct Loan	\$ -	\$ 1,034,840	\$ -	\$ 1,034,840	\$ -
Subordinate Obligations:					
HOA note	<u>36,206</u>	<u>-</u>	<u>36,206</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 36,206</u>	<u>\$ 1,034,840</u>	<u>\$ 36,206</u>	<u>\$ 1,034,840</u>	<u>\$ -</u>

The following is an analysis of changes in long-term debt for the period ending December 31, 2009:

	<u>Balance</u> <u>01-01-09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12-31-09</u>	<u>Current</u> <u>Portion</u>
Subordinate Obligations:					
Operating	\$ 267,200	\$ -	\$ 267,200	\$ -	\$ -
HOA note	<u>-</u>	<u>61,050</u>	<u>24,844</u>	<u>36,206</u>	<u>-</u>
Total	<u>\$ 267,200</u>	<u>\$ 61,050</u>	<u>\$ 292,044</u>	<u>\$ 36,206</u>	<u>\$ -</u>

BMR METROPOLITAN DISTRICT

Notes to Financial Statements  
December 31, 2010 and 2009

The following is a summary of the annual long-term debt principal and interest requirements.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ -	\$ -	\$ -
2012	42,548	20,485	63,033
2013	43,404	19,630	63,034
2014	44,276	18,758	63,034
2015	45,166	17,867	63,033
2016-2020	239,816	75,349	315,165
2021-2025	264,907	50,259	315,166
2026-2030	292,622	22,546	315,168
2031	62,101	933	63,034
	<u>\$ 1,034,840</u>	<u>\$ 225,827</u>	<u>\$ 1,260,667</u>

Debt Authorization

As of December 31, 2010, the District had remaining voted debt authorization of approximately \$1,965,160. The District has not budgeted to issue any additional debt in 2011.

Note 5: Related Party

Until November of 2008 all of the Board of Directors were employees, owners or are otherwise associated with the Developer or owned an indirect interest in the developers' general partnership and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board.

Note 6: Tax Spending and Debt Limitations

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

Enterprises, defined as government-owned business authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes a significant portion of its operations qualifies for this exclusion.

## BMR METROPOLITAN DISTRICT

Notes to Financial Statements  
December 31, 2010 and 2009

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

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

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualifications as an Enterprise will require judicial interpretation. Internally, the District maintains its records in one fund – the Water Enterprise Fund.

Note 7: Risk Management

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; error or omissions; injuries to personnel, or natural disasters.

The District maintains commercial insurance for all risks of loss. Settled claims have not exceeded the commercial insurance coverage limits in any of the past three fiscal years.

SUPPLEMENTAL INFORMATION

**BMR METROPOLITAN DISTRICT**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE -  
 BUDGET AND ACTUAL (BUDGETARY BASIS) -  
 WATER ENTERPRISE FUND  
 For the Year Ended December 31, 2010

	<u>Original</u>	<u>Final</u>		<u>Variance -</u>
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
<b>REVENUES</b>				
Water usage charge	\$ 180,720	\$ 180,720	\$ 197,269	\$ 16,549
Water service charge	361,200	361,200	348,678	(12,522)
CWRPDA loan proceeds	-	1,034,840	1,034,840	-
Water availability charge	2,520	2,520	2,520	-
Other income	<u>4,083</u>	<u>4,083</u>	<u>3,042</u>	<u>(1,041)</u>
Total Revenues	<u>548,523</u>	<u>1,583,363</u>	<u>1,586,349</u>	<u>2,986</u>
<b>EXPENDITURES</b>				
System operator	52,000	52,000	28,605	23,395
District management	40,000	40,000	38,546	1,454
Accounting/audit	11,500	11,500	13,378	(1,878)
Legal	35,000	35,000	46,319	(11,319)
Miscellaneous	2,000	2,000	3,899	(1,899)
Insurance	8,000	8,000	7,164	836
Directors fees	500	500	-	500
Election expense	190	190	527	(337)
General repairs		-	7,214	(7,214)
Meter purchase/inspection	7,000	7,000	11,844	(4,844)
Chlorine	9,000	9,000	1,623	7,377
Iron removal	58,000	58,000	80,391	(22,391)
Water testing	5,600	5,600	3,971	1,629
Utilities	65,000	65,000	81,293	(16,293)
WTP maintenance	65,000	65,000	19,954	45,046
Water system repairs	5,000	5,000	26,617	(21,617)
Engineering	11,000	11,000	60,642	(49,642)
Water billing service	23,500	23,500	26,176	(2,676)
Telephone	1,350	1,350	1,559	(209)
Extraordinary repairs, replacement & capital expenditure	22,000	-	-	-
Truck water	50,000	50,000	14,511	35,489
Waste management	1,100	1,100	1,160	(60)
Tree spraying		-	1,095	(1,095)
HOA note repayment - principal	31,000	31,000	36,206	(5,206)
HOA note repayment - interest	480	480	480	-
Alternate well reserve	80,000	1,034,840	70,423	964,417
Contingency	<u>21,647</u>	<u>144,647</u>	<u>-</u>	<u>144,647</u>
Total Expenditures	<u>605,867</u>	<u>1,661,707</u>	<u>583,597</u>	<u>1,078,110</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(57,344)	(78,344)	1,002,752	1,081,096
FUNDS AVAILABLE, BEGINNING OF YEAR	<u>57,344</u>	<u>78,344</u>	<u>120,835</u>	<u>42,491</u>
FUNDS AVAILABLE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,123,587</u>	<u>\$ 1,123,587</u>
Funds available are defined as follows:				
Current assets			\$ 1,215,569	
Less current liabilities			<u>91,982</u>	
Funds available			<u>\$ 1,123,587</u>	

## BMR METROPOLITAN DISTRICT

### RECONCILIATION OF REVENUES AND EXPENDITURES BUDGETARY BASIS TO STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2010

The following is a reconciliation of the budgetary basis, as presented, to generally accepted accounting principals (GAAP), the basis on which the financial statements were prepared.

Revenue - Water Enterprise Fund (Budgetary Basis)	\$ 1,586,349
CWRPDA loan proceeds	<u>(1,034,840)</u>
Total revenue per Statement of Revenues, Expenditures and Changes in Net Assets	<u>551,509</u>
Expenditures - Water Enterprise Fund (Budgetary Basis)	583,597
Depreciation	62,689
Repayment - HOA note principal	(36,206)
Repayment - developer principal	-
Capital assets expenditures	<u>(70,423)</u>
Total expenses per Statement of Revenues, Expenditures and Changes in Net Assets	<u>539,657</u>
Changes in Net Assets per Statement Revenues, Expenditures and Changes in Net Assets	<u>\$ 11,852</u>