

**Baca Grande Water and Sanitation District
(Saguache County, Colorado)**

FINANCIAL STATEMENTS

with Independent Auditor's Report

December 31, 2010

Baca Grande Water and Sanitation District

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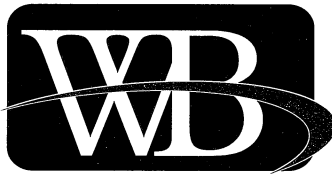
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**WAGNER
BARNES, PC**

Certified Public Accountants & Business Consultants

Independent Auditor's Report

Board of Directors
Baca Grande Water and Sanitation District
Saguache County, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Baca Grande Water and Sanitation District (the District), as of and for the year ended December 31, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 financial position of the governmental activities, the business-type activities, and each major fund of the District, as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplemental information 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 the 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.

Wagner Barnes, PC

Lakewood, Colorado
July 29, 2011

Wagner Barnes, PC

BASIC FINANCIAL STATEMENTS

Baca Grande Water and Sanitation District

STATEMENT OF NET ASSETS

December 31, 2010

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ -	\$ -	\$ -
Cash and investments - restricted	32,614	2,751,777	2,784,391
Accounts receivable, net of allowance for uncollectibles	-	84,682	84,682
Taxes receivable - current	6,895	2,193	9,088
Taxes receivable - ensuing year	736,933	-	736,933
Due from other funds	73,165	-	73,165
Prepaid expenses	-	2,731	2,731
Deferred charges, net of amortization	-	333,447	333,447
Capital assets, not being depreciated	-	1,986,157	1,986,157
Capital assets, net	-	6,805,881	6,805,881
Total assets	<u>849,607</u>	<u>11,966,868</u>	<u>12,816,475</u>
LIABILITIES			
Accounts and retainage payable	2,937	464,296	467,233
Accrued interest payable	-	49,263	49,263
Payroll taxes payable	-	2,744	2,744
Due to other funds	-	73,165	73,165
Deferred taxes receivable	736,933	-	736,933
Accrued fines	-	125,000	125,000
Noncurrent liabilities:			
Due within one year	-	88,861	88,861
Due in more than one year	-	6,245,243	6,245,243
Total liabilities	<u>739,870</u>	<u>7,048,572</u>	<u>7,788,442</u>
NET ASSETS			
Invested in capital assets, net of related debt	-	4,859,192	4,859,192
Restricted			
Emergency reserves	39,200	-	39,200
Loan operating reserve requirement	70,537	213,719	284,256
Bond debt service	-	164,756	164,756
Unrestricted (deficit)	-	(319,371)	(319,371)
Total net assets	<u>\$ 109,737</u>	<u>\$ 4,918,296</u>	<u>\$ 5,028,033</u>

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

Baca Grande Water and Sanitation District
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2010

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
General government	\$ 354,401	\$ -	\$ -	\$ (354,401)	\$ -	\$ (354,401)
Total primary government	<u>\$ 354,401</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(354,401)</u>	<u>-</u>	<u>(354,401)</u>
Business-type activities:						
Water and sanitation	\$ 1,271,220	\$ 713,253	\$ 84,602	-	(473,365)	(473,365)
Interest on long-term debt and related costs	242,503	-	-	-	(242,503)	(242,503)
Total primary government	<u>\$ 1,513,723</u>	<u>\$ 713,253</u>	<u>\$ 84,602</u>	<u>-</u>	<u>(715,868)</u>	<u>(715,868)</u>
General revenues:						
Property taxes				521,190	176,948	698,138
Specific ownership taxes				61,052	20,777	81,829
Net investment income				5,305	10,235	15,540
Transfer (to) from other funds				(375,654)	375,654	-
Total general revenues				<u>211,893</u>	<u>583,614</u>	<u>795,507</u>
Change in net assets				(142,508)	(132,254)	(274,762)
Net assets - beginning of year				252,245	5,050,550	5,302,795
Net assets - end of year				\$ 109,737	\$ 4,918,296	\$ 5,028,033

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

Baca Grande Water and Sanitation District

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2010

	<u>General</u>
ASSETS	
Cash and investments	\$ -
Cash and investments - restricted	32,614
Taxes receivable - current	6,895
Taxes receivable - ensuing year	736,933
Due from other funds	73,165
Total assets	<u>\$ 849,607</u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts payable	\$ 2,937
Deferred taxes receivable	736,933
Total liabilities	<u>739,870</u>
Fund balances	
Reserved for emergencies	39,200
Loan operating reserve requirement	70,537
Designated for subsequent year's expenditures	111,874
Unreserved undesignated (deficit)	(111,874)
Total fund balances	<u>109,737</u>
Total liabilities and fund balances	<u>\$ 849,607</u>
Net assets of governmental activities	<u>\$ 109,737</u>

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

Baca Grande Water and Sanitation District
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2010

	General
Revenues	
Property taxes	\$ 521,190
Specific ownership taxes	61,052
Interest income	5,305
Total revenues	587,547
Expenditures	
General government	
Audit	10,795
County Treasurer's fees	15,998
Director's fees	7,400
Elections	31,169
Legal fees	192,642
Management	95,008
Miscellaneous expense	484
Professional services	905
Total expenditures	354,401
Excess of revenues over expenditures	233,146
Other financing (uses)	
Transfer to other funds	(375,654)
Total other financing (uses)	(375,654)
Net change in fund balance	(142,508)
Fund balance - beginning of year	252,245
Fund balance - end of year	\$ 109,737
Change in net assets of governmental activities	\$ (142,508)

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

Baca Grande Water and Sanitation District
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL FUND

For the Year Ended December 31, 2010

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
Revenues			
Property taxes	\$ 550,352	\$ 521,190	\$ (29,162)
Specific ownership taxes	66,042	61,052	(4,990)
Investment income	5,302	5,305	3
Total revenues	<u>621,696</u>	<u>587,547</u>	<u>(34,149)</u>
Expenditures			
General government			
Audit	10,000	10,795	(795)
County Treasurer's fees	16,511	15,998	513
Director's fees	8,000	7,400	600
Elections	20,000	31,169	(11,169)
Legal fees	174,220	192,642	(18,422)
Management	50,000	95,008	(45,008)
Miscellaneous expense	-	484	(484)
Professional services	-	905	(905)
Contingency	282,274	-	282,274
Total expenditures	<u>561,005</u>	<u>354,401</u>	<u>206,604</u>
Excess of revenues over (under) expenditures	60,691	233,146	172,455
Other financing (uses)			
Emergency reserve	(16,830)	-	16,830
Transfer to other funds	(340,000)	(375,654)	(35,654)
Total other financing (uses)	<u>(356,830)</u>	<u>(375,654)</u>	<u>(18,824)</u>
Net change in fund balance	(296,139)	(142,508)	153,631
Fund balance - beginning of year	296,139	252,245	(43,894)
Fund balance - end of year	<u>\$ -</u>	<u>\$ 109,737</u>	<u>\$ 109,737</u>

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

Baca Grande Water and Sanitation District

**STATEMENT OF NET ASSETS
PROPRIETARY FUND**

December 31, 2010

	Water and Sewer Enterprise Fund
ASSETS	
Cash and investments	\$ -
Cash and investments - restricted	2,751,777
Accounts receivable, net of allowance for uncollectibles	84,682
Taxes receivable - current	2,193
Prepaid expenses	2,731
Bond issuance costs, net of amortization	333,447
Capital assets not being depreciated	1,986,157
Capital assets, net of accumulated depreciation	6,805,881
	11,966,868
Total assets	
LIABILITIES	
Accounts and retainage payable	464,296
Accrued interest payable	49,263
Payroll taxes payable	2,744
Due to other funds	73,165
Accrued fines	125,000
Noncurrent liabilities:	
Due within one year	88,861
Due in more than one year	6,245,243
	7,048,572
Total liabilities	
NET ASSETS	
Invested in capital assets, net of related debt	4,859,192
Restricted	
Loan operating reserve requirement	213,719
Bond debt service	164,756
Unrestricted (deficit)	(319,371)
	\$ 4,918,296

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

Baca Grande Water and Sanitation District
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND

For the Year Ended December 31, 2010

	Water and Sewer Enterprise Fund
Operating revenues	
Water and sewer fees	\$ 400,205
Availability of service fees	170,667
Fire protection fees	27,081
System improvement fees	72,053
Reimbursed expenditures	1,600
Miscellaneous revenue	41,647
Total operating revenues	713,253
Operating expenses	
Depreciation	357,128
Insurance	19,660
Office expense	45,495
Operating expenses	30,992
Professional fees	127,073
Repair and maintenance	87,996
Salaries and benefits	330,422
Small tools and supplies	15,557
Testing	11,252
Utilities	123,509
Utility billing	11,565
Vehicle operations	33,562
Water costs	71,564
Total operating expenditures	1,265,775
Operating (loss)	(552,522)

(continued)

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

Baca Grande Water and Sanitation District
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND

For the Year Ended December 31, 2010
(continued)

	<u>Water and Sewer Enterprise Fund</u>
Nonoperating revenues (expenses)	
Property taxes	176,948
Specific ownership taxes	20,777
Grant income	10,778
Interest income	10,235
County Treasurer's fees	(5,445)
Trustee and paying agent fees	(500)
Amortization of bond issuance costs	(14,856)
Interest expense	(227,147)
Total nonoperating revenues (expenses)	<u>(29,210)</u>
Capital contributions - tap fees	73,824
Transfers from other funds	<u>375,654</u>
Change in net assets	(132,254)
Net assets - beginning of year	<u>5,050,550</u>
Net assets - end of year	<u><u>\$ 4,918,296</u></u>

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

Baca Grande Water and Sanitation District

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the Year Ended December 31, 2010

Cash flows from operating activities

Cash received from customers	\$ 739,364
Cash payments to employees for services	(338,341)
Cash payments to suppliers for goods and services	(414,804)
Net cash provided by operating activities	<u>(13,781)</u>

Cash flows from noncapital financing activities

Property taxes	176,948
Specific ownership taxes	20,777
County Treasurer's fees	(5,445)
Transfers in from governmental activities	375,654
Net cash provided by noncapital financing activities	<u>567,934</u>

Cash flows from capital and related financing activities

Tap fees received	73,824
Acquisition of capital assets	(1,464,025)
Debt issue proceeds	6,038,790
Bond premium	173,484
Transfer to refunding escrow	(3,929,057)
Principal paid on debt	(130,054)
Interest paid on debt	(117,533)
Trustee and paying agent fees	(500)
Bond issue costs	(293,527)
Grant income	10,778
Net cash provided by capital and related financing activities	<u>362,180</u>

Cash flows from investing activities

Investment earnings received	10,235
Net cash provided by investing activities	<u>10,235</u>

Net increase in cash and cash equivalents

926,568

Cash and cash equivalents - beginning of year

1,825,209

Cash and cash equivalents - end of year

\$ 2,751,777

(continued)

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

Baca Grande Water and Sanitation District

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the Year Ended December 31, 2010

(continued)

Reconciliation of operating income to net cash
provided by operating activities

Operating loss	\$ (552,522)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	357,128
(Increase) decrease in:	
Accounts receivable	28,304
Taxes receivable - current	(2,193)
Prepaid expenses	(652)
Increase (decrease) in:	
Accounts and retainage payable	446,958
Payroll taxes payable	(7,919)
Due to other funds	73,165
Accrued availability of service fees	(95,675)
Net cash provided by operating activities	<u>\$ 246,594</u>

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

Baca Grande Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

Note 1 – Definition of reporting entity

The District, a quasi-municipal corporation and political subdivision of the State of Colorado, is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in Saguache County, Colorado. The District was established on January 21, 1972 to provide water and sewer services within and outside of its boundaries.

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

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

Note 2 – Summary of significant accounting policies

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

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Baca Grande Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2010

Separate financial statements are provided for the governmental funds and proprietary fund. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting and financial statement presentation

The government-wide 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 related cash flows.

The District has elected to follow Governmental Accounting Standards Board pronouncements in the proprietary fund financial statements. Therefore, statements issued by the Financial Accounting Standards Board after November 30, 1989 are not applied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes are recognized as revenues in the year for which they are levied. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures, other than interest on long-term obligations, generally are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

The general fund is the District's primary operating fund. It accounts for all financial resources of the general government.

The District reports the following major proprietary fund:

The Water and Sewer Enterprise Fund accounts for the activities of providing wastewater treatment and water services to customers within and outside of the District's boundaries. The enterprise fund is used to account for operations which are financed and operated in a manner similar to private business enterprises; where the intent of the District is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

Baca Grande Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2010

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

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

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Cash equivalents

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

Investments

Investments for the District are reported at fair value.

Accounts receivable, allowance for uncollectible accounts

Accounts receivable is reported net of an allowance for uncollectible accounts of \$8,407 at December 31, 2010.

Property taxes

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

Baca Grande Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2010

Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

Amortization of bond issuance costs and bond issue premium

In the government-wide financial statements and proprietary fund types in the fund financial statements, bond issuance costs are reported as deferred charges and amortized over the respective terms of the bonds using the effective interest method. Amortization expense for bond issuance costs amounted to \$14,856 for the year ended December 31, 2010. Accumulated amortization of bond issuance costs totaled \$3,992 at December 31, 2010.

In the government-wide financial statements and proprietary fund types in the fund financial statements, bond premiums are deferred and reported as a component of long-term obligations. Bond premiums are amortized over the life of the bonds using the effective interest method. Amortization of bond premiums reduced interest expense by \$1,513 for the year ended December 31, 2010. Accumulated amortization of bond premiums totaled \$1,513 at December 31, 2010.

Cost on Bond Refunding

In the government-wide financial statements and proprietary fund types in the fund financial statements, the deferred cost on bond refunding is being amortized using the interest method over the life of the refunded bonds. The amortization amount is a component of interest expense and the unamortized deferred cost of \$275,881 at December 31, 2010, is reflected as a reduction of bonds payable.

Capital assets

Capital assets include land, a water plant and distribution systems, a sewage treatment plant and collection systems and related improvements and equipment, and an administrative building. Capital assets are defined by the District as those assets with an initial, individual cost of \$5,000 or greater and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation or at the donor's cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

Baca Grande Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2010

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

	<u>Years</u>
Water plant and distribution systems	20-40
Sewage treatment plant and collection systems	20-40
Equipment	5-15

Compensated absences

District employees earn paid time off at the rate of 160 to 200 hours per year, based on length of service, which is to be used for vacations, medical leave or personal time off. Employees are allowed to accrue up to 80 hours of unused paid time off at the end of each calendar year. Compensated absences are recorded as current salary cost when paid.

Contributed capital

Tap fees are generally recorded as capital contributions when received.

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The District considers all unreserved fund balances to be "reserves" for future operations or capital replacement as defined within Article X, Section 20 of the Constitution of the State of Colorado (see Note 10).

Reserved fund balance

Article X, Section 20 of the Constitution of the State of Colorado requires the District to establish emergency reserves (see Note 10). At December 31, 2010, \$39,200 of the general fund balance has been reserved in compliance with this requirement.

\$70,537 of the general fund balance is reserved for the loan operating reserve requirement of the Colorado Water Resource and Power Development Authority Loans as described in Note 3.

Designated Fund Balance

The amount classified as "designated for subsequent year's expenditures" at December 31, 2010, represents the amount appropriated for use in the budget for the year ending December 31, 2011.

Baca Grande Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2010

Budgets

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

The enterprise, debt service and capital projects funds have been combined in the Schedule of Revenues, Expenditures, and Changes in Funds Available – Budget and Actual (Budgetary Basis) - Enterprise Fund. Budgeted transfers between these funds have been eliminated.

During the year ended December 31, 2010, supplementary appropriations approved by the District modified each fund's appropriation as follows:

	Original Appropriations	Modified Appropriations
Enterprise fund	\$ 1,163,054	\$ 1,800,000
Debt service fund	\$ 163,013	\$ 3,685,250
Capital projects fund	\$ 2,995,611	\$ 7,097,575

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that District management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Baca Grande Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2010

Note 3 – Cash and investments

Cash and investments are reflected on the December 31, 2010 Statement of Net Assets as follows:

Cash and investments - restricted	<u><u>\$ 2,784,391</u></u>
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Cash and investments as of December 31, 2010 consist of the following:

Deposits with financial institutions	\$ 218,377
Investments	<u>2,566,014</u>
Total cash and investments	<u><u>\$ 2,784,391</u></u>

At December 31, 2010, the District's cash deposits had bank balances of \$231,544 and carrying balances of \$218,377.

Deposits with financial institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. As of December 31, 2010, the federal insurance limit was \$250,000. 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 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Custodial credit risk – deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's cash deposit and investment policy adopts state statutes regarding custodial credit risk for deposits. As of December 31, 2010, the District's bank balances and carrying balances were federally insured.

Investments

The District's investment policy adopts state statutes regarding investments.

The District primarily limits its investments to local government investments pools, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk.

Baca Grande Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2010

Additionally, the District is not subject to concentration risk disclosure requirements or subject to custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Revenue bonds of local government securities, corporate and bank securities and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

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

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

As of December 31, 2010, the District had the following investments, recorded at fair value:

<u>Investment</u>	<u>Maturity</u>	
Colorado Liquid Asset Trust (Colotrust)	Weighted average under 60 days	<u><u>\$2,566,014</u></u>

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities 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

Baca Grande Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2010

certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. Colostrust is rated AAAM by Standard & Poor's.

Restricted cash and investments

As of December 31, 2010, unspent bond proceeds were restricted for the costs to improve various components of the water and sewer systems of \$2,401,258 and to make future payments on the bonds of \$164,756.

In accordance with the terms of the Colorado Water Resource and Power Development Authority Loans (see Note 5) the District is required to maintain an operating reserve equal to three months of operation and maintenance expenses, excluding depreciation of the water and sewer systems, as set forth in the annual budget for the current fiscal year. As of December 31, 2010, the required operating reserve was \$284,256. The District provided for the reserve but funded only \$218,377 at December 31, 2010.

Baca Grande Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2010

Note 4 – Capital assets

Capital asset activity for the year ended December 31, 2010 was as follows:

	<u>Balance at December 31, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2010</u>
<u>Business-type activities</u>				
Capital assets, not being depreciated				
Land	\$ 51,423	\$ -	\$ -	\$ 51,423
Construction in progress	599,532	1,696,265	361,063	1,934,734
Total capital assets, not being depreciated	<u>650,955</u>	<u>1,696,265</u>	<u>361,063</u>	<u>1,986,157</u>
Capital assets being depreciated				
Water plant and distribution system	5,835,816	385,598	-	6,221,414
Sewer plant and collection system	6,678,941	-	-	6,678,941
Machinery and equipment	44,603	3,600	-	48,203
Total capital assets being depreciated	<u>12,559,360</u>	<u>389,198</u>	<u>-</u>	<u>12,948,558</u>
Less accumulated depreciation for				
Water plant and distribution system	2,934,439	168,375	-	3,102,814
Sewer plant and collection system	2,842,190	179,112	-	3,021,302
Machinery and equipment	8,920	9,641	-	18,561
Total accumulated depreciation	<u>5,785,549</u>	<u>357,128</u>	<u>-</u>	<u>6,142,677</u>
Total capital assets being depreciated, net	<u>6,773,811</u>	<u>32,070</u>	<u>-</u>	<u>6,805,881</u>
Capital assets, net	<u>\$ 7,424,766</u>	<u>\$ 1,728,335</u>	<u>\$ 361,063</u>	<u>\$ 8,792,038</u>

Depreciation expense of \$357,128 for the year ended December 31, 2010 was charged to the enterprise fund operations.

Baca Grande Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2010

Note 5 – Long-term obligations

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2010:

	Balance at December 31, 2009	Additions	Reductions	Balance at December 31, 2010	Due Within One Year
<u>Business-type activities</u>					
General Obligation Bonds:					
2009 Bonds	\$ 3,105,000	\$ -	\$ 3,105,000	\$ -	\$ -
2010 Bonds	-	5,405,000	-	5,405,000	-
Revenue Bonds:					
2003 Bonds	51,237	-	25,042	26,195	26,195
	3,156,237	5,405,000	3,130,042	5,431,195	26,195
Bond issue premium	-	173,484	1,513	171,971	7,020
Cost on refunding	-	(275,881)	-	(275,881)	(10,632)
Total bonds payable	3,156,237	5,302,603	3,131,555	5,327,285	22,583
CWRPDA Loans:					
2001 Loan	571,287	-	571,287	-	-
2009 Loan	389,173	633,790	16,144	1,006,819	66,278
2009 Note Payable	22,646	-	22,646	-	-
Capital Leases	214,086	-	214,086	-	-
	<u>\$ 4,353,429</u>	<u>\$ 5,936,393</u>	<u>\$ 3,955,718</u>	<u>\$ 6,334,104</u>	<u>\$ 88,861</u>

Bonds payable

\$200,000 Water and Wastewater Revenue Bonds, Series 2003, dated February 26, 2003

The bonds, in the original amount of \$200,000, mature on December 15, 2011 with annual mandatory sinking fund principal payments due on each December 15. Interest at the rate of 4.6% is payable on December 15 each year. The bonds are subject to redemption prior to maturity, at the option of the District, on any interest payment date, upon payment of par and accrued interest.

\$3,105,000 General Obligation Bonds, Series 2009, dated May 21, 2009

The bonds mature on December 1, 2033 with annual mandatory sinking fund principal payments due on each December 1 beginning December 1, 2012. The bonds bear interest at the rate of 5.25% from the date of issuance to and including May 31, 2014. From June 1, 2014 and thereafter, the bonds bear interest at 8.5%. Interest is payable semiannually on each June 1 and December 1, commencing on December 1, 2009.

Baca Grande Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2010

The bonds are subject to redemption prior to maturity, at the option of the District, on any date, with a redemption premium of a percentage of the principal amount so redeemed, as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
On or before May 31, 2012	1.00%
June 1, 2012, and thereafter	0.00%

The bonds were redeemed on October 26, 2010 with proceeds from the issuance of the 2010 Bonds.

\$5,405,000 General Obligation Refunding and Improvement Bonds, Series 2010, dated October 26, 2010

The District issued \$5,405,000 in general obligation bonds for the purpose of refunding certain outstanding financial obligations and funding certain capital improvements to various components of the water and sewer systems. Proceeds from the sale of the bonds were also used to provide funds to pay future bond interest and to pay the costs of issuance of the bonds.

The bonds consist of serial bonds issued in the amount of \$400,000 due annually on each December 1 through 2020 and term bonds issued in the amounts of \$600,000, \$1,000,000 and \$3,405,000 due December 1, 2025, 2030 and 2040, respectively. Such term bonds are subject to mandatory redemption. The bonds bear interest at 2.75% to 4.77%, payable semiannually on each June 1 and December 1, commencing June 1, 2011.

The term bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2020, and on any date thereafter, without redemption premium. Serial bonds are not callable prior to maturity.

The bonds and interest are insured as to repayment by the District.

Loans payable

\$800,000 Loan Agreement, Colorado Water Resources and Power Development Authority, dated December 20, 2001

The loan from the Colorado Water Resources and Power Development Authority (CWRPDA) is due quarterly on March 1, June 1, September 1 and December 1 through August 2014 with interest at 4.0%. The District has the option to prepay the loan, in whole or in part, upon prior written notice of not less than 90 days to CWRPDA without prepayment penalty.

The loan was paid in full on October 26, 2010 with proceeds from the issuance of the 2010 Bonds.

Baca Grande Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2010

**\$1,483,750 Loan Agreement, Colorado Water Resources and Power Development Authority,
dated August 19, 2009**

On August 19, 2009, the District entered into a loan agreement with CWRPDA for a maximum principal amount of \$1,483,750. The loan proceeds will be used for distribution system improvements, water main and meter replacements, and well improvements. CWRPDA will disburse moneys to the District upon receipt of a requisition by the District, and approved by CWRPDA and the Colorado Department of Public Health and Environment. The initial principal amount of the loan is zero and the maximum principal amount of the loan is expected to be \$1,483,750. At December 31, 2010, the District had requested and received \$1,022,963 under the loan agreement.

Payments of principal and interest are to be made semi-annually on each June 1 and December 1, beginning December 1, 2010 through June 1, 2029. The loan bears interest at the rate of 2.0% per annum. The District has the option to prepay the loan, in whole or in part, without penalty upon prior written notice of not less than 30 days to CWRPDA.

The 2009 loan agreement contains a restrictive covenant which requires the District to maintain a three-month operating reserve (see Note 3). At December 31, 2010, the District had provided for but did not fully fund the operating reserve, which may be a violation of this covenant.

Promissory Note Payable

The District executed an annually appropriated promissory note payable to Alamosa State Bank on May 5, 2009 in the original amount of \$25,121. The proceeds from the note were used to purchase a vehicle. Payments of \$502, including principal and interest at the rate of 7.25%, are due on the fifth of each month beginning June 5, 2009 through May 5, 2014. The District may pay all or a portion of the amount earlier than it is due without penalty. The note was paid in full during 2010.

Baca Grande Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2010

Debt maturities

Debt maturities for the next five years and to maturity are as follows:

Year Ended December 31,	Principal	Interest	Total
2011	\$ 26,195	\$ 290,051	\$ 316,246
2012	-	263,250	263,250
2013	-	263,250	263,250
2014	-	263,250	263,250
2015	50,000	263,250	313,250
2016-2020	350,000	1,292,125	1,642,125
2021-2025	600,000	1,193,750	1,793,750
2026-2030	1,000,000	1,012,000	2,012,000
2031-2035	1,415,000	718,500	2,133,500
2036 -2040	1,990,000	314,500	2,304,500
	<u>\$5,431,195</u>	<u>\$5,873,926</u>	<u>\$11,305,121</u>

The above debt maturities do not include the 2009 CWRPDA Loan. The principal amount of the loan is "filled-up" as the District submits requisitions. The requisition dates and amounts and the resulting principal and interest payment amounts cannot be predicted with certainty.

Refunding

On October 26, 2010, the District refunded and paid the following financial obligations by the issuance of \$3,995,000 General Obligation Refunding and Improvement Bonds, Series 2010 (refunding component of the \$5,405,000 issue) with an average interest rate of 4.93%.

	Dated	Principal Refunded	Average Interest Rate
General Obligation Bonds, Series 2009	May 21, 2009	\$ 3,105,000	7.86%
2001 CWRPDA Loan	December 20, 2001	544,434	4.00%
2007 Wells Fargo Capital Lease	January 19, 2007	174,717	4.20%
		<u>\$ 3,824,151</u>	

The District refunded the financial obligations to reduce its total debt service payments over the next 30 years by almost \$243,058 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$772,925.

Baca Grande Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2010

In the government-wide statements, the District incurred a cost on bond refunding in the amount of \$275,881, which has been deferred and is being amortized over the life of the refunded 2009 bonds.

Debt authorization

On November 4, 2008, a majority of the eligible electors of the District authorized the issuance of indebtedness in an amount not to exceed \$6,000,000 at 8.5% per annum. Of this amount, \$3,000,000 was for purposes of improving the water system, and \$3,000,000 was for purposes of improving the sewer system. On May 4, 2010, a majority of the eligible electors of the District authorized the issuance of indebtedness in an amount not to exceed \$6,000,000 at 8.5% per annum, primarily for the purpose of refunding prior debt. At December 31, 2010, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

<u>Purpose</u>	<u>Authorized in 2008 and 2010</u>	<u>Used by 2009 Bonds and Note</u>	<u>Used by 2010 Bonds</u>	<u>Authorized But Unissued</u>
Water supply	\$ 3,000,000	\$ 2,039,234	\$ 960,000	\$ 766
Sanitary sewer	3,000,000	2,549,516	450,000	484
Refunding	6,000,000	-	3,995,000	2,005,000
Total	<u>\$ 12,000,000</u>	<u>\$ 4,588,750</u>	<u>\$ 5,405,000</u>	<u>\$ 2,006,250</u>

Capital Lease

\$333,722 Capital Lease, 2007 (Refinance and New Money)

On January 19, 2007, the District entered into a capital lease with Wells Fargo in the principal amount of \$333,722 with interest payable at 4.2% annually. Annual payments of \$48,360 are due March 30 with the final payment due in 2014.

The lease was paid in full on October 26, 2010 with proceeds from the issuance of the 2010 Bonds.

Note 6 – Net assets

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, loans, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Baca Grande Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2010

As of December 31, 2010, the District had invested in capital assets, net of related debt as follows:

	<u>Business- type Activities</u>
Capital assets, not being depreciated	\$ 1,986,157
Capital assets, net	6,805,881
Current portion of long-term debt	(88,861)
Long-term debt due in more than one year	(6,245,243)
Unspent bond proceeds	2,401,258
Invested in capital assets, net of related debt	<u>\$ 4,859,192</u>

Restricted assets include net assets that are restricted for use either externally imposed by creditors, net grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The purposes for the restrictions of net assets are described in Note 3. As of December 31, 2010, the District had restricted net assets as follows:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>
Emergency reserves	\$ 39,200	\$ -
Loan operating reserve requirement	70,537	213,719
Bond debt service	-	164,756
Restricted net assets	<u>\$ 109,737</u>	<u>\$ 378,475</u>

As of December 31, 2010, the District had an unrestricted (deficit) of \$(319,371).

Note 7 – Pension plan

Plan description

The District contributes to the Local Government Division Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension plan and to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer post employment healthcare plan. Both the LGDTF and the HCTF are administered by the Public Employees' Retirement Association of Colorado (PERA). Prior to January 1, 2006, the LGDTF was known as the Municipal Division Trust Fund (MDTF). The LGDTF provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. All employees of the District are members of the LGDTF and HCTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended,

Baca Grande Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2010

assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for LGDTF and HCTF. That report may be obtained by writing to PERA of Colorado, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372). The PERA website can be accessed by www.copera.org.

Basis of accounting

The financial statements of the LGDTF and HCTF are prepared using the accrual basis of accounting. Member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The LGDTF and HCTF plan investments are presented at fair value except for short-term investments that are recorded at cost, which approximates fair value.

Funding Policy

The District is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements of plan members and the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.0% and for the District is 11.9% of covered salary.

The District's total contributions to PERA for the years ended December 31, 2010, 2009, 2008, 2007, and 2006, were \$34,506, \$31,616, \$19,442, \$35,746, and \$32,541, respectively, and were equal to their required contributions for each year.

Note 8 – Interfund and operating transfers

The transfer of \$375,654 from the General Fund to the Enterprise Fund was for the purpose of assisting with operating costs of the Enterprise Fund.

Note 9 – Risk management

Except as may be provided in and by the Colorado Governmental Immunity Act, Section 24-10-101, et seq., C.R.S., as may be amended from time to time, the District may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District was a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2010. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

Baca Grande Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2010

The District pays annual premiums to the Pool for liability, property, public officials and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 10 – Tax, spending and debt limitations

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

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's Board of Directors has adopted a resolution establishing an enterprise to operate its water and sanitation activities. The District's management believes its water and sanitation operations qualify for this exclusion.

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. As of December 31, 2010, the District had provided for but did not fund the emergency reserves, which may be a violation of the Constitutional Amendment.

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

On November 3, 1998, the voters approved a ballot which stated that the District is authorized to collect, retain, and expend all revenues including grants and other funds collected during 1998 and each subsequent year from any source, notwithstanding the limitations of Article X, Section 20 of the Colorado constitution, effective January 1, 1998, provided, however, that no property tax mill levy be increased at any time nor shall any new tax be imposed without the prior approval of the voters.

On November 4, 2008, the District electors approved the following ballot question:

Shall Baca Grande Water and Sanitation District taxes be increased \$700,000 annually, commencing in collection year 2009, or by such greater or annual amount as may be derived from an ad valorem mill levy not in excess of 50 mills annually (provided that such maximum mill levy shall be adjusted up or down to account for changes in law or the method by which assessed valuation is calculated occurring after 2008, so that to the extent possible, the actual tax revenues

Baca Grande Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2010

generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes), the revenues there from to be used for the purpose of paying the District's operations, maintenance, and other expenses, such taxing authority, if approved, to replace any previous taxing authority for operational purposes heretofore approved or exercised; and shall the proceeds of such taxes and investment income thereon be collected and spent by the District as a voter-approved revenue change in 2009 and in each year thereafter, without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, or Section 29-1-30 (1), Colorado Revised Statutes, and without limiting in any year the amount of other revenues that may be collected and spent by the District?

Note 11 – Restatement

A retroactive adjustment of \$173,671 was applied to funds available – beginning of year for the year ended December 31, 2010 in the Enterprise Fund.

SUPPLEMENTAL INFORMATION

Baca Grande Water and Sanitation District

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
ENTERPRISE FUND**

For the Year Ended December 31, 2010

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Water and sewer fees	\$ 396,000	\$ 395,000	\$ 400,205	\$ 5,205
Availability of service fees	77,000	74,672	74,992	320
Availability of service deferral recognition	40,135	-	95,675	95,675
Fire hydrant revenue	19,000	26,835	27,081	246
System improvement fees	65,000	69,769	72,053	2,284
Tap fees	114,000	75,000	73,824	(1,176)
Reimbursed expenditures	-	1,600	1,600	-
Miscellaneous revenue	13,500	30,057	41,647	11,590
Property taxes	187,299	187,299	176,948	(10,351)
Payments in lieu of taxes	15,000	12,000	-	(12,000)
Specific ownership taxes	22,476	22,179	20,777	(1,402)
Grant income	317,638	25,000	10,778	(14,222)
Interest income	500	9,750	10,235	485
Transfer from other funds	340,000	412,000	375,654	36,346
Total revenues	<u>1,607,548</u>	<u>1,341,161</u>	<u>1,381,469</u>	<u>113,000</u>
Expenditures				
Operations				
Availability of service deferral transfer	40,135	-	-	-
Bond issue costs	-	292,277	293,527	(1,250)
County Treasurer's fees	-	5,619	5,445	174
CDPHE fines	100,000	-	-	-
Insurance	20,000	19,160	19,660	(500)
Office expense	40,700	43,473	45,495	(2,022)
Operating expenses	23,000	23,950	30,992	(7,042)
Professional fees	85,000	111,000	127,073	(16,073)
Repair and maintenance	80,200	114,882	87,996	26,886
Salaries and benefits	360,500	310,181	330,422	(20,241)
Small tools and supplies	15,000	15,000	15,557	(557)
Testing	6,000	11,000	11,252	(252)
Trustee and paying agent fees	-	1,000	500	500
Utilities	92,550	105,027	123,509	(18,482)
Utility billing	5,000	9,500	11,565	(2,065)
Vehicle operations	35,000	23,500	33,562	(10,062)
Water costs	65,000	65,000	71,564	(6,564)
Contingency	-	251,869	-	251,869
Total operations expenditures	<u>968,085</u>	<u>1,402,438</u>	<u>1,208,119</u>	<u>194,319</u>

(continued)

Baca Grande Water and Sanitation District
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
ENTERPRISE FUND

For the Year Ended December 31, 2010

(continued)

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
Expenditures (continued)				
Debt service				
Principal	136,679	857,656	130,054	727,602
Interest	211,303	117,533	154,804	(37,271)
Capital outlay	3,005,611	2,732,549	1,724,400	1,008,149
Total expenditures	<u>4,321,678</u>	<u>5,110,176</u>	<u>3,217,377</u>	<u>1,892,799</u>
Excess of revenues over (under) expenditures	(2,714,130)	(3,769,015)	(1,835,908)	2,005,799
Other financing sources (uses)				
Debt issue proceeds	1,162,042	6,459,457	6,038,790	(420,667)
Bond premium	-	173,484	173,484	-
Payment to refunding escrow	-	(3,372,649)	(3,929,057)	(556,408)
Total other financing sources (uses)	<u>1,162,042</u>	<u>3,260,292</u>	<u>2,283,217</u>	<u>(977,075)</u>
Excess of revenues and other financing sources over (under) expenditures	(1,552,088)	(508,723)	447,309	1,028,724
Funds available - beginning of year (restated)	<u>1,967,743</u>	<u>8,029,444</u>	<u>1,679,606</u>	<u>(6,349,838)</u>
Funds available - end of year	<u>\$ 415,655</u>	<u>\$ 7,520,721</u>	<u>\$ 2,126,915</u>	<u>\$ (5,393,806)</u>

Baca Grande Water and Sanitation District
RECONCILIATION OF ACTUAL (BUDGETARY BASIS) TO STATEMENT
OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
ENTERPRISE FUND

For the Year Ended December 31, 2010

Revenues (budgetary basis)	\$	7,593,743
Debt issue proceeds		(6,038,790)
Bond premium		(173,484)
Total revenues per Statement of Revenues, Expenses and		
Changes in Net Assets		1,381,469
Expenditures (budgetary basis)		7,146,434
Depreciation		357,128
Amortization of bond issue costs		14,856
Amortization of bond premium		(1,513)
Debt principal payments		(130,054)
Debt interest paid from refunding escrow		73,856
Bond issue costs		(293,527)
Capital outlay		(1,724,400)
Transfer to refunding escrow		(3,929,057)
Total expenses per Statement of Revenues, Expenses and		
Changes in Net Assets		1,513,723
Change in net assets per Statement of Revenues, Expenses		
and Changes in Net Assets	\$	(132,254)

Baca Grande Water and Sanitation District
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2010

<u>Year Ended December 31,</u>	\$200,000 Water and Wastewater Revenue Bonds, Series 2003 Principal Due December 15, Interest Rate 4.6% Payable December 15			\$5,405,000 General Obligation Bonds, Series 2010 Principal Due December 1, Interest Rate 2.75% to 4.77% Payable June 1 and December 1		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 26,195	\$ 1,207	\$ 27,402	\$ -	\$ 288,844	\$ 288,844
2012	-	-	-	-	263,250	263,250
2013	-	-	-	-	263,250	263,250
2014	-	-	-	-	263,250	263,250
2015	-	-	-	50,000	263,250	313,250
2016	-	-	-	50,000	261,875	311,875
2017	-	-	-	50,000	260,375	310,375
2018	-	-	-	50,000	258,875	308,875
2019	-	-	-	100,000	257,250	357,250
2020	-	-	-	100,000	253,750	353,750
2021	-	-	-	110,000	250,250	360,250
2022	-	-	-	115,000	244,750	359,750
2023	-	-	-	120,000	239,000	359,000
2024	-	-	-	125,000	233,000	358,000
2025	-	-	-	130,000	226,750	356,750
2026	-	-	-	140,000	220,250	360,250
2027	-	-	-	195,000	213,250	408,250
2028	-	-	-	210,000	203,500	413,500
2029	-	-	-	220,000	193,000	413,000
2030	-	-	-	235,000	182,000	417,000
2031	-	-	-	250,000	170,250	420,250
2032	-	-	-	265,000	157,750	422,750
2033	-	-	-	280,000	144,500	424,500
2034	-	-	-	300,000	130,500	430,500
2035	-	-	-	320,000	115,500	435,500
2036	-	-	-	335,000	99,500	434,500
2037	-	-	-	355,000	82,750	437,750
2038	-	-	-	410,000	65,000	475,000
2039	-	-	-	435,000	44,500	479,500
2040	-	-	-	455,000	22,750	477,750
	<u>\$ 26,195</u>	<u>\$ 1,207</u>	<u>\$ 27,402</u>	<u>\$ 5,405,000</u>	<u>\$ 5,872,719</u>	<u>\$ 11,277,719</u>

SUPPLEMENTAL INFORMATION

Series 2003 Bonds are subject to optional redemption on any interest payment date without redemption premium.
Series 2010 Bonds are subject to optional redemption on December 1, 2020 without redemption premium.

(continued)

Baca Grande Water and Sanitation District
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2010
(continued)

<u>Year Ended</u> <u>December 31,</u>	<u>Total</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 26,195	\$ 290,051	\$ 316,246
2012	-	263,250	263,250
2013	-	263,250	263,250
2014	-	263,250	263,250
2015	50,000	263,250	313,250
2016	50,000	261,875	311,875
2017	50,000	260,375	310,375
2018	50,000	258,875	308,875
2019	100,000	257,250	357,250
2020	100,000	253,750	353,750
2021	110,000	250,250	360,250
2022	115,000	244,750	359,750
2023	120,000	239,000	359,000
2024	125,000	233,000	358,000
2025	130,000	226,750	356,750
2026	140,000	220,250	360,250
2027	195,000	213,250	408,250
2028	210,000	203,500	413,500
2029	220,000	193,000	413,000
2030	235,000	182,000	417,000
2031	250,000	170,250	420,250
2032	265,000	157,750	422,750
2033	280,000	144,500	424,500
2034	300,000	130,500	430,500
2035	320,000	115,500	435,500
2036	335,000	99,500	434,500
2037	355,000	82,750	437,750
2038	410,000	65,000	475,000
2039	435,000	44,500	479,500
2040	455,000	22,750	477,750
	<u>\$ 5,431,195</u>	<u>\$ 5,873,926</u>	<u>\$ 11,305,121</u>

The 2009 CWRPDA Loan is not displayed in the above schedule because the principal and interest payment amounts cannot be predicted with certainty.