

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

FINANCIAL STATEMENTS

with Independent Auditor's Report

December 31, 2009

Baca Grande Water and Sanitation District

TABLE OF CONTENTS

December 31, 2009

Independent auditor’s report..... 1

Basic financial statements

Government-wide financial statements:

 Statement of net assets.....2

 Statement of activities3

Fund financial statements:

 Balance sheet – governmental funds 4

 Statement of revenues, expenditures, and changes in fund balances –
 governmental funds 5

 Statement of revenues, expenditures, and changes in fund balances –
 budget and actual – general fund..... 6

 Statement of net assets - proprietary fund 7

 Statement of revenues, expenses, and changes in net assets – proprietary fund 8

 Statement of cash flows - proprietary fund..... 10

Notes to financial statements..... 12

Supplemental information

 Schedule of revenues, expenditures, and changes in funds available -
 budget and actual (budgetary basis) – enterprise fund 30

 Reconciliation of actual (budgetary basis) to statement of revenues,
 expenses, and changes in net assets – enterprise fund 32

 Schedule of debt service requirements to maturity 33



**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, 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 District's management. Our responsibility is to express an opinion 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 opinion.

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, 2009, 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

Golden, Colorado
July 22, 2010

BASIC FINANCIAL STATEMENTS

Baca Grande Water and Sanitation District

STATEMENT OF NET ASSETS

December 31, 2009

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 4,555	\$ -	\$ 4,555
Cash and investments - restricted	281,058	1,825,209	2,106,267
Accounts receivable, net of allowance for for uncollectibles	-	112,986	112,986
Taxes receivable - current	4,950	-	4,950
Taxes receivable - ensuing year	550,352	187,299	737,651
Prepaid expenses	-	2,079	2,079
Bond issuance costs, net of amortization	-	299,607	299,607
Capital assets, net of accumulated depreciation	-	7,424,766	7,424,766
Total assets	<u>840,915</u>	<u>9,851,946</u>	<u>10,692,861</u>
LIABILITIES			
Accounts payable	38,318	17,338	55,656
Accrued interest payable	-	11,992	11,992
Payroll taxes payable	-	10,663	10,663
Deferred taxes receivable	550,352	187,299	737,651
Deferred availability of service fees	-	95,675	95,675
Accrued fines	-	125,000	125,000
Noncurrent liabilities:			
Due within one year	-	104,934	104,934
Due in more than one year	-	4,248,495	4,248,495
Total liabilities	<u>588,670</u>	<u>4,801,396</u>	<u>5,390,066</u>
NET ASSETS			
Invested in capital assets, net of related debt	-	4,952,025	4,952,025
Restricted			
Emergency reserves	28,000	-	28,000
Loan operating reserve requirement	253,058	13,279	266,337
Bond debt service	-	230,849	230,849
Unrestricted (deficit)	<u>(28,813)</u>	<u>(145,603)</u>	<u>(174,416)</u>
Total net assets	<u>\$ 252,245</u>	<u>\$ 5,050,550</u>	<u>\$ 5,302,795</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, 2009

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	\$ 377,581	\$ -	\$ -	\$ (377,581)	\$ -	\$ (377,581)
Total primary government	<u>\$ 377,581</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (377,581)</u>	<u>\$ -</u>	<u>\$ (377,581)</u>
Business-type activities:						
Water and sanitation	\$1,179,744	\$ 547,817	\$ 43,319	-	(588,608)	(588,608)
Interest on long-term debt and related costs	142,213	-	-	-	(142,213)	(142,213)
Total primary government	<u>\$1,321,957</u>	<u>\$ 547,817</u>	<u>\$ 43,319</u>	<u>\$ -</u>	<u>\$ (730,821)</u>	<u>\$ (730,821)</u>
General revenues:						
Property taxes		635,856			-	635,856
Specific ownership taxes		81,037			-	81,037
Payments in lieu of taxes		-			10,540	10,540
Net investment income		6,766			7,907	14,673
Transfer (to) from other funds		(135,406)			135,406	-
Total general revenues		<u>588,253</u>			<u>153,853</u>	<u>742,106</u>
Change in net assets		210,672			(576,968)	(366,296)
Net assets - beginning of year (restated)		41,573			5,627,518	5,669,091
Net assets - end of year		<u>\$ 252,245</u>			<u>\$ 5,050,550</u>	<u>\$ 5,302,795</u>

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, 2009

	<u>General</u>
ASSETS	
Cash and investments	\$ 4,555
Cash and investments - restricted	281,058
Taxes receivable - current	4,950
Taxes receivable - ensuing year	550,352
Total assets	<u>\$ 840,915</u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts payable	\$ 38,318
Deferred taxes receivable	550,352
Total liabilities	<u>588,670</u>
Fund balances	
Reserved for emergencies	28,000
Loan operating reserve requirement	253,058
Designated for subsequent year's expenditures	296,139
Unreserved undesignated (deficit)	(324,952)
Total fund balances	<u>252,245</u>
Total liabilities and fund balances	<u>\$ 840,915</u>
Net assets of governmental activities	<u>\$ 252,245</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, 2009

	General
Revenues	
Property taxes	\$ 635,856
Specific ownership taxes	81,037
Interest income	6,766
Total revenues	723,659
Expenditures	
General government	
Audit	13,500
County Treasurer's fees	19,247
Director's fees	7,303
Legal fees	169,298
Management	94,258
Miscellaneous expense	4,531
Professional services	69,444
Total expenditures	377,581
Excess of revenues over expenditures	346,078
Other financing (uses)	
Transfer to other funds	(135,406)
Total other financing (uses)	(135,406)
Net change in fund balance	210,672
Fund balance - beginning of year	41,573
Fund balance - end of year	\$ 252,245
Change in net assets of governmental activities	\$ 210,672

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, 2009

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Property taxes	\$ 569,159	\$ 646,452	\$ 635,856	\$ (10,596)
Specific ownership taxes	45,533	87,131	81,037	(6,094)
Capital cost reimbursement	-	208,538	-	(208,538)
Investment income	4,015	5,879	6,766	887
Total revenues	<u>618,707</u>	<u>948,000</u>	<u>723,659</u>	<u>(224,341)</u>
Expenditures				
General government				
Audit	10,000	9,500	13,500	(4,000)
County Treasurer's fees	17,075	19,394	19,247	147
Director's fees	8,000	8,000	7,303	697
Legal fees	60,000	145,000	169,298	(24,298)
Management	45,000	90,000	94,258	(4,258)
Miscellaneous expense	9,450	-	4,531	(4,531)
Professional services	120,000	99,629	69,444	30,185
Total expenditures	<u>269,525</u>	<u>371,523</u>	<u>377,581</u>	<u>(6,058)</u>
Excess of revenues over (under) expenditures	349,182	576,477	346,078	(230,399)
Other financing (uses)				
Emergency reserve	(17,504)	(11,146)	-	11,146
Transfer to other funds	(313,954)	(310,764)	(135,406)	175,358
Total other financing (uses)	<u>(331,458)</u>	<u>(321,910)</u>	<u>(135,406)</u>	<u>186,504</u>
Net change in fund balance	17,724	254,567	210,672	(43,895)
Fund balance - beginning of year	<u>114,265</u>	<u>41,572</u>	<u>41,573</u>	<u>1</u>
Fund balance - end of year	<u>\$ 131,989</u>	<u>\$ 296,139</u>	<u>\$ 252,245</u>	<u>\$ (43,894)</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, 2009

**Water and Sewer
Enterprise
Fund**

ASSETS

Cash and investments	\$ -
Cash and investments - restricted	1,825,209
Accounts receivable, net of allowance for uncollectibles	112,986
Taxes receivable - ensuing year	187,299
Prepaid expenses	2,079
Bond issuance costs, net of amortization	299,607
Capital assets, net of accumulated depreciation	7,424,766
Total assets	<u>9,851,946</u>

LIABILITIES

Accounts payable	17,338
Accrued interest payable	11,992
Payroll taxes payable	10,663
Deferred taxes receivable	187,299
Accrued fines	125,000
Deferred availability of service fees	95,675
Noncurrent liabilities:	
Due within one year	104,934
Due in more than one year	4,248,495
Total liabilities	<u>4,801,396</u>

NET ASSETS

Invested in capital assets, net of related debt	4,952,025
Restricted	
Loan operating reserve requirement	13,279
Bond debt service	230,849
Unrestricted (deficit)	(145,603)
Total net assets	<u>\$ 5,050,550</u>

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, 2009

	Water and Sewer Enterprise Fund
Operating revenues	
Water and sewer fees	\$ 369,277
Availability of service fees	28,340
Fire hydrant revenue	27,316
System improvement fees	63,205
Reimbursed expenditures	26,327
Miscellaneous revenue	33,352
Total operating revenues	547,817
Operating expenses	
Depreciation	354,430
Fines	125,000
Insurance	17,667
Office expense	53,102
Operating expenses	36,602
Professional fees	15,719
Repair and maintenance	68,604
Salaries and benefits	285,858
Small tools and supplies	19,899
Testing	15,301
Utilities	97,649
Utility billing	3,109
Vehicle operations	33,455
Water costs	53,349
Total operating expenditures	1,179,744
Operating (loss)	(631,927)

(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, 2009

(continued)

	Water and Sewer Enterprise Fund
Nonoperating revenues (expenses)	
Payments in lieu of taxes	10,540
Grant income	10,000
Interest income	7,907
Amortization of bond issue costs	(7,349)
Interest expense	(134,864)
Total nonoperating revenues (expenses)	(113,766)
Capital contributions - tap fees	33,319
Transfers in	135,406
Change in net assets	(576,968)
Net assets - beginning of year (restated)	5,627,518
Net assets - end of year	\$ 5,050,550

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, 2009

Cash flows from operating activities	
Cash received from customers	\$ 538,750
Cash payments to employees for services	(277,189)
Cash payments to suppliers for goods and services	(412,826)
Net cash (used) by operating activities	<u>(151,265)</u>
Cash flows from noncapital financing activities	
Transfers in from governmental activities	135,406
Net cash provided by noncapital financing activities	<u>135,406</u>
Cash flows from capital and related financing activities	
Tap fees received	33,319
Acquisition of capital assets	(788,110)
Debt issue proceeds	3,519,293
Principal paid on debt	(513,004)
Interest paid on debt	(134,864)
Bond issue costs	(306,956)
Payments in lieu of taxes	10,540
Grant income	10,000
Net cash provided by capital and related financing activities	<u>1,830,218</u>
Cash flows from investing activities	
Investment earnings received	7,907
Net cash provided by investing activities	<u>7,907</u>
Net increase in cash and cash equivalents	1,822,266
Cash and cash equivalents - beginning of year	<u>2,943</u>
Cash and cash equivalents - end of year	<u>\$ 1,825,209</u>

(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, 2009

(continued)

Reconciliation of operating income to net cash

(used) by operating activities

Operating loss	\$ (631,927)
Adjustments to reconcile operating loss to net cash (used) by operating activities	
Depreciation	354,430
(Increase) decrease in:	
Accounts receivable	(56,071)
Prepaid expenses	(2,079)
Increase (decrease) in:	
Accounts payable	3,709
Payroll taxes payable	8,669
Accrued availability of service fees	47,004
Accrued fines	125,000
Net cash (used) by operating activities	<u>\$ (151,265)</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, 2009

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, 2009

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 a liability is incurred or the long-term obligation is paid.

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, 2009

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, 2009.

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 normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or 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, 2009

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

Amortization of bond issue costs

Bond issue costs are deferred and are being amortized over the respective term of the bonds, using the interest method. Amortization expense for bond issue costs amounted to \$7,349 for the year ended December 31, 2009. Accumulated amortization of bond issue costs totaled \$7,349 at December 31, 2009.

Capital assets

Capital assets include land, a water plant and distribution systems, a sewage treatment plant and collection systems and related improvements and equipment. 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.

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

Baca Grande Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2009

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 9).

Reserved fund balance

Article X, Section 20 of the Constitution of the State of Colorado requires the District to establish emergency reserves (see Note 9). At December 31, 2009, \$28,000 of the general fund balance has been reserved in compliance with this requirement.

Designated Fund Balance

The amount classified as "designated for subsequent year's expenditures" at December 31, 2009, represents the amount appropriated for use in the budget for the year ending 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 approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The total appropriation can only be modified upon completion of notification and publication requirements.

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.

Baca Grande Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2009

During the year ended December 31, 2009, supplementary appropriations approved by the District modified each fund's appropriation as follows:

	<u>Original Appropriations</u>	<u>Modified Appropriations</u>
General fund	\$ 600,983	\$ 693,433
Enterprise fund	\$ 949,891	\$ 1,596,678
Debt service fund	\$ 226,200	\$ 86,035
Capital projects fund	\$ 2,212,362	\$ 1,809,439

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.

Note 3 – Cash and investments

Cash and investments are reflected on the December 31, 2009 Statement of Net Assets as follows:

Cash and investments	\$ 4,555
Cash and investments - restricted	2,106,267
Total cash and investments	<u>\$ 2,110,822</u>

Cash and investments as of December 31, 2009 consist of the following:

Deposits with financial institutions	\$ 1,879,973
Investments	230,849
Total cash and investments	<u>\$ 2,110,822</u>

At December 31, 2009, the District's cash deposits had bank balances of \$1,767,362 and carrying balances of \$1,879,973.

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, 2009,

Baca Grande Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2009

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 equal to 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, 2009, the District's bank balances and carrying balances were insured or collateralized as follows:

Bank balances:	
Federally insured	\$ 262,248
Collateralized	1,505,114
Total bank balances	<u>\$ 1,767,362</u>
Carrying balances:	
Federally insured	\$ 262,603
Collateralized	1,617,370
Total carrying balances	<u>\$ 1,879,973</u>

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

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

- . Obligations of the United States and certain U.S. government agency securities
- . Certain international agency securities
- . General obligation and revenue bonds of U.S. local government entities
- . Bankers' acceptances of certain banks

Baca Grande Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2009

- . Commercial paper
- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

The local government investment pool, Colorado Local Government Liquid Asset Trust (Colotrust) is rated AAAM by Standard and Poor's.

As of December 31, 2009, the District had the following investments, recorded at fair value:

<u>Investment</u>	<u>Maturity</u>	
Colorado Liquid Asset Trust (Colotrust)	Less than 60 days	<u><u>\$ 230,849</u></u>

COLOTRUST

The District invests 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 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. As of December 31, 2009, the District had \$230,849 invested in COLOTRUST PLUS+.

Restricted cash and investments

As of December 31, 2009, unspent bond proceeds were restricted for the costs to improve various components of the water and sewer systems of \$1,581,081 and to pay future interest on the bonds of \$230,849.

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. As of December 31, 2009, the required operating reserve was \$266,337.

Baca Grande Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2009

The District had restricted cash of \$28,000 for emergencies as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 9), as of December 31, 2009.

Note 4 – Capital assets

Capital asset activity for the year ended December 31, 2009 was as follows:

	Balance at December 31, 2008	Increases	Decreases	Balance at December 31, 2009
<u>Business-type activities</u>				
Capital assets, not being depreciated				
Land	\$ 51,423	\$ -	\$ -	\$ 51,423
Construction in progress	-	599,532	-	599,532
Total capital assets, not being depreciated	<u>51,423</u>	<u>599,532</u>	<u>-</u>	<u>650,955</u>
Capital assets being depreciated				
Water plant and distribution system	5,835,816	-	-	5,835,816
Sewer plant and collection system	6,534,966	143,975	-	6,678,941
Machinery and equipment	-	44,603	-	44,603
Total capital assets being depreciated	<u>12,370,782</u>	<u>188,578</u>	<u>-</u>	<u>12,559,360</u>
Less accumulated depreciation for				
Water plant and distribution system	2,768,041	166,398	-	2,934,439
Sewer plant and collection system	2,663,078	179,112	-	2,842,190
Machinery and equipment	-	8,920	-	8,920
Total accumulated depreciation	<u>5,431,119</u>	<u>354,430</u>	<u>-</u>	<u>5,785,549</u>
Total capital assets being depreciated, net	<u>6,939,663</u>	<u>(165,852)</u>	<u>-</u>	<u>6,773,811</u>
Capital assets, net	<u>\$ 6,991,086</u>	<u>\$ 433,680</u>	<u>\$ -</u>	<u>\$ 7,424,766</u>

Depreciation expense of \$354,430 for the year ended December 31, 2009 was charged to the enterprise fund operations.

Baca Grande Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2009

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, 2009:

	Balance at December 31, 2008	Additions	Reductions	Balance at December 31, 2009	Due Within One Year
<u>Business-type activities</u>					
2003 Revenue Bonds	\$ 75,177	\$ -	\$ 23,940	\$ 51,237	\$ 25,076
2009 G.O. Bonds	-	3,105,000	-	3,105,000	-
2001 CWRPDA Loan	605,867	-	34,580	571,287	35,984
2009 CWRPDA Loan	-	389,173	-	389,173	-
2009 Note Payable	-	25,120	2,474	22,646	4,506
Capital Leases	666,096	-	452,010	214,086	39,368
	<u>\$ 1,347,140</u>	<u>\$ 3,519,293</u>	<u>\$ 513,004</u>	<u>\$ 4,353,429</u>	<u>\$ 104,934</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

On May 21, 2009, the District issued \$3,105,000 in General Obligation Bonds for the purpose of funding certain capital improvements to various components of the water and sewer systems. Proceeds from the sale of the bonds were also used to refund the 2005 capital lease obligation, provide funds to pay future bond interest, and to pay the costs of issuance of the bonds.

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, 2009

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 redemption premium does not apply to the first \$600,000 in aggregate principal redeemed if the source of revenue used to redeem the bonds is obtained from the State or any other governmental entity, or is a result of revenue obtained from such sources, at an interest rate which is lower than the then-applicable interest rate on the bonds.

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.

\$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, 2009, the District had requested and received \$389,173 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 2001 and 2009 loan agreements contain a restrictive covenant which requires the District to maintain a three-month operating reserve (see Note 3). At December 31, 2009, the District was in compliance with this covenant.

Baca Grande Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2009

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.

Debt maturities

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

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 65,566	\$ 189,204	\$ 254,770
2011	68,455	186,247	254,702
2012	49,181	183,153	232,334
2013	56,162	180,909	237,071
2014	59,656	228,589	288,245
2015-2019	468,103	1,324,997	1,793,100
2020-2024	683,047	1,147,128	1,830,175
2025-2029	965,000	825,350	1,790,350
2030-2033	1,335,000	292,400	1,627,400
	<u>\$3,750,170</u>	<u>\$4,557,977</u>	<u>\$8,308,147</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.

Debt authorization

On November 4, 2008, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$6,000,000 at an interest rate not to exceed 8.5% per annum. At December 31, 2009, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

Baca Grande Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2009

<u>Purpose</u>	<u>Amount Authorized on November 4, 2008</u>	<u>Authorization Used by 2009 Bonds and Note</u>	<u>Authorized But Unissued</u>
Water supply	\$ 3,000,000	\$ 2,039,234	\$ 960,766
Sanitary sewer	3,000,000	2,549,516	450,484
Total	<u>\$ 6,000,000</u>	<u>\$ 4,588,750</u>	<u>\$ 1,411,250</u>

Capital Leases

\$101,750 Capital Lease, 2004 (Lift Stations)

On February 24, 2004, the District entered into a capital lease with Wells Fargo in the principal amount of \$101,750 with interest payable at 3.25% annually. Annual payments of \$22,376 were due February 24 with the final payment made in 2009.

\$508,750 Capital Lease, 2005 (Water Meters and Equipment)

On December 20, 2005, the District entered into a capital lease with Wells Fargo in the principal amount of \$508,750 with interest payable at 4.25% annually. Quarterly payments of \$14,535 were due March 20, June 20, September 20, and December 20, with the final payment due in 2016. The lease was paid off early on May 21, 2009 with proceeds from the issuance of the 2009 general obligation bonds.

\$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.

Annual debt service requirements on capital leases at December 31, 2009 are as follows:

<u>Year Ended December 31,</u>	<u>Capital Leases</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 39,368	\$ 8,992	\$ 48,360
2011	41,022	7,338	48,360
2012	42,745	5,615	48,360
2013	44,540	3,820	48,360
2014	46,411	1,949	48,360
	<u>\$ 214,086</u>	<u>\$ 27,714</u>	<u>\$ 241,800</u>

Baca Grande Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2009

Note 6 – Deferred availability of service fees

The District is allowed to collect availability of service revenue in an amount equal to its debt service of its multi-fiscal year indebtedness. The difference between the amount collected and the debt service is stated as deferred availability of service fees.

Note 7 – 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.

As of December 31, 2009, the District had invested in capital assets, net of related debt as follows:

	Business- type Activities
Capital assets, net	\$ 7,424,766
Unamortized bond issue costs	299,607
Current portion of long-term debt	(104,934)
Long-term debt due in more than one year	(4,248,495)
Unspent bond proceeds	1,581,081
Invested in capital assets, net of related debt	<u>\$ 4,952,025</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, 2009, the District had restricted net assets as follows:

Baca Grande Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2009

	Governmental Activities	Business- type Activities
Emergency reserves	\$ 28,000	\$ -
Loan operating reserve requirement	253,058	13,279
Bond debt service	-	230,849
Restricted net assets	<u>\$ 281,058</u>	<u>\$ 244,128</u>

As of December 31, 2009, the District had an unrestricted (deficit) of \$(174,416).

Note 8 – 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, 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

Baca Grande Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2009

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, 2009, 2008, 2007, 2006, and 2005, were \$31,616, \$19,442, \$35,746, \$32,541, and \$24,900, respectively, and were equal to their required contributions for each year.

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, 2009. 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.

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. The District is not required to establish an emergency reserve as fiscal year spending is comprised of bonded debt service.

Baca Grande Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2009

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 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

Retroactive restatement of deferred availability of service fees of \$257,630 for the enterprise fund was applied to the December 31, 2008 net assets. This restatement was made as a result of the determination that availability of service fees previously collected by the District were eligible to pay principal of and interest on all multi-fiscal year outstanding indebtedness of the District during the years the fees were collected. Previously, the fees were applied to only selected outstanding debt and amounts in excess of the requirements of such debt were deferred.

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, 2009

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Water and sewer fees	\$ 396,000	\$ 396,000	\$ 369,277	\$ (26,723)
Availability of service fees	97,000	97,000	28,340	(68,660)
Fire hydrant revenue	19,000	19,000	27,316	8,316
System improvement fees	65,000	65,000	63,205	(1,795)
Tap fees	30,000	30,000	33,319	3,319
Reimbursed expenditures	-	13,132	26,327	13,195
Miscellaneous revenue	4,000	13,500	33,352	19,852
Property taxes	77,293	-	-	-
Payments in lieu of taxes	15,000	15,000	10,540	(4,460)
Specific ownership taxes	6,183	-	-	-
Grant income	-	10,000	10,000	-
Interest income	12,071	1,600	7,907	6,307
Total revenues	<u>721,547</u>	<u>660,232</u>	<u>609,583</u>	<u>(50,649)</u>
Expenditures				
Operations				
Bond issue costs	-	481,364	306,956	174,408
Insurance	20,000	18,539	17,667	872
Office expense	25,300	50,644	53,102	(2,458)
Operating expenses	45,982	12,230	36,602	(24,372)
Professional fees	-	-	15,719	(15,719)
Repair and maintenance	98,500	81,685	68,604	13,081
Salaries and benefits	265,531	300,822	285,858	14,964
Small tools and supplies	20,000	24,975	19,899	5,076
Testing	13,000	11,928	15,301	(3,373)
Utilities	113,400	85,661	97,649	(11,988)
Utility billing	-	5,901	3,109	2,792
Vehicle operations	40,000	36,440	33,455	2,985
Water costs	93,600	65,000	53,349	11,651
Total operations expenditures	<u>735,313</u>	<u>1,175,189</u>	<u>1,007,270</u>	<u>167,919</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, 2009

(continued)

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Expenditures (continued)				
Debt service				
Principal	160,098	525,076	513,004	12,072
Interest	280,680	122,138	134,864	(12,726)
Capital outlay	2,212,362	725,767	788,110	(62,343)
Total expenditures	<u>3,388,453</u>	<u>2,548,170</u>	<u>2,443,248</u>	<u>104,922</u>
Excess of revenues over (under) expenditures	(2,666,906)	(1,887,938)	(1,833,665)	54,273
Other financing sources				
Debt issue proceeds	-	3,451,829	3,519,293	67,464
Transfer from other funds	313,954	310,764	135,406	175,358
Total other financing sources	<u>313,954</u>	<u>3,762,593</u>	<u>3,654,699</u>	<u>242,822</u>
Excess of revenues and other financing sources over (under) expenditures	(2,352,952)	1,874,655	1,821,034	297,095
Funds available - beginning of year	<u>2,894,575</u>	<u>93,088</u>	<u>32,243</u>	<u>(60,845)</u>
Funds available - end of year	<u>\$ 541,623</u>	<u>\$ 1,967,743</u>	<u>\$ 1,853,277</u>	<u>\$ (114,466)</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, 2009

Revenues (budgetary basis)	\$	4,264,282
Debt issue proceeds		(3,519,293)
Total revenues per Statement of Revenues, Expenses and Changes in Net Assets		744,989
Expenditures (budgetary basis)		2,443,248
Depreciation		354,430
Amortization		7,349
Fines accrued to be paid on date uncertain		125,000
Debt principal payments		(513,004)
Bond issue costs		(306,956)
Capital outlay		(788,110)
Total expenses per Statement of Revenues, Expenses and Changes in Net Assets		1,321,957
Change in net assets per Statement of Revenues, Expenses and Changes in Net Assets	\$	(576,968)

Baca Grande Water and Sanitation District
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2009

Year Ended December 31,	\$200,000 Water and Wastewater Revenue Bonds, Series 2003 Principal Due December 15, Interest Rate 4.6% Payable December 15			\$3,105,000 General Obligation Bonds, Series 2009 Principal Due December 1, Interest Rate 5.25% to 8.50% Payable June 1 and December 1		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 25,076	\$ 2,360	\$ 27,436	\$ -	\$ 163,013	\$ 163,013
2011	26,161	1,207	27,368	-	163,013	163,013
2012	-	-	-	5,000	163,013	168,013
2013	-	-	-	10,000	162,750	172,750
2014	-	-	-	15,000	212,438	227,438
2015	-	-	-	35,000	261,375	296,375
2016	-	-	-	45,000	258,400	303,400
2017	-	-	-	45,000	254,575	299,575
2018	-	-	-	50,000	250,750	300,750
2019	-	-	-	55,000	246,500	301,500
2020	-	-	-	65,000	241,825	306,825
2021	-	-	-	65,000	236,300	301,300
2022	-	-	-	110,000	230,775	340,775
2023	-	-	-	145,000	221,425	366,425
2024	-	-	-	160,000	209,100	369,100
2025	-	-	-	165,000	195,500	360,500
2026	-	-	-	180,000	181,475	361,475
2027	-	-	-	190,000	166,175	356,175
2028	-	-	-	210,000	150,025	360,025
2029	-	-	-	220,000	132,175	352,175
2030	-	-	-	305,000	113,475	418,475
2031	-	-	-	320,000	87,550	407,550
2032	-	-	-	345,000	60,350	405,350
2033	-	-	-	365,000	31,025	396,025
	<u>\$ 51,237</u>	<u>\$ 3,567</u>	<u>\$ 54,804</u>	<u>\$ 3,105,000</u>	<u>\$ 4,393,002</u>	<u>\$ 7,498,002</u>

SUPPLEMENTAL INFORMATION

Series 2003 Bonds are subject to optional redemption on any interest payment date without redemption premium.
Series 2009 Bonds are subject to optional redemption on any date before May 31, 2012 with a 1% redemption premium, and thereafter with no premium.
The 2001 CWRPDA Loan may be prepaid without penalty upon prior written notice.

(continued)

Baca Grande Water and Sanitation District

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

December 31, 2009

(continued)

Year Ended December 31,	\$800,000 Loan Agreement, Colorado Water Resources & Power Development Authority, Dated December 20, 2001 Principal and Interest Due March 1, June 1, September 1 and December 1 Interest Rate 4.0%			\$25,121 Promissory Note Payable, Alamosa State Bank Dated May 5, 2009 Principal and Interest Due on the Fifth Day of Each Month Interest Rate 7.25%		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 35,984	\$ 22,316	\$ 58,300	\$ 4,506	\$ 1,515	\$ 6,021
2011	37,445	20,855	58,300	4,849	1,172	6,021
2012	38,966	19,334	58,300	5,215	806	6,021
2013	40,548	17,752	58,300	5,614	407	6,021
2014	42,194	16,106	58,300	2,462	45	2,507
2015	43,907	14,393	58,300	-	-	-
2016	45,690	12,610	58,300	-	-	-
2017	47,545	10,755	58,300	-	-	-
2018	49,476	8,824	58,300	-	-	-
2019	51,485	6,815	58,300	-	-	-
2020	53,575	4,725	58,300	-	-	-
2021	55,751	2,549	58,300	-	-	-
2022	28,721	429	29,150	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
	<u>\$ 571,287</u>	<u>\$ 157,463</u>	<u>\$ 728,750</u>	<u>\$ 22,646</u>	<u>\$ 3,945</u>	<u>\$ 26,591</u>

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

The 2009 Promissory Note Payable may be paid earlier than it is due without penalty.

(continued)

Baca Grande Water and Sanitation District
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2009
(continued)

<u>Year Ended</u> <u>December 31,</u>	<u>Total</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 65,566	\$ 189,204	\$ 254,770
2011	68,455	186,247	254,702
2012	49,181	183,153	232,334
2013	56,162	180,909	237,071
2014	59,656	228,589	288,245
2015	78,907	275,768	354,675
2016	90,690	271,010	361,700
2017	92,545	265,330	357,875
2018	99,476	259,574	359,050
2019	106,485	253,315	359,800
2020	118,575	246,550	365,125
2021	120,751	238,849	359,600
2022	138,721	231,204	369,925
2023	145,000	221,425	366,425
2024	160,000	209,100	369,100
2025	165,000	195,500	360,500
2026	180,000	181,475	361,475
2027	190,000	166,175	356,175
2028	210,000	150,025	360,025
2029	220,000	132,175	352,175
2030	305,000	113,475	418,475
2031	320,000	87,550	407,550
2032	345,000	60,350	405,350
2033	365,000	31,025	396,025
	<u>\$ 3,750,170</u>	<u>\$ 4,557,977</u>	<u>\$ 8,308,147</u>