

**BACA GRANDE WATER AND SANITATION  
DISTRICT**

**FINANCIAL STATEMENTS**

**December 31, 2006**



Wall, Smith, Bateman & Associates, Inc.

Certified Public Accountants

**BACA GRANDE WATER AND SANITATION DISTRICT**  
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**December 31, 2006**

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Baca Grande Water and Sanitation District  
Crestone, Colorado 81131

We have audited the accompanying financial statements of the business-type activities of the Baca Grande Water and Sanitation District (the District), as of and for the year ended December 31, 2006, 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.

Except as discussed in the following paragraph, 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.

Because of the inadequacy of accounting records, we were unable to form an opinion regarding the amounts at which capital assets and accumulated depreciation are recorded in the accompanying statement of net assets at December 31, 2006 (stated \$10,093,661 and \$4,553,600, respectively), or the amount of depreciation expense for the year then ended (stated at \$198,409).

In our opinion, except for the effects of such adjustments, if any, as might have been determined necessary had the accounting records concerning the capital assets and accumulated depreciation been adequate, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Baca Grande Water and Sanitation District, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The District has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has 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 opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The budgetary schedule on pages 15-16 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.

*Wall, Smith, Bateman and Associates, Inc.*

Wall, Smith, Bateman and Associates, Inc.  
Alamosa, Colorado

December 13, 2007

**BACA GRANDE WATER AND SANITATION DISTRICT**  
**STATEMENT OF NET ASSETS**  
**December 31, 2006**

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$	59,147
Accounts Receivable, Net of Allowance for Doubtful Accounts \$45,663		37,944
Due from Other Governments		3,931
Property Taxes Receivable		360,234
<b>Total Current Assets</b>		461,256

**Capital Assets**

Land		51,423
Land Improvements		87,524
Sewage Plant		4,496,286
Water Plant		4,879,095
Machinery and Equipment		516,887
As Built Drawings		7,000
Construction in Progress		55,446
Less Accumulated Depreciation		(4,553,600)
<b>Total Capital Assets</b>		5,540,061

**TOTAL ASSETS**

6,001,317

**LIABILITIES**

**Current Liabilities**

Accounts Payable		51,758
Accrued Interest Payable		743
Payroll Taxes Payable		16,301
Tap Fees Payable		15,000
Long-Term Debt - Current Portion		157,723
Deferred Revenue - Availability of Service		242,653
Deferred Revenue - Property Taxes		360,234
<b>Total Current Liabilities</b>		844,412

**Long-term Liabilities**

Lease Payable		498,307
Bonds Payable		737,163
<b>Total Long-term Liabilities</b>		1,235,470

**TOTAL LIABILITIES**

2,079,882

**NET ASSETS**

Invested in Capital Assets, Net of Related Debt		4,146,868
Restricted for:		
TABOR		30,051
Unrestricted		(255,484)
		(225,433)

**TOTAL NET ASSETS**

\$ 3,921,435

**BACA GRANDE WATER AND SANITATION DISTRICT**  
**STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS**  
**For the Year Ended December 31, 2006**

<b>OPERATING REVENUES</b>	
Water and Sewer Service Charge	\$ 356,911
Fire Hydrant Revenue	9,676
Availability of Service Fees	58,353
System Improvement Fees	71,348
Miscellaneous Revenue	22,067
Hook Up Fees	26,420
	<hr/>
<b>Total Operating Revenues</b>	<b>544,775</b>
	<hr/>
<b>OPERATING EXPENSES</b>	
Salaries and Benefits	374,921
Legal and Accounting Fees	40,366
Repair and Maintenance	170,216
Utilities	90,916
Insurance and Bonds	18,724
Office Expense	36,530
Other Supplies	53,070
Vehicle Operations	39,624
Water Costs	27,279
Testing	8,393
Other	25,181
Interest on Debt	69,049
Depreciation	198,409
	<hr/>
<b>Total Operating Expenses</b>	<b>1,152,678</b>
	<hr/>
<b>Operating Income</b>	<b>(607,903)</b>
	<hr/>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Property Taxes and Specific Ownership Tax, Net	402,023
Interest on Investments	6,520
Rent Income	7,200
Reimbursements	39,769
Other Income	89,458
	<hr/>
<b>Total Nonoperating Revenues (Expenses)</b>	<b>544,970</b>
	<hr/>
Income Before Other Revenue	(62,933)
	<hr/>
<b>Capital Contributions (Water and Sewer Taps and Line Extension Fees)</b>	<b>83,669</b>
	<hr/>
<b>Change in Net Assets</b>	<b>20,736</b>
	<hr/>
<b>Net Assets, Beginning of Year</b>	<b>3,900,699</b>
	<hr/>
<b>Net Assets, End of Year</b>	<b>\$ 3,921,435</b>
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See Notes to the Basic Financial Statements

**BACA GRANDE WATER AND SANITATION DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2006**

	<b>2006</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from Customers	\$ 646,200
Cash payments to Employees	(358,620)
Cash payments for Goods and Services	(534,703)
	(247,123)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Property Taxes	402,023
Reimbursements	39,769
Rent Income	7,200
Other Income	89,458
	538,450
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital Contributions	39,444
Principal and Interest on Debt	(171,985)
Additions to Plant and Equipment	(722,106)
Debt Proceeds	15,000
	(839,647)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Income	6,520
	6,520
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(541,800)
<b>Cash and Cash Equivalents, Beginning of Year</b>	600,947 ✓
<b>Cash and Cash Equivalents, End of Year</b>	\$ 59,147 ✓
<b>Interest Paid on Notes Payable and Leases Payable</b>	\$ 69,049
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating Income (Loss)	\$ (563,678)
Adjustments to reconcile operating income to net cash flows provided by operating activities:	
Depreciation	198,409
(Increase) Decrease in:	
Accounts Receivable, Net	(17,768)
Due from County Treasurer	(741)
Due from Zen Center	4,429
Increase (Decrease) in:	
Accounts Payable	44,645
Deferred Revenue - A of S	71,280
Payroll Taxes Payable	16,301
	(247,123)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	\$ (247,123)

See Notes to the Basic Financial Statements

**BACA GRANDE WATER AND SANITATION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2006**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of the District reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standards*.

**REPORTING ENTITY**

***Primary Government***

The Baca Grande Water and Sanitation District was formed January 1, 1972 pursuant to Chapter 89, Article 5 C.R.S. to provide water and sanitation services to residents of the District.

***Component Units***

The District's financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The District holds the corporate powers of the organization
- The District appoints a voting majority of the organization's board
- The District is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the District
- There is fiscal dependency by the organization on the District
- The organization is financially accountable to the District
- The organization receives or holds funds that are for the benefit of the District; and the District has access to a majority of the funds held; and the funds that are accessible are also significant to the District

Based on the aforementioned criteria, the Baca Grande Water and Sanitation District has no component units.

**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. This measurement is also used for the proprietary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized as revenue when all applicable eligibility requirements, imposed by the provider, are met.

**BACA GRANDE WATER AND SANITATION DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2006**

Proprietary Fund Financial Statements are used to account for activities, which are similar to those often in the private sector. The measurement focus is upon determination of net income, financial position, and cash flows. The District's only fund is a proprietary fund.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**ASSETS, LIABILITIES AND NET ASSETS OR EQUITY**

***Cash***

The District's cash and cash equivalents are considered to be cash in bank, certificates of deposit and liquid investments.

***Inventory***

Inventory items consist of expendable supplies held for consumption. These items have been recorded as an expense when purchased. Therefore, no inventory is included on the balance sheet.

***Property Taxes***

Property taxes attach as an enforceable lien on property as of January 1 each year. The taxes are payable in two installments on March 15 and June 15, or in full on May 1. The County Treasurer bills and collects all property taxes for the District. Property taxes revenue is recognized by the District to the extent they result in a current receivable.

The 2006 property tax levy due January 1, 2007 has been recorded in the financial statements as a receivable and in a corresponding deferred revenue account.

***Capital Assets***

Capital assets, which include land, buildings, equipment and vehicles, are reported in the applicable columns in the Government-wide Financial Statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	50
Equipment and Vehicle	3-15

***Compensated Absences***

The District has not recorded an accrued liability for vacation or sick time as the District does not accumulate unused time.



**BACA GRANDE WATER AND SANITATION DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2006**

***Interest***

Interest is capitalized by the District in accordance with FASB No. 62. For the current year ended, no interest has been capitalized.

***Encumbrances***

The District does not record purchase orders in the accounting system until invoices are ready for payment. Unfulfilled purchase commitments outstanding at the end of the budget year are re-budgeted in the succeeding year. End of the year fund balance intended to be used in the succeeding year is reported as designated fund balance.

***Use of Estimates***

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

***Budgets and Budgetary Accounting***

The Baca Grande Water and Sanitation District follows the procedures outlined in the Financial Management Manual – A Guide for Colorado Local Governments – when preparing annual budgets for each fund. Budget procedures include:

- 1) Preparation of budget documents by administrative staff shall be submitted to the Board no later than October 15 of each year.
- 2) Publication of a notice stating that the budget is available for public inspection.
- 3) Discussion of the budget in a meeting open to the public.
- 4) Adoption of the budget in a public meeting by appropriate resolution.
- 5) Ordinance to adopt supplemental appropriations

Formal budgetary integration is employed as a management control device for all funds of the District.

The proprietary fund budget is adopted using the same accounting methods as governmental fund types; this procedure follows Colorado State Statute, but is not in accordance with GAAP.

The total expenditures for the proprietary fund cannot exceed the budgeted amount unless a supplemental appropriation is adopted. All budget amounts presented reflect the original budget and the final amended budget if applicable.

**BACA GRANDE WATER AND SANITATION DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2006**

**NOTE 3 CASH AND DEPOSITS**

**CASH AND DEPOSITS**

Colorado State Statutes govern the District's deposits of cash. The statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance (FDIC) on deposits held.

The Colorado Public Deposit Protection Act (PDPA), requires that all units of local government deposit cash in eligible public depositories, determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized in accordance with the PDPA. PDPA allows the institution to create a single collateral pool for all public funds to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

***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. At December 31, 2006, \$0 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institutions through PDPA.

***Credit Risk***

The District's investment policy calls for investment diversification within the portfolio to avoid unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities.

Cash on Hand and in Banks	<u>\$ 59,147</u>
Total cash, deposits, and Investments on the Statement of Net Assets	<u><u>\$ 59,147</u></u>

**BACA GRANDE WATER AND SANITATION DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2006**

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2006, was as follows:

	<u>BALANCE</u> <u>12/31/2005</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>12/31/2006</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 51,423	\$ -	\$ -	\$ 51,423
Construction in Progress	198,957	55,446	198,957	55,446
Total capital assets not being depreciated	<u>250,380</u>	<u>55,446</u>	<u>198,957</u>	<u>106,869</u>
Capital assets being depreciated				
Land Improvements	87,524	-	-	87,524
Sewage Plant	4,127,177	369,109	-	4,496,286
Water Plant	4,382,587	496,508	-	4,879,095
Machinery, Buildings and Equipment	516,887	-	-	516,887
As Built Drawings	7,000	-	-	7,000
Total capital assets being depreciated	<u>9,121,175</u>	<u>865,617</u>	<u>-</u>	<u>9,986,792</u>
Less accumulated depreciation for:				
Land Improvements	17,237	5,474	-	22,711
Sewage Plant	1,693,404	83,553	-	1,776,957
Water Plant	2,206,157	101,872	-	2,308,029
Machinery, Buildings and Equipment	431,393	7,510	-	438,903
As Built Drawings	7,000	-	-	7,000
Total accumulated depreciation	<u>4,355,191</u>	<u>198,409</u>	<u>-</u>	<u>4,553,600</u>
Total Capital Assets being depreciated, net	<u>4,765,984</u>	<u>667,208</u>	<u>-</u>	<u>5,433,192</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
CAPITAL ASSETS, NET	<u>\$ 5,016,364</u>	<u>\$ 722,654</u>	<u>\$ 198,957</u>	<u>\$ 5,540,061</u>

Depreciation expense is as follows:

Business-type activities:	
Depreciation Expense	<u>\$ 198,409</u>
Total depreciation expense – business-type activities	<u>\$ 198,409</u>

**BACA GRANDE WATER AND SANITATION DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2006**

**NOTE 5 LONG-TERM DEBT**

*Changes in Long-term Debt*

	Balance 12/31/2005	Additions	Deletions	Balance 12/31/2006	Due Within One Year
Business-type activities:					
Revenue Bonds - 2003	\$ 160,866	\$ -	\$ 40,919	\$ 119,947	\$ 21,882
Revenue Bonds	686,719	15,000	30,687	671,032	31,934
Capital Lease	702,593	-	100,379	602,214	103,907
Business-type activities long-term debt	<u>\$ 1,550,178</u>	<u>\$ 15,000</u>	<u>\$ 171,985</u>	<u>\$ 1,393,193</u>	<u>\$ 157,723</u>

***Revenue Bonds Payable***

Revenue Bonds payable to Colorado Water Resources and Power Development Authority. Maximum principal amount \$800,000, interest rate 4.0%, payments are made quarterly over a twenty year period. Final payment due 2022. \$ 671,032

Revenue Bonds payable to Wells Fargo. Maximum principal amount \$200,000, interest rate 4.6%, payments are made annually over a five year period. Final payment due 2011. 119,947

Total Revenue Bonds Payable \$ 790,979

The annual debt service for the revenue bonds are as follows:

Revenue Bonds - \$800,000

YEAR	PRINCIPAL	INTEREST	TOTALS
2007	\$ 31,934	\$ 26,366	\$ 58,300
2008	33,230	25,070	58,300
2009	34,580	23,720	58,300
2010	35,984	22,316	58,300
2011	37,445	20,855	58,300
2012-2022	497,859	114,296	612,155
	<u>\$ 671,032</u>	<u>\$ 232,623</u>	<u>\$ 903,655</u>

**BACA GRANDE WATER AND SANITATION DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2006**

Revenue Bonds - \$200,000

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTALS</u>
2007	\$ 21,882	\$ 5,518	\$ 27,400
2008	22,888	4,512	27,400
2009	23,942	3,458	27,400
2010	25,043	2,357	27,400
2011	26,192	1,206	27,398
	<u>\$ 119,947</u>	<u>\$ 17,051</u>	<u>\$ 136,998</u>

***Capital Leases Payable***

Lease payable to a finance company, payable in annual installments of \$47,121.81, including interest at 2.95%. Final payment due in 2008, collateralized by equipment. In January 2007, the District refinanced this lease along with an additional \$257,394. \$ 76,328

Lease payable to a finance company, payable in annual installments of \$22,376.41, including interest at 3.25%. Final payment due in 2009, collateralized by equipment. 62,992

Lease payable to a finance company, payable in quarterly installments of \$14,535.28, including interest at 4.25%. Final payment due in 2016, collateralized by equipment and water meters. 462,894

Total Capital Lease Payable \$602,214

The annual debt service for the capital leases are as follows:

Capital Lease – Interest rate 2.95%

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTALS</u>
2007	\$ 44,870	\$ 2,252	\$ 47,122
2008	31,458	927	32,385
	<u>\$ 76,328</u>	<u>\$ 3,179</u>	<u>\$ 79,507</u>

**BACA GRANDE WATER AND SANITATION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2006**

Capital Lease – Interest rate 3.25%

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTALS</u>
2007	\$ 20,329	\$ 2,047	\$ 22,376
2008	20,990	1,386	22,376
2009	21,673	703	22,376
	<u>\$ 62,992</u>	<u>\$ 4,136</u>	<u>\$ 67,128</u>

Capital Lease – Interest rate 4.25%

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTALS</u>
2007	\$ 38,708	\$ 19,433	\$ 58,141
2008	40,379	17,762	58,141
2009	42,123	16,018	58,141
2010	43,942	14,199	58,141
2011	45,839	12,302	58,141
2012-2016	251,903	30,052	281,955
	<u>\$ 462,894</u>	<u>\$ 109,766</u>	<u>\$ 572,660</u>

**NOTE 6 DEFERRED REVENUE – AVAILABILITY OF SERVICE**

The District is allowed to collect availability of service revenue in the amount equal to their debt service on their CWPA loans. The difference of \$242,653 has been deferred.

**NOTE 7 SEGMENT INFORMATION**

The Baca Grande Water and Sanitation District provides water and sewer services for District residents. The District has one enterprise fund to account for these activities.

The following segment information is provided as required by GASB Reporting Requirements:

**BACA GRANDE WATER AND SANITATION DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2006**

	Water	Sewer	Total
Service Charges and Hook Up Fees	\$ 341,912	\$ 87,638	\$ 429,550
Depreciation Expense	\$ 111,101	\$ 87,308	\$ 198,409
Operating Income (Loss)	\$ (114,215)	\$ (410,019)	\$ (524,234)
Property, Plant and Equipment:			
Additions	\$ 462,775	\$ 259,331	\$ 722,106

Because amounts for water and sewer services are recorded in one fund, several items cannot be allocated between water and sewer. Therefore, some line items have been omitted in the segment information.

**NOTE 8 PENSION PLAN**

***Plan Description***

The Baca Grande Water and Sanitation District (the District) contributes to the Municipal Division Trust Fund (MDTF), 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 MDTF and the HCTF are administered by the Public Employees' Retirement Association of Colorado (PERA). The MDTF provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. The HCTF provides a healthcare premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. All employees of the District are members of the MDTF 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 the MDTF and HCTF. The 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).

***Basis of Accounting***

The financial statements of MDTF and HCTF are prepared using the accrual basis of accounting. Plan member 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. MDTF and HCTF plan investments are presented at fair value except for short-term investments, which are recorded at cost, which approximates fair value.

***Funding Policy***

The District employees contribute 8.0 percent of their wages to an individual account in the plan. During 2006, the District contributed 10.5 percent of the employees' wages, which was allocated to three separate programs by PERA according to statutory formula as follows:

- 1.02 percent was allocated to the Health Care Trust Fund.

**BACA GRANDE WATER AND SANITATION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2006**

- The amount needed to meet the match requirement set by the PERA board was allocated to individual member's eligible voluntary tax-deferred retirement program. For the calendar year 2006, the matching amount was set at 100 percent of the first 3 percent of employee salary. Two percent of the gross salary plus fifty percent of any reduction in the overall contribution rate due to over-funding of the pension plan was available for the match.
- The balance remaining after allocations to the Matchmaker Program and the Healthcare Trust Fund was allocated to the defined benefit plan.

The District's total contributions to PERA for the calendar years ending December 31, 2006, 2005, and 2004, were \$32,541, \$24,900, and \$21,271, respectively. These contributions met the contribution requirements for each year.

**NOTE 9 RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no significant reductions in insurance coverage. Settled claims from these risks have not exceeded commercial insurance coverage for the current year or the three prior years.

**NOTE 10 TABOR EMERGENCY RESERVE**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation.

Fiscal year spending and revenue limits are determined based on the prior years' spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

On November 3, 1998 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.

The amendment also requires that Emergency Reserves be established. These reserves must be at least 3 percent of fiscal year spending. This Emergency Reserve has been presented as a reservation of fund balance where applicable. The entity is not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.



**BACA GRANDE WATER AND SANITATION DISTRICT**  
**BUSINESS-TYPE ACTIVITIES**  
**WATER AND SEWER FUND**  
**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN**  
**NET ASSETS - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2006**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE (NEGATIVE)
<b>OPERATING REVENUES</b>				
Water and Sewer Service Charge	\$ 300,000	\$ 300,000	\$ 356,911	\$ 56,911
Availability of Service Fees	85,700	85,700	58,353	(27,347)
Tap Fees	25,000	25,000	39,444	14,444
Fire Hydrant Revenue	17,000	17,000	9,676	(7,324)
Miscellaneous Revenue	5,000	5,000	22,067	17,067
System Improvement Fees	58,141	58,141	71,348	13,207
Hook Up Fees	40,000	40,000	70,645	30,645
<b>Total operating revenues</b>	<b>530,841</b>	<b>530,841</b>	<b>628,444</b>	<b>97,603</b>
<b>OPERATING EXPENSES</b>				
Salaries and Benefits	376,220	376,220	374,921	1,299
Directors Fees	6,000	6,000	-	6,000
Legal and Accounting Fees	34,000	34,000	40,366	(6,366)
Repair and Maintenance	69,400	69,400	170,216	(100,816)
Utilities	275,390	275,390	90,916	184,474
Insurance and Bonds	21,000	21,000	18,724	2,276
Office Expense	27,265	27,265	36,530	(9,265)
Other Supplies	45,000	45,000	53,070	(8,070)
Vehicle Operations	21,000	21,000	39,624	(18,624)
Water Costs	42,864	42,864	27,279	15,585
Water Tap Assembly	42,250	42,250	-	42,250
Testing	13,000	13,000	8,393	4,607
Interest on Debt	61,352	61,352	69,049	(7,697)
Principal Payments on Debt	151,985	151,985	171,985	(20,000)
Capital Improvements/Equipment	255,000	255,000	722,106	(467,106)
Contingency	-	779,412	-	779,412
Other	14,000	14,000	25,181	(11,181)
<b>Total operating expenses</b>	<b>1,455,726</b>	<b>2,235,138</b>	<b>1,848,360</b>	<b>386,778</b>
Operating income (loss)	(924,885)	(1,704,297)	(1,219,916)	484,381
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Property Taxes and Specific Ownership Tax	382,000	382,000	402,023	20,023
Interest on Investments	2,600	2,600	6,520	3,920
Other Income	15,000	15,000	89,458	74,458
Rent Income	-	-	7,200	7,200
Reimbursements	-	-	39,769	39,769
Debt Proceeds	-	779,412	15,000	(764,412)
In Lieu of Taxes	2,000	2,000	-	(2,000)
<b>Total nonoperating revenues (expenses)</b>	<b>401,600</b>	<b>1,181,012</b>	<b>559,970</b>	<b>(621,042)</b>

**BACA GRANDE WATER AND SANITATION DISTRICT  
BUSINESS-TYPE ACTIVITIES  
WATER AND SEWER FUND  
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN  
NET ASSETS - BUDGET AND ACTUAL  
For the Year Ended December 31, 2006**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>Net Income (Loss) - Budget Basis</b>	<u>(523,285)</u>	<u>(523,285)</u>	(659,946)	<u>(136,661)</u>
Add: Items not considered expenses on Statement of Operations:				
Principal Payments on Debt			171,985	
Capital Improvements/Equipment			722,106	
Less: Items not considered revenues on Statement of Operations				
Debt Proceeds			(15,000)	
Less: Items considered expenses on Statement of Operations:				
Depreciation			<u>(198,409)</u>	
<b>Net Income (Loss)</b>			20,736	
<b>Net Assets at beginning of year</b>	<u>596,555</u>	<u>596,555</u>	<u>3,900,699</u>	<u>3,304,144</u>
<b>Net Assets at end of year</b>	<u>\$ 73,270</u>	<u>\$ 73,270</u>	<u>\$ 3,921,435</u>	<u>\$ 3,848,165</u>