

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

FINANCIAL STATEMENTS

with Independent Auditor's Report

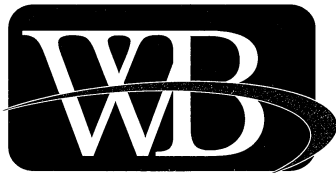
December 31, 2011

Baca Grande Water and Sanitation District

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**WAGNER
BARNES, PC**

Certified Public Accountants & Business Consultants

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Baca Grande Water and Sanitation District (the District), as of and for the year ended December 31, 2011, 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 respective financial position of the governmental activities, the business-type activities, and each major fund of the District, as of December 31, 2011, 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wagner Barnes, PC

Lakewood, Colorado
July 17, 2012

BASIC FINANCIAL STATEMENTS

Baca Grande Water and Sanitation District

STATEMENT OF NET ASSETS

December 31, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments - restricted	\$ 13,810	\$ 1,789,461	\$ 1,803,271
Accounts receivable, net of allowance for uncollectibles	-	141,081	141,081
Loan draw receivable	-	160,963	160,963
Taxes receivable - current	5,473	-	5,473
Taxes receivable - ensuing year	733,756	-	733,756
Deferred charges, net of amortization	-	314,962	314,962
Capital assets, not being depreciated	-	1,099,522	1,099,522
Capital assets, net	-	8,395,770	8,395,770
Total assets	<u>753,039</u>	<u>11,901,759</u>	<u>12,654,798</u>
LIABILITIES			
Accounts payable	15,708	93,841	109,549
Retainage payable	-	90,948	90,948
Accrued interest payable	-	24,201	24,201
Deferred taxes receivable	733,756	-	733,756
Accrued fines	-	125,000	125,000
Noncurrent liabilities:	-		
Due within one year	-	64,755	64,755
Due in more than one year	-	6,597,596	6,597,596
Total liabilities	<u>749,464</u>	<u>6,996,341</u>	<u>7,745,805</u>
NET ASSETS			
Invested in capital assets, net of related debt	-	4,545,144	4,545,144
Restricted			
Emergency reserves	23,300	-	23,300
Loan operating reserve requirement	66,000	235,000	301,000
Bond debt service	-	7,637	7,637
Unrestricted (deficit)	(85,725)	117,637	31,912
Total net assets	<u>\$ 3,575</u>	<u>\$ 4,905,418</u>	<u>\$ 4,908,993</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, 2011

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	\$ 272,796	\$ -	\$ -	\$ (272,796)	\$ -	\$ (272,796)
Total primary government	<u>\$ 272,796</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(272,796)</u>	<u>-</u>	<u>(272,796)</u>
Business-type activities:						
Water and sanitation	\$ 1,341,583	\$ 742,825	\$ 282,974	-	(315,784)	(315,784)
Interest on long-term debt and related costs	316,105	-	-	-	(316,105)	(316,105)
Total primary government	<u>\$ 1,657,688</u>	<u>\$ 742,825</u>	<u>\$ 282,974</u>	<u>-</u>	<u>(631,889)</u>	<u>(631,889)</u>
General revenues:						
Property taxes				703,510	-	703,510
Specific ownership taxes				61,019	-	61,019
Net investment income				8,850	7,753	16,603
Other income				4,513	-	4,513
Transfer (to) from other funds				(611,258)	611,258	-
Total general revenues				<u>166,634</u>	<u>619,011</u>	<u>785,645</u>
Change in net assets				(106,162)	(12,878)	(119,040)
Net assets - beginning of year				109,737	4,918,296	5,028,033
Net assets - end of year				<u>\$ 3,575</u>	<u>\$ 4,905,418</u>	<u>\$4,908,993</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, 2011

	<u>General</u>
ASSETS	
Cash and investments - restricted	\$ 13,810
Taxes receivable - current	5,473
Taxes receivable - ensuing year	733,756
Total assets	<u>\$ 753,039</u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts payable	\$ 15,708
Deferred taxes receivable	733,756
Total liabilities	<u>749,464</u>
Fund balances	
Restricted for:	
Emergencies	23,300
Loan operating reserve requirement	66,000
Unassigned	(85,725)
Total fund balances	<u>3,575</u>
Total liabilities and fund balances	<u>\$ 753,039</u>
Net assets of governmental activities	<u>\$ 3,575</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, 2011

	General
Revenues	
Property taxes	\$ 703,510
Specific ownership taxes	61,019
Interest income	8,850
Miscellaneous income	4,513
Total revenues	777,892
Expenditures	
General government	
Audit	11,917
Accounting	33,119
County Treasurer's fees	21,159
Director's fees	4,900
Elections	145
Legal fees	110,605
Management	64,652
Miscellaneous expense	258
Professional services	26,041
Total expenditures	272,796
Excess of revenues over expenditures	505,096
Other financing (uses)	
Transfer to other funds	(611,258)
Total other financing (uses)	(611,258)
Net change in fund balance	(106,162)
Fund balance - beginning of year	109,737
Fund balance - end of year	\$ 3,575
Change in net assets of governmental activities	\$ (106,162)

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, 2011

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
Revenues			
Property taxes	\$ 736,933	\$ 703,510	\$ (33,423)
Specific ownership taxes	92,117	61,019	(31,098)
Investment income	3,500	8,850	5,350
Miscellaneous income	-	4,513	4,513
Total revenues	<u>832,550</u>	<u>777,892</u>	<u>(54,658)</u>
Expenditures			
General government			
Audit	15,000	11,917	3,083
Accounting	20,000	33,119	(13,119)
County Treasurer's fees	22,108	21,159	949
Director's fees	8,000	4,900	3,100
Elections	-	145	(145)
Legal fees	120,000	110,605	9,395
Management	50,000	64,652	(14,652)
Miscellaneous expense	1,000	258	742
Professional services	30,000	26,041	3,959
Contingency	193,113	-	193,113
Total expenditures	<u>459,221</u>	<u>272,796</u>	<u>186,425</u>
Excess of revenues over (under) expenditures	373,329	505,096	131,767
Other financing (uses)			
Emergency reserve	(14,203)	-	14,203
Transfer to other funds	(471,000)	(611,258)	(140,258)
Total other financing (uses)	<u>(485,203)</u>	<u>(611,258)</u>	<u>(126,055)</u>
Net change in fund balance	(111,874)	(106,162)	5,712
Fund balance - beginning of year	<u>111,874</u>	<u>109,737</u>	<u>(2,137)</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ 3,575</u>	<u>\$ 3,575</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, 2011

	Water and Sewer Enterprise Fund
	<hr/>
ASSETS	
Cash and investments - restricted	\$ 1,789,461
Accounts receivable, net of allowance for uncollectibles	141,081
Loan draw receivable	160,963
Bond issuance costs, net of amortization	314,962
Capital assets not being depreciated	1,099,522
Capital assets, net of accumulated depreciation	8,395,770
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Total assets	11,901,759
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LIABILITIES	
Accounts payable	93,841
Retainage payable	90,948
Accrued interest payable	24,201
Accrued fines	125,000
Noncurrent liabilities:	
Due within one year	64,755
Due in more than one year	6,597,596
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Total liabilities	6,996,341
	<hr/>
NET ASSETS	
Invested in capital assets, net of related debt	4,545,144
Restricted	
Loan operating reserve requirement	235,000
Bond debt service	7,637
Unrestricted (deficit)	117,637
	<hr/>
Total net assets	\$ 4,905,418
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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, 2011

	<u>Water and Sewer Enterprise Fund</u>
Operating revenues	
Water and sewer fees	\$ 428,105
Availability of service fees	219,661
System improvement fees	11,651
Reimbursed expenditures	23,804
Miscellaneous revenue	59,604
Total operating revenues	<u>742,825</u>
Operating expenses	
Depreciation	425,230
Insurance	19,794
Office expense	42,800
Operating expenses	49,111
Professional fees	56,262
Repair and maintenance	89,910
Salaries and benefits	368,670
Small tools and supplies	16,141
Testing	7,117
Utilities	123,625
Utility billing	10,667
Vehicle operations	43,491
Water costs	88,765
Total operating expenditures	<u>1,341,583</u>
Operating (loss)	<u>(598,758)</u>

(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, 2011

(continued)

	Water and Sewer Enterprise Fund
Operating (loss) from page 8	(598,758)
Nonoperating revenues (expenses)	
Grant income	226,483
Interest income	7,753
Amortization of bond issuance costs	(18,484)
Interest expense	(297,621)
Total nonoperating revenues (expenses)	(81,869)
Capital contributions - tap fees	56,491
Transfers from other funds	611,258
Change in net assets	(12,878)
Net assets - beginning of year	4,918,296
Net assets - end of year	\$ 4,905,418

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, 2011

Cash flows from operating activities

Cash received from customers	\$ 686,426
Cash payments to employees for services	(371,414)
Cash payments to suppliers for goods and services	(854,237)
Net cash (used) by operating activities	<u>(539,225)</u>

Cash flows from noncapital financing activities

Property taxes	2,196
Transfers in from governmental activities	611,258
Net cash provided by noncapital financing activities	<u>613,454</u>

Cash flows from capital and related financing activities

Tap fees received	56,491
Acquisition of capital assets	(1,171,871)
Debt issue proceeds	256,143
Principal paid on debt	(92,473)
Interest paid on debt	(319,071)
Grant income	226,483
Net cash (used) by capital and related financing activities	<u>(1,044,298)</u>

Cash flows from investing activities

Investment earnings received	7,753
Net cash provided by investing activities	<u>7,753</u>

Net increase in cash and cash equivalents

(962,316)

Cash and cash equivalents - beginning of year

2,751,777

Cash and cash equivalents - end of year

\$ 1,789,461

(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, 2011

(continued)

Reconciliation of operating income to net cash

(used) by operating activities

Operating loss	\$ (598,758)
Adjustments to reconcile operating loss to net cash (used) by operating activities	
Depreciation	425,230
(Increase) decrease in:	
Accounts receivable	(56,399)
Prepaid expenses	2,731
Increase (decrease) in:	
Accounts payable	(236,120)
Payroll taxes payable	(2,744)
Due to other funds	(73,165)
Net cash (used) by operating activities	<u><u>\$ (539,225)</u></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, 2011

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, 2011

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

Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

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

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

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

The District reports the following major governmental fund:

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, 2011

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, 2011.

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, 2011

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 issuance costs and bond issue premium

In the government-wide financial statements and proprietary fund types in the fund financial statements, bond issuance costs are reported as deferred charges and amortized over the respective terms of the bonds using the effective interest method. Amortization expense for bond issuance costs amounted to \$18,484 for the year ended December 31, 2011. Accumulated amortization of bond issuance costs totaled \$22,110 at December 31, 2011.

In the government-wide financial statements and proprietary fund types in the fund financial statements, bond premiums are deferred and reported as a component of long-term obligations. Bond premiums are amortized over the life of the bonds using the effective interest method. Amortization of bond premiums reduced interest expense by \$7,020 for the year ended December 31, 2011. Accumulated amortization of bond premiums totaled \$8,533 at December 31, 2011.

Cost on Bond Refunding

In the government-wide financial statements and proprietary fund types in the fund financial statements, the deferred cost on bond refunding is being amortized using the interest method over the life of the refunded bonds. The amortization amount is a component of interest expense and the unamortized deferred cost of \$265,249 at December 31, 2011, is reflected as a reduction of bonds payable.

Capital assets

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

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

Baca Grande Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2011

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

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

Compensated absences

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

Contributed capital

Tap fees are generally recorded as capital contributions when received.

Fund equity

Beginning with fiscal year 2011 the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. In the fund financial statements the following classifications describe the relative strength of the spending constraints.

Non-spendable fund balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) or is legally or contractually required to be maintained intact.

Restricted fund balance – The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.

Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision making authority, the Board of Directors prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors.

Baca Grande Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2011

Assigned fund balance – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned fund balance – The residual portion of fund balance that does not meet any of the above criteria.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District’s policy to use the most restrictive classification first.

At December 31, 2011, the District had \$23,300 restricted by legislation (for emergencies) and \$66,000 restricted by creditors (for debt service).

The remaining fund balance is considered by the District to be unassigned. At December 31, 2011, the District had an unassigned fund balance in the general fund of \$(85,725).

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.

During the year ended December 31, 2011, supplementary appropriations approved by the District modified each fund's appropriation as follows:

	<u>Appropriations</u>	<u>Appropriations</u>
Enterprise fund	\$ 855,912	\$ 941,200

Baca Grande Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2011

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, 2011 Statement of Net Assets as follows:

Cash and investments - restricted	<u>\$ 1,803,271</u>
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Cash and investments as of December 31, 2011 consist of the following:

Deposits with financial institutions	\$ 83,431
Investments	1,719,840
Total cash and investments	<u>\$ 1,803,271</u>

At December 31, 2011, the District's cash deposits had bank balances of \$114,811 and carrying balances of \$83,431.

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, 2011, the federal insurance limit was \$250,000. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

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

Custodial credit risk – deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's cash deposit and investment policy adopts state statutes regarding

Baca Grande Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2011

custodial credit risk for deposits. As of December 31, 2011, the District's bank balances and carrying balances were federally insured.

Investments

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

The District primarily limits its investments to local government investments pools, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to custodial credit risk for investments that are in the possession of another party.

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

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

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

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

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

<u>Investment</u>	<u>Maturity</u>	
Colorado Liquid Asset Trust (Colostrust)	Weighted average under 60 days	<u>\$1,719,840</u>

Baca Grande Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2011

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by 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. Colotrust is rated AAAM by Standard & Poor's.

Restricted cash and investments

As of December 31, 2011, unspent bond proceeds were restricted for the costs to improve various components of the water and sewer systems of \$1,712,203 and to make future payments on the bonds of \$7,637.

In accordance with the terms of the Colorado Water Resource and Power Development Authority Loans (see Note 5) the District is required to maintain an operating reserve equal to three months of operation and maintenance expenses, excluding depreciation of the water and sewer systems, as set forth in the annual budget for the current fiscal year. As of December 31, 2011, the required operating reserve was \$301,000. The District provided for the reserve but funded only \$83,431 at December 31, 2011.

Baca Grande Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2011

Note 4 – Capital assets

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

	Balance at December 31, 2010	Increases	Decreases	Balance at December 31, 2011
<u>Business-type activities</u>				
Capital assets, not being depreciated				
Land	\$ 51,423	\$ -	\$ -	\$ 51,423
Construction in progress	1,934,734	747,411	1,634,046	1,048,099
Total capital assets, not being depreciated	<u>1,986,157</u>	<u>747,411</u>	<u>1,634,046</u>	<u>1,099,522</u>
Capital assets being depreciated				
Water plant and distribution system	6,221,414	483,438	-	6,704,852
Sewer plant and collection system	6,678,941	1,406,243	-	8,085,184
Machinery and equipment	48,203	125,438	-	173,641
Total capital assets being depreciated	<u>12,948,558</u>	<u>2,015,119</u>	<u>-</u>	<u>14,963,677</u>
Less accumulated depreciation for				
Water plant and distribution system	3,102,814	184,418	-	3,287,232
Sewer plant and collection system	3,021,302	206,084	-	3,227,386
Machinery and equipment	18,561	34,728	-	53,289
Total accumulated depreciation	<u>6,142,677</u>	<u>425,230</u>	<u>-</u>	<u>6,567,907</u>
Total capital assets being depreciated, net	<u>6,805,881</u>	<u>1,589,889</u>	<u>-</u>	<u>8,395,770</u>
Capital assets, net	<u>\$ 8,792,038</u>	<u>\$ 2,337,300</u>	<u>\$ 1,634,046</u>	<u>\$ 9,495,292</u>

Depreciation expense of \$425,230 for the year ended December 31, 2011 was charged to the enterprise fund operations.

Baca Grande Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2011

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, 2011:

	Balance at December 31, 2010	Additions	Reductions	Balance at December 31, 2011	Due Within One Year
<u>Business-type activities</u>					
General Obligation Bonds:					
2010 Bonds	\$ 5,405,000	\$ -	\$ -	\$ 5,405,000	\$ -
Revenue Bonds:					
2003 Bonds	26,195	-	26,195	-	-
	5,431,195	-	26,195	5,405,000	-
Bond issue premium	171,971	-	7,020	164,951	7,777
Cost on refunding	(275,881)	-	10,634	(265,247)	(10,632)
Total bonds payable	5,327,285	-	33,215	5,304,704	(2,855)
CWRPDA Loans:					
2009 Loan	1,006,819	417,106	66,278	1,357,647	67,610
	<u>\$ 6,334,104</u>	<u>\$ 417,106</u>	<u>\$ 99,493</u>	<u>\$ 6,662,351</u>	<u>\$ 64,755</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, matured on December 15, 2011 with annual mandatory sinking fund principal payments due on each December 15. Interest at the rate of 4.6% was payable on December 15 each year. The District satisfied all remaining obligations on the bonds on December 15, 2011.

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

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

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

Baca Grande Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2011

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

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

Loans payable

\$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, 2011, the District had requested and received \$1,440,069 under the loan agreement.

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

The 2009 loan agreement contains a restrictive covenant which requires the District to maintain a three-month operating reserve (see Note 3). At December 31, 2011, the District restricted \$301,000 of fund balance in compliance with this covenant.

Baca Grande Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2011

Debt maturities

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

Year Ended December 31,	Principal	Interest	Total
2012	\$ 67,610	\$ 290,940	\$ 358,550
2013	68,969	289,581	358,550
2014	70,356	288,195	358,551
2015	121,769	286,781	408,550
2016	123,212	283,963	407,175
2017-2021	798,736	1,368,266	2,167,002
2022-2026	1,059,407	1,210,847	2,270,254
2027-2031	1,341,269	968,984	2,310,253
2032-2036	1,500,000	647,750	2,147,750
2037 -2041	1,655,000	215,000	1,870,000
	<u>\$ 6,806,328</u>	<u>\$ 5,850,307</u>	<u>\$ 12,656,635</u>

The above debt maturities include the full availability of the 2009 CWRPDA Loan. The district has \$43,861 in availability remaining at December 31, 2011.

Refunding

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

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

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

Baca Grande Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2011

In the government-wide statements, the District incurred a cost on bond refunding in the amount of \$275,881, which has been deferred and is being amortized over the life of the refunded 2009 bonds. At December 31, 2011, the remaining amount to be deferred was \$265,249.

Debt authorization

On November 4, 2008 and May 4, 2010, a majority of the qualified electors of the District authorized the issuance of indebtedness in amounts not to exceed \$6,000,000 and \$6,000,000, respectively, at interest rates not to exceed 8.5% per annum. At December 31, 2011, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

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

Note 6 – Net assets

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

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

Baca Grande Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2011

As of December 31, 2011, the District had invested in capital assets, net of related debt as follows:

	Business- type Activities
	<hr/>
Capital assets, not being depreciated	\$ 1,099,522
Capital assets, net	8,395,770
Current portion of long-term debt	(75,387)
Long-term debt due in more than one year	(6,586,964)
Unspent bond proceeds	1,712,203
Invested in capital assets, net of related debt	<hr/> <hr/> \$ 4,545,144

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, 2011, the District had restricted net assets as follows:

	Governmental Activities	Business- type Activities
	<hr/>	<hr/>
Emergency reserves	\$ 23,300	\$ -
Loan operating reserve requirement	66,000	235,000
Bond debt service	-	7,637
Restricted net assets	<hr/> <hr/> \$ 89,300	<hr/> <hr/> \$ 242,637

As of December 31, 2011, the District had unrestricted net assets of \$31,912.

Note 7 – Pension plan

Plan description

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

Baca Grande Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2011

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

Basis of accounting

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

Funding Policy

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

The District's total contributions to PERA for the years ended December 31, 2011, 2010, and 2009, were \$39,346, \$34,506, and \$31,616, respectively, and were equal to their required contributions for each year.

Note 8 – Interfund and operating transfers

The transfer of \$611,258 from the General Fund to the Enterprise Fund was for the purpose of assisting with operating costs of the Enterprise Fund.

Note 9 – Risk management

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

The District was a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2011. The Pool is an organization created by intergovernmental agreement to provide property, liability, public official's liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

Baca Grande Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2011

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

Note 10 – Tax, spending and debt limitations

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

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

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases. As of December 31, 2011, the District had provided for but did not fund the emergency reserves, which may be a violation of the Constitutional Amendment.

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

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

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

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

Baca Grande Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2011

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?

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, 2011

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Water and sewer fees	\$ 398,543	\$ 398,543	\$ 428,105	\$ 29,562
Availability of service fees	229,800	229,800	219,661	(10,139)
System improvement fees	-	-	11,651	11,651
Tap fees	-	-	56,491	56,491
Reimbursed expenditures	-	-	23,804	23,804
Miscellaneous revenue	46,400	46,400	59,604	13,204
Payments in lieu of taxes	10,000	10,000	-	(10,000)
Grant income	292,638	292,638	226,483	(66,155)
Interest income	5,075	5,075	7,753	2,678
Transfer from other funds	471,000	471,000	611,258	140,258
Total revenues	1,453,456	1,453,456	1,644,810	191,354
Expenditures				
Operations				
Insurance	22,000	22,000	19,794	2,206
Office expense	42,500	42,500	42,800	(300)
Operating expenses	46,500	46,500	49,111	(2,611)
Professional fees	52,500	52,500	56,262	(3,762)
Repair and maintenance	79,509	79,509	89,910	(10,401)
Salaries and benefits	379,454	379,454	368,670	10,784
Small tools and supplies	15,000	15,000	16,141	(1,141)
Testing	4,000	4,000	7,117	(3,117)
Trustee and paying agent fees	1,000	1,000	-	1,000
Utilities	94,050	94,050	123,625	(29,575)
Utility billing	5,000	5,000	10,667	(5,667)
Vehicle operations	23,000	23,000	43,491	(20,491)
Water costs	65,000	65,000	88,765	(23,765)
Contingency	-	85,288	-	85,288
Total operations expenditures	829,513	914,801	916,353	(1,552)

(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, 2011

(continued)

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
Expenditures (continued)				
Debt service				
Principal	55,217	55,217	92,473	(37,256)
Interest	359,097	359,097	294,009	65,088
Capital outlay	1,516,498	1,516,498	1,128,484	388,014
Total expenditures	<u>2,760,325</u>	<u>2,845,613</u>	<u>2,431,319</u>	<u>414,294</u>
Excess of revenues over (under)				
expenditures	(1,306,869)	(1,392,157)	(786,509)	605,648
Other financing sources (uses)				
Debt issue proceeds	40,120	40,120	417,106	376,986
Total other financing sources (uses)	<u>40,120</u>	<u>40,120</u>	<u>417,106</u>	<u>376,986</u>
Excess of revenues and other				
financing sources over (under)				
expenditures	(1,266,749)	(1,352,037)	(369,403)	982,634
Funds available - beginning of year				
(restated)	<u>1,882,515</u>	<u>1,874,060</u>	<u>2,126,915</u>	<u>252,855</u>
Funds available - end of year	<u>\$ 615,766</u>	<u>\$ 522,023</u>	<u>\$ 1,757,512</u>	<u>\$ 1,235,489</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, 2011

Revenues (budgetary basis)	\$	2,061,916
Debt issue proceeds		(417,106)
Total revenues per Statement of Revenues, Expenses and Changes in Net Assets		1,644,810
Expenditures (budgetary basis)		2,431,319
Depreciation		425,230
Amortization of bond issue costs		18,484
Amortization of bond premium		(7,020)
Amortization of deferred loss on refunding		10,632
Debt principal payments		(92,473)
Capital outlay		(1,128,484)
Total expenses per Statement of Revenues, Expenses and Changes in Net Assets		1,657,688
Change in net assets per Statement of Revenues, Expenses and Changes in Net Assets	\$	(12,878)

Baca Grande Water and Sanitation District
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2011

Year Ended December 31,	\$5,405,000 General Obligation Bonds, Series 2010 Principal Due December 1, Interest Rate 2.75% to 4.77% Payable June 1 and December 1			\$1,483,750 Colorado Water Resources and Power Development Authority Loan Principal and Interest Due June 1 and December 1 Interest rate 2.00%		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ -	\$ 263,250	\$ 263,250	\$ 67,610	\$ 27,690	\$ 95,300
2013	-	263,250	263,250	68,969	26,331	95,300
2014	-	263,250	263,250	70,356	24,945	95,301
2015	50,000	263,250	313,250	71,769	23,531	95,300
2016	50,000	261,875	311,875	73,212	22,088	95,300
2017	50,000	260,375	310,375	74,684	20,617	95,301
2018	50,000	258,875	308,875	76,185	19,115	95,300
2019	100,000	257,250	357,250	77,717	17,584	95,301
2020	100,000	253,750	353,750	79,278	16,022	95,300
2021	110,000	250,250	360,250	80,872	14,428	95,300
2022	115,000	244,750	359,750	82,498	12,803	95,301
2023	120,000	239,000	359,000	84,156	11,145	95,301
2024	125,000	233,000	358,000	85,847	9,453	95,300
2025	130,000	226,750	356,750	87,573	7,728	95,301
2026	140,000	220,250	360,250	89,333	5,968	95,301
2027	195,000	213,250	408,250	91,129	4,172	95,301
2028	210,000	203,500	413,500	92,960	2,340	95,300
2029	220,000	193,000	413,000	47,180	472	47,652
2030	235,000	182,000	417,000	-	-	-
2031	250,000	170,250	420,250	-	-	-
2032	265,000	157,750	422,750	-	-	-
2033	280,000	144,500	424,500	-	-	-
2034	300,000	130,500	430,500	-	-	-
2035	320,000	115,500	435,500	-	-	-
2036	335,000	99,500	434,500	-	-	-
2037	355,000	82,750	437,750	-	-	-
2038	410,000	65,000	475,000	-	-	-
2039	435,000	44,500	479,500	-	-	-
2040	455,000	22,750	477,750	-	-	-
	<u>\$ 5,405,000</u>	<u>\$ 5,583,875</u>	<u>\$ 10,988,875</u>	<u>\$ 1,401,328</u>	<u>\$ 266,432</u>	<u>\$ 1,667,760</u>

SUPPLEMENTAL INFORMATION

Series 2010 Bonds are subject to optional redemption on December 1, 2020 without redemption premium.

(continued)

Baca Grande Water and Sanitation District
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2011
(continued)

Year Ended December 31,	Total		
	Principal	Interest	Total
2012	\$ 67,610	\$ 290,940	\$ 358,550
2013	68,969	289,581	358,550
2014	70,356	288,195	358,551
2015	121,769	286,781	408,550
2016	123,212	283,963	407,175
2017	124,684	280,992	405,676
2018	126,185	277,990	404,175
2019	177,717	274,834	452,551
2020	179,278	269,772	449,050
2021	190,872	264,678	455,550
2022	197,498	257,553	455,051
2023	204,156	250,145	454,301
2024	210,847	242,453	453,300
2025	217,573	234,478	452,051
2026	229,333	226,218	455,551
2027	286,129	217,422	503,551
2028	302,960	205,840	508,800
2029	267,180	193,472	460,652
2030	235,000	182,000	417,000
2031	250,000	170,250	420,250
2032	265,000	157,750	422,750
2033	280,000	144,500	424,500
2034	300,000	130,500	430,500
2035	320,000	115,500	435,500
2036	335,000	99,500	434,500
2037	355,000	82,750	437,750
2038	410,000	65,000	475,000
2039	435,000	44,500	479,500
2040	455,000	22,750	477,750
	<u>\$6,806,328</u>	<u>\$5,850,307</u>	<u>\$12,656,635</u>