

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

**FINANCIAL STATEMENTS**

**with Independent Auditor's Report**

**December 31, 2012**

**Baca Grande Water and Sanitation District**

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Certified Public Accountants and 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, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

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 basic financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

*Wagner Lerner & Trigg, PC*

Lakewood, Colorado  
July 12, 2013

**BASIC FINANCIAL STATEMENTS**

**Baca Grande Water and Sanitation District**

**STATEMENT OF NET POSITION**

**December 31, 2012**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and investments - restricted	\$ 67,030	\$ 1,526,102	\$ 1,593,132
Accounts receivable, net of allowance for uncollectibles	-	185,812	185,812
Settlement receivable	-	100,000	100,000
Taxes receivable - current	5,562	-	5,562
Taxes receivable - ensuing year	748,110	-	748,110
Prepaid expenses	-	1,234	1,234
Capital assets, not being depreciated	-	64,120	64,120
Capital assets, net	-	9,384,805	9,384,805
Total assets	<u>820,702</u>	<u>11,262,073</u>	<u>12,082,775</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges, net of amortization	-	296,478	296,478
Deferred cost of bond refunding	-	254,617	254,617
Total deferred outflows of resources	<u>-</u>	<u>551,095</u>	<u>551,095</u>
<b>LIABILITIES</b>			
Accounts payable	18,800	64,871	83,671
Retainage payable	-	-	-
Accrued interest payable	-	24,201	24,201
Accrued fines	-	108,340	108,340
Noncurrent liabilities:			
Due within one year	-	75,989	75,989
Due in more than one year	-	6,820,663	6,820,663
Total liabilities	<u>18,800</u>	<u>7,094,064</u>	<u>7,112,864</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred taxes receivable	748,110	-	748,110
Total deferred inflows of resources	<u>748,110</u>	<u>-</u>	<u>748,110</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	-	3,942,500	3,942,500
Restricted			
Emergency reserves	22,800	-	22,800
Loan operating reserve requirement	54,000	220,000	274,000
Bond debt service	-	7,654	7,654
Unrestricted (deficit)	(23,008)	548,950	525,942
Total net position	<u>\$ 53,792</u>	<u>\$ 4,719,104</u>	<u>\$ 4,772,896</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, 2012

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 260,194	\$ -	\$ -	\$ -	\$ (260,194)	\$ -	\$ (260,194)
Total primary government	<u>\$ 260,194</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(260,194)</u>	<u>-</u>	<u>(260,194)</u>
<b>Business-type activities:</b>							
Water and sanitation	\$ 1,323,621	\$ 772,874	\$ -	\$ 114,993	-	(435,754)	(435,754)
Interest on long-term debt and related costs	313,270	-	-	-	-	(313,270)	(313,270)
Total primary government	<u>\$ 1,636,891</u>	<u>\$ 772,874</u>	<u>\$ -</u>	<u>\$ 114,993</u>	<u>-</u>	<u>(749,024)</u>	<u>(749,024)</u>
<b>General revenues:</b>							
Property taxes					691,651	-	691,651
Specific ownership taxes					62,185	-	62,185
Net investment income					5,665	12,813	18,478
Other income					807	100,000	100,807
Transfer (to) from other funds					(449,897)	449,897	-
Total general revenues					<u>310,411</u>	<u>562,710</u>	<u>873,121</u>
<b>Change in net assets</b>					50,217	(186,314)	(136,097)
<b>Net position - beginning of year</b>					3,575	4,905,418	4,908,993
<b>Net position - end of year</b>					<u>\$ 53,792</u>	<u>\$ 4,719,104</u>	<u>\$ 4,772,896</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, 2012**

	<u>General</u>
<b>ASSETS</b>	
Cash and investments - restricted	\$ 67,030
Taxes receivable - current	5,562
Taxes receivable - ensuing year	748,110
Total assets	<u>\$ 820,702</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities	
Accounts payable	\$ 18,800
Deferred taxes receivable	748,110
Total liabilities	<u>766,910</u>
Fund balances	
Restricted for:	
Emergencies	22,800
Loan operating reserve requirement	54,000
Unassigned	(23,008)
Total fund balances	<u>53,792</u>
Total liabilities and fund balances	<u>\$ 820,702</u>
Net position of governmental activities	<u>\$ 53,792</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, 2012**

	<b>General</b>
<b>Revenues</b>	
Property taxes	\$ 691,651
Specific ownership taxes	62,185
Interest income	5,665
Miscellaneous income	807
Total revenues	760,308
<b>Expenditures</b>	
General government	
Audit	11,258
Accounting	52,641
County Treasurer's fees	20,964
Director's fees	7,300
Elections	29,533
Legal fees	83,648
Management	54,730
Miscellaneous expense	120
Professional services	-
Total expenditures	260,194
<b>Excess of revenues over expenditures</b>	500,114
<b>Other financing (uses)</b>	
Transfer to other funds	(449,897)
Total other financing (uses)	(449,897)
<b>Net change in fund balance</b>	50,217
<b>Fund balance - beginning of year</b>	3,575
<b>Fund balance - end of year</b>	\$ 53,792
Change in net position of governmental activities	\$ 50,217

*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, 2012**

	<b>Original and Final Budgeted Amounts</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>			
Property taxes	\$ 733,756	\$ 691,651	\$ (42,105)
Specific ownership taxes	69,707	62,185	(7,522)
Investment income	2,300	5,665	3,365
Miscellaneous income	-	807	807
Total revenues	<u>805,763</u>	<u>760,308</u>	<u>(45,455)</u>
<b>Expenditures</b>			
General government			
Audit	12,000	11,258	742
Accounting	25,000	52,641	(27,641)
County Treasurer's fees	22,013	20,964	1,049
Director's fees	8,000	7,300	700
Elections	25,000	29,533	(4,533)
Legal fees	120,000	83,648	36,352
Management	50,000	54,730	(4,730)
Miscellaneous expense	1,000	120	880
Professional services	-	-	-
Contingency	387,836	-	387,836
Total expenditures	<u>650,849</u>	<u>260,194</u>	<u>390,655</u>
<b>Excess of revenues over (under) expenditures</b>	154,914	500,114	345,200
<b>Other financing (uses)</b>			
Emergency reserve	(20,310)	-	20,310
Transfer to other funds	(477,022)	(449,897)	27,125
Total other financing (uses)	<u>(497,332)</u>	<u>(449,897)</u>	<u>47,435</u>
<b>Net change in fund balance</b>	(342,418)	50,217	392,635
<b>Fund balance - beginning of year</b>	<u>348,245</u>	<u>3,575</u>	<u>(344,670)</u>
<b>Fund balance - end of year</b>	<u>\$ 5,827</u>	<u>\$ 53,792</u>	<u>\$ 47,965</u>

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

**Baca Grande Water and Sanitation District**

**STATEMENT OF NET POSITION  
PROPRIETARY FUND**

**December 31, 2012**

	<b>Water and Sewer Enterprise Fund</b>
<b>ASSETS</b>	
Cash and investments - restricted	\$ 1,526,102
Accounts receivable, net of allowance for uncollectibles	185,812
Settlement receivable	100,000
Bond issuance costs, net of amortization	296,478
Prepaid expenses	1,234
Capital assets not being depreciated	64,120
Capital assets, net of accumulated depreciation	9,384,805
Total assets	<u>11,558,551</u>
<b>LIABILITIES</b>	
Accounts payable	64,871
Retainage payable	-
Accrued interest payable	24,201
Accrued fines	108,340
Noncurrent liabilities:	
Due within one year	65,355
Due in more than one year	6,576,680
Total liabilities	<u>6,839,447</u>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	3,942,500
Restricted	
Loan operating reserve requirement	220,000
Bond debt service	7,654
Unrestricted (deficit)	548,950
Total net position	<u>\$ 4,719,104</u>

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

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

**For the Year Ended December 31, 2012**

	<b>Water and Sewer Enterprise Fund</b>
<b>Operating revenues</b>	
Water and sewer fees	\$ 445,667
Availability of service fees	213,385
System improvement fees	4,643
Reimbursed expenditures	2,855
Miscellaneous revenue	106,324
Total operating revenues	772,874
<b>Operating expenses</b>	
Depreciation	454,096
Insurance	19,830
Office expense	44,701
Operating expenses	32,843
Professional fees	93,182
Repair and maintenance	74,682
Salaries and benefits	374,440
Small tools and supplies	12,341
Testing	6,724
Utilities	90,812
Utility billing	6,827
Vehicle operations	14,859
Water costs	98,284
Total operating expenditures	1,323,621
<b>Operating (loss)</b>	(550,747)

(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 POSITION**  
**PROPRIETARY FUND**  
**For the Year Ended December 31, 2012**  
(continued)

	<b>Water and Sewer Enterprise Fund</b>
Operating (loss) from page 8	(550,747)
<b>Nonoperating revenues (expenses)</b>	
Grant income	83,677
Settlement proceeds	100,000
Interest income	12,813
Amortization of bond issuance costs	(18,484)
Interest expense	(294,786)
Total nonoperating revenues (expenses)	(116,780)
<b>Capital contributions - tap fees</b>	31,316
<b>Transfers from other funds</b>	449,897
<b>Change in net assets</b>	(186,314)
<b>Net position - beginning of year</b>	4,905,418
<b>Net position - end of year</b>	\$ 4,719,104

*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, 2012**

**Cash flows from operating activities**

Cash received from customers	\$ 728,143
Cash payments to employees for services	(374,440)
Cash payments to suppliers for goods and services	(525,289)
Net cash (used) by operating activities	<u>(171,586)</u>

**Cash flows from noncapital financing activities**

Transfers in from governmental activities	<u>449,897</u>
Net cash provided by noncapital financing activities	<u>449,897</u>

**Cash flows from capital and related financing activities**

Tap fees received	31,316
Acquisition of capital assets	(515,569)
Debt issue proceeds	204,643
Principal paid on debt	(67,610)
Interest paid on debt	(290,940)
Grant income	83,677
Net cash (used) by capital and related financing activities	<u>(554,483)</u>

**Cash flows from investing activities**

Investment earnings received	<u>12,813</u>
Net cash provided by investing activities	<u>12,813</u>

**Net increase in cash and cash equivalents**

(263,359)

**Cash and cash equivalents - beginning of year**

1,789,461

**Cash and cash equivalents - end of year**

\$ 1,526,102

(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, 2012**

(continued)

**Reconciliation of operating income to net cash**

**(used) by operating activities**

Operating loss	\$ (550,747)
Adjustments to reconcile operating loss to net cash (used) by operating activities	
Depreciation	454,096
(Increase) decrease in:	
Accounts receivable	(44,731)
Prepaid expenses	(1,234)
Increase (decrease) in:	
Accounts payable	<u>(28,970)</u>
Net cash (used) by operating activities	<u><u>\$ (171,586)</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, 2012**

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

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, 2012**

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.

During 2012, the District implemented Governmental Accounting Standards Board (GASB) No. 62, which eliminated proprietary funds from electing to use Financial Accounting Standards Board (FASB) standards for financial reporting.

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, 2012**

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, 2012.

#### **Property taxes**

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

## **Baca Grande Water and Sanitation District**

### **NOTES TO FINANCIAL STATEMENTS (continued)**

**December 31, 2012**

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, 2012. Accumulated amortization of bond issuance costs totaled \$40,594 at December 31, 2012.

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 deferred inflows of financial resources. 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, 2012. Accumulated amortization of bond premiums totaled \$15,553 at December 31, 2012.

#### **Cost of 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 \$254,617 at December 31, 2012, is reflected as deferred outflows of financial resources.

#### **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

**Baca Grande Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2012**

construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

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

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

**Compensated absences**

District employees earn paid time off at the rate of 160 to 200 hours per year, based on length of service, which is to be used for vacations, medical leave or personal time off. Employees are 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**

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purpose for which spending can occur. Governmental funds report up to five classifications of fund balance. The classifications and the relative strengths of the spending constraints as detailed below. Not every government or governmental fund will present all of these components.

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

## **Baca Grande Water and Sanitation District**

### **NOTES TO FINANCIAL STATEMENTS (continued)**

**December 31, 2012**

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.

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, 2012, the District's general fund balance had \$22,800 restricted by legislation (for emergencies) and \$54,000 restricted by creditors (for debt service).

The remaining general fund balance is considered by the District to be unassigned. At December 31, 2011, the District had an unassigned general fund balance of \$(23,008).

#### **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.

#### **Use of estimates**

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

**Baca Grande Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2012**

**New accounting pronouncements**

Effective January 1, 2012, the District implemented the provisions of GASB No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" (GASB No. 63). GASB No. 63 provides guidance for reporting deferred outflows and deferred inflows of resources as introduced and defined in GASB Concepts Statement No. 4 "Elements of Financial Statements". Concepts Statement No. 4 defines a deferred outflow of resources as a consumption of net position that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position applicable to a future reporting period. The impact on the District's financial statements has been to replace the term "net position" with "net position", and to classify certain amounts in the "deferred inflows of resources" and "deferred outflows of resources" sections of the statement of net position.

**Note 3 – Cash and investments**

Cash and investments are reflected on the December 31, 2012 Statement of net position as follows:

Cash and investments - restricted	<u>\$ 1,593,132</u>
-----------------------------------	---------------------

Cash and investments as of December 31, 2011 consist of the following:

Deposits with financial institutions	\$ 360,840
Investments	<u>1,232,292</u>
Total cash and investments	<u>\$ 1,593,132</u>

At December 31, 2012, the District's cash deposits had bank balances of \$370,922 and carrying balances of \$360,840.

**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, 2012, 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.

## **Baca Grande Water and Sanitation District**

### **NOTES TO FINANCIAL STATEMENTS (continued)**

**December 31, 2012**

#### Custodial credit risk – deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's cash deposit and investment policy adopts state statutes regarding custodial credit risk for deposits. As of December 31, 2012, the District's bank balances and carrying balances were federally insured or collateralized.

#### **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, 2012, the District had the following investments, recorded at fair value:

**Baca Grande Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2012**

<u>Investment</u>	<u>Maturity</u>	
Colorado Liquid Asset Trust (Colotrust)	Weighted average under 60 days	<u>\$ 1,232,292</u>

**COLOTRUST**

The District invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by 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, 2012, unspent bond proceeds were restricted for the costs to improve various components of the water and sewer systems of \$1,224,638 and to make future payments on the bonds of \$7,654.

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, 2012, the required operating reserve was \$274,000, which met the requirement of the loan covenants.



**Baca Grande Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2012**

**Note 4 – Capital assets**

Capital asset activity for the year ended December 31, 2012 was as follows:

	Balance at December 31, 2011	Increases	Decreases	Balance at December 31, 2012
<b><u>Business-type activities</u></b>				
Capital assets, not being depreciated				
Land	\$ 51,423	\$ -	\$ -	\$ 51,423
Construction in progress	1,048,099	22,243	1,057,645	12,697
Total capital assets, not being depreciated	<u>1,099,522</u>	<u>22,243</u>	<u>1,057,645</u>	<u>64,120</u>
Capital assets being depreciated				
Water plant and distribution system	6,704,852	1,406,099	-	8,110,951
Sewer plant and collection system	8,085,184	37,032	-	8,122,216
Machinery and equipment	173,641	-	-	173,641
Total capital assets being depreciated	<u>14,963,677</u>	<u>1,443,131</u>	<u>-</u>	<u>16,406,808</u>
Less accumulated depreciation for				
Water plant and distribution system	3,287,232	211,678	-	3,498,910
Sewer plant and collection system	3,227,386	207,689	-	3,435,075
Machinery and equipment	53,289	34,729	-	88,018
Total accumulated depreciation	<u>6,567,907</u>	<u>454,096</u>	<u>-</u>	<u>7,022,003</u>
Total capital assets being depreciated, net	<u>8,395,770</u>	<u>989,035</u>	<u>-</u>	<u>9,384,805</u>
Capital assets, net	<u>\$ 9,495,292</u>	<u>\$ 1,011,278</u>	<u>\$ 1,057,645</u>	<u>\$ 9,448,925</u>

Depreciation expense of \$454,096 for the year ended December 31, 2012 was charged to the enterprise fund operations.

**Baca Grande Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2012**

**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, 2012:

	Balance at December 31, 2011	Additions	Reductions	Balance at December 31, 2012	Due Within One Year
<b><u>Business-type activities</u></b>					
General Obligation Bonds:					
2010 Bonds	\$ 5,405,000	\$ -	\$ -	\$ 5,405,000	\$ -
	5,405,000	-	-	5,405,000	-
Bond issue premium	164,951	-	7,020	157,931	7,020
Cost of refunding	(265,247)	-	(10,634)	(254,613)	(10,634)
Total bonds payable	5,304,704	-	(3,614)	5,308,318	(3,614)
CWRPDA Loans:					
2009 Loan	1,357,647	43,680	67,610	1,333,717	68,969
	<u>\$ 6,662,351</u>	<u>\$ 43,680</u>	<u>\$ 63,996</u>	<u>\$ 6,642,035</u>	<u>\$ 65,355</u>

**Bonds payable**

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

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

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

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

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

**Baca Grande Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2012**

**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, 2012, the District had requested and received \$1,480,189 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, 2012, the District restricted \$274,000 of fund balance in compliance with this covenant.

**Debt maturities**

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

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2018-2022	871,550	1,344,827	2,216,377
2023-2027	1,148,038	1,170,716	2,318,754
2028-2032	1,320,140	909,312	2,229,452
2033-2037	1,590,000	572,750	2,162,750
2038 -2041	1,300,000	132,250	1,432,250
	<u>\$ 6,738,718</u>	<u>\$ 5,559,367</u>	<u>\$ 12,298,085</u>

The above debt maturities include the full availability of the 2009 CWRPDA Loan.

**Baca Grande Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2012**

**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%.

	<u>Dated</u>	<u>Principal Refunded</u>	<u>Average Interest Rate</u>
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.

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, 2012, the remaining amount to be deferred was \$254,617.

**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. The 2010 authorization was for the purpose of refunding previously issued bonds. 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>

**Baca Grande Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2012**

**Note 6 – Net position**

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, loans, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2012, the District had invested in capital assets, net of related debt as follows:

	<b>Business- type Activities</b>
Capital assets, not being depreciated	\$ 64,120
Capital assets, net	9,384,805
Current portion of long-term debt	(68,969)
Long-term debt due in more than one year	(6,669,748)
Unspent bond proceeds	1,232,292
Invested in capital assets, net of related debt	<u>\$ 3,942,500</u>

Restricted assets include net position 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 position are described in Note 3. As of December 31, 2012, the District had restricted net position as follows:

	<b>Governmental Activities</b>	<b>Business- type Activities</b>
Emergency reserves	\$ 22,800	\$ -
Loan operating reserve requirement	54,000	220,000
Bond debt service	-	7,654
Restricted net assets	<u>\$ 76,800</u>	<u>\$ 227,654</u>

As of December 31, 2012, the District had unrestricted net position of \$525,942.

**Baca Grande Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2012**

**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, 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](http://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, 2012, 2011, and 2010, were \$40,388, \$39,346, and \$34,506, respectively, and were equal to their required contributions for each year.

**Note 8 – Interfund and operating transfers**

The transfer of \$449,897 from the General Fund to the Enterprise Fund was for the purpose of assisting with operating costs of the Enterprise Fund.

**Baca Grande Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2012**

**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, 2012. 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.

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

**Note 10 – Tax, spending and debt limitations**

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

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

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

The District'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.

**Baca Grande Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2012**

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

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

Shall Baca Grande Water and Sanitation District taxes be increased \$700,000 annually, commencing in collection year 2009, or by such greater or annual amount as may be derived from an ad valorem mill levy not in excess of 50 mills annually (provided that such maximum mill levy shall be adjusted up or down to account for changes in law or the method by which assessed valuation is calculated occurring after 2008, so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes), the revenues there from to be used for the purpose of paying the District's operations, maintenance, and other expenses, such taxing authority, if approved, to replace any previous taxing authority for operational purposes heretofore approved or exercised; and shall the proceeds of such taxes and investment income thereon be collected and spent by the District as a voter-approved revenue change in 2009 and in each year thereafter, without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, or Section 29-1-301, Colorado Revised Statutes, and without limiting in any year the amount of other revenues that may be collected and spent by the District?

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**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, 2012**

	<b>Original and Final Budgeted Amounts</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>			
Water and sewer fees	\$ 364,043	\$ 445,667	\$ 81,624
Availability of service fees	192,000	213,385	21,385
System improvement fees	-	4,643	4,643
Tap fees	5,000	31,316	26,316
Reimbursed expenditures	-	2,855	2,855
Miscellaneous revenue	13,050	81,189	68,139
Payments in lieu of taxes	9,000	25,135	16,135
Grant income	-	83,677	83,677
Settlement proceeds	-	100,000	100,000
Interest income	5,075	12,813	7,738
Transfer from other funds	477,022	449,897	(27,125)
Total revenues	<u>1,065,190</u>	<u>1,450,577</u>	<u>385,387</u>
<b>Expenditures</b>			
<b>Operations</b>			
Insurance	22,000	19,830	2,170
Office expense	49,800	44,701	5,099
Operating expenses	14,250	32,843	(18,593)
Professional fees	50,000	93,182	(43,182)
Repair and maintenance	68,500	74,682	(6,182)
Salaries and benefits	379,454	374,440	5,014
Small tools and supplies	10,000	12,341	(2,341)
Testing	4,000	6,724	(2,724)
Trustee and paying agent fees	1,000	234	766
Utilities	99,200	90,812	8,388
Utility billing	10,000	6,827	3,173
Vehicle operations	32,500	14,859	17,641
Water costs	65,000	98,284	(33,284)
Total operations expenditures	<u>805,704</u>	<u>869,759</u>	<u>(64,055)</u>

(continued)

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

**For the Year Ended December 31, 2012**

(continued)

	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Expenditures (continued)</b>			
Debt service			
Principal	67,610	67,610	-
Interest	290,940	290,940	-
Capital outlay	1,058,860	407,729	651,131
<b>Total expenditures</b>	<u>2,223,114</u>	<u>1,636,038</u>	<u>587,076</u>
<b>Excess of revenues over (under) expenditures</b>	(1,157,924)	(185,461)	972,463
<b>Other financing sources (uses)</b>			
Debt issue proceeds	40,120	43,680	3,560
<b>Total other financing sources (uses)</b>	<u>40,120</u>	<u>43,680</u>	<u>3,560</u>
<b>Excess of revenues and other financing sources over (under) expenditures</b>	(1,117,804)	(141,781)	976,023
<b>Funds available - beginning of year</b>	<u>2,098,632</u>	<u>1,757,512</u>	<u>(341,120)</u>
<b>Funds available - end of year</b>	<u>\$ 980,828</u>	<u>\$ 1,615,731</u>	<u>\$ 634,903</u>

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

**For the Year Ended December 31, 2012**

Revenues (budgetary basis)	\$	1,494,257
Debt issue proceeds		(43,680)
Total revenues per Statement of Revenues, Expenses and Changes in Net Position		1,450,577
Expenditures (budgetary basis)		1,636,038
Depreciation		454,096
Amortization of bond issue costs		18,484
Amortization of bond premium		(7,020)
Amortization of deferred loss on refunding		10,632
Debt principal payments		(67,610)
Capital outlay		(407,729)
Total expenses per Statement of Revenues, Expenses and Changes in Net Position		1,636,891
Change in net assets per Statement of Revenues, Expenses and Changes in Net Position		\$ (186,314)

**Baca Grande Water and Sanitation District**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**December 31, 2012**

<u>Year Ended December 31,</u>	<b>\$5,405,000 General Obligation Bonds, Series 2010</b>			<b>\$1,483,750 Colorado Water Resources and Power Development Authority Loan</b>		
	<b>Principal Due December 1, Interest Rate 2.75% to 4.77% Payable June 1 and December 1</b>			<b>Principal and Interest Due June 1 and December 1 Interest rate 2.00%</b>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 5,320,625</u>	<u>\$ 10,725,625</u>	<u>\$ 1,333,718</u>	<u>\$ 238,742</u>	<u>\$ 1,572,460</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, 2012**  
(continued)

<b>Year Ended December 31,</b>	<b>Total</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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>\$6,738,718</u>	<u>\$5,559,367</u>	<u>\$12,298,085</u>