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MANAGEMENT'S DISCUSSION AND ANALYSIS,  
FINANCIAL STATEMENTS AND  
AUDITORS' REPORT

**ORCHARD MESA SANITATION DISTRICT**

GRAND JUNCTION, COLORADO

December 31, 2009

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## CONTENTS

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis	i
Basic Financial Statements	
Statement of Net Assets	4
Statement of Revenues, Expenses and Changes in Net Assets	7
Statement of Cash Flows	8
Notes to Financial Statements	10
Required Supplementary Information	
Statement of Revenue and Expenditures – Budget and Actual (Non- GAAP Budgetary Basis)	21

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Orchard Mesa Sanitation District  
Grand Junction, CO

We have audited the accompanying basic financial statements of Orchard Mesa Sanitation District as of and for the year ended December 31, 2009, 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 misstatements. 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 basic financial statements referred to above present fairly, in all material respects, the financial position of Orchard Mesa Sanitation District at December 31, 2009 and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i through iv and 21, respectively, be presented to supplement the basic financial statements. Such information, although not 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



JEFF WENDLAND, CPA, LLC  
Grand Junction, Colorado  
February 25, 2010

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

The "Discussion and Analysis" is designed to provide an analysis of the District's financial condition and operating results and to also inform the reader on District financial issues and activities. Please read it in conjunction with the District's financial statements, which follow.

### HIGHLIGHTS – Business-type Activities

- In 2009, net assets decreased by \$162,195.00 (or 3%) when compared to 2008.
- Total revenues increased by \$23,122.00 (or 3%) to \$804,787.00 for 2009.
- Total operating expenses increase by \$176,987.00 (or 18%) in 2009 when compared to 2008.
- Net capital assets increased by \$311,191.00 to \$4,371,028.00 in 2009.
- Capital contributions in 2009 were \$219,333.00 in comparison to \$363,225.00 in 2008.
- Non-current liabilities decreased by \$45,000.00 to \$315,000.00 in 2009.

### USING THIS ANNUAL REPORT

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. The following statements are included:

- **Statement of net assets** – reports the District's current financial resources (short-term spendable resources with capital assets and long-term obligations). (See pages 4-5)
- **Statement of revenues, expenses and changes in net assets** – reports the District's operating and non-operating revenues by major source along with operating and non-operating expenses and capital contributions. (See page 7)
- **Statements of cash flows** – reports the District's cash flows from operating, investing, capital and non-capital activities. (See page 8)
- **Statement of revenues and expenditures – budget and actual – (non-GAAP budgetary basis)** – reports the District's revenues and expenditures on the same basis as the budget. (See page 21)

## Management's Discussion and Analysis

### STATEMENT OF NET ASSETS

The following table shows the condensed statement of net assets for the past two years.

Years ended December	2009	2008
Current assets	\$2,262,553.00	\$2,797,644.00
Restricted assets	356,443.00	374,461.00
Capital assets	<u>4,371,028.00</u>	<u>4,059,837.00</u>
Other assets		
Total assets	<u>6,990,024.00</u>	<u>7,232,087.00</u>
Current liabilities	188,696.00	223,555.00
Non-current liabilities	<u>315,000.00</u>	<u>360,000.00</u>
Total liabilities	<u>503,696.00</u>	<u>583,555.00</u>
Net assets		
Invested in capital assets, net of related debt	4,011,028.00	3,646,839.00
Restricted for debt service	67,156.00	67,156.00
Unrestricted	2,005,849.00	2,627,223.00
Restricted for Capital Assets	<u>402,295.00</u>	<u>307,305.00</u>
Total net assets	<u>6,990,024.00</u>	<u>6,648,523.00</u>

The net assets of the District increased to \$6,990,024.00 during 2009, an increase of \$341,501.00 over 2008. The major reason for this increase is the tap fees and capital contributions.

### REVIEW OF REVENUES

Years ended December 31,	2009	2008
Operating revenues		
Sewer service fees	\$698,503.00	\$672,117.00
Other	<u>(0)</u>	<u>(0)</u>
Total	<u>698,503.00</u>	<u>672,117.00</u>
Non-operating revenues		
Property taxes	77,110.00	68,830.00
Investment income	<u>29,174.00</u>	<u>40,718.00</u>
Total	<u>106,284.00</u>	<u>109,548.00</u>
Total revenues	<u>804,787.00</u>	<u>781,665.00</u>

## Management's Discussion and Analysis

In 2009, operating revenues increased 3% from the prior year and the District's customer base increased about 2% from 2008. Non-operating revenues were \$3,264.00 more in 2008 than the current year. This is attributable primarily to an increase in collection of property taxes due to mill levy remaining the same and lower returns on investments.

### REVIEW OF EXPENSES

Years ended December 31,	2009	2008
Operating expenses		
City of Grand Junction service fee	\$ 461,734.00	\$ 444,153.00
Collection system repairs and maintenance	341,235.00	164,057.00
Professional services (including legal & engineering)	10,164.00	31,708.00
Administration	152,083.00	153,064.00
Finance & accounting	6,500.00	6,500.00
Depreciation	<u>193,106.00</u>	<u>188,353.00</u>
Total	1,164,822.00	987,835.00
Non-operating expenses		
Interest expense	19,687.00	21,750.00
County treasurer's fees	<u>1,806.00</u>	<u>794.00</u>
Total	<u>21,493.00</u>	<u>22,544.00</u>
Total expenses	\$ <u>1,186,315.00</u>	\$ <u>1,010,379.00</u>

The District's operating expenses increased by \$176,987.00 in 2009 compared to 2008. This increase is attributed to the District several system maintenance projects, and an increase in the service fee from the City of Grand Junction. Non-operating expenses decreased in 2009 by \$1,152.00 due to a reduction in interest expense for debt retirement.

### CAPITAL CONTRIBUTIONS

Years ended December 31,	2009	2008
Tap connection fees	\$ 84,498.00	\$ 89,944.00
Developer donated lines & system upgrades	<u>134,835.00</u>	<u>273,281.00</u>
Total capital contributions	<u>219,333.00</u>	<u>363,225.00</u>

In 2009, tap fees decreased \$5,446.00 from the prior year. This slight increase resulted from a continuing decline in the economy within the District.

## Management's Discussion and Analysis

### BUDGETARY HIGHLIGHTS

The overall budget appropriation for 2009 was not changed.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital assets, net of depreciation

In 2009, capital assets had a net increase (additions, retirements & depreciation) of \$311,191.00.

Years ended December 31,	2009	2008
Land	\$ 88,500.00	\$ 88,500.00
Collection system	7,518,358.00	7,015,098.00
Building & Improvement	84,319.00	84,319.00
Office Equipment	<u>61,733.00</u>	<u>60,698.00</u>
Total	7,752,910.00	7,248,615.00
Depreciation	<u>(3,381,882.00)</u>	<u>(3,188,778.00)</u>
Total capital assets, net	<u>\$ 4,371,028.00</u>	<u>\$ 4,059,837.00</u>

The major additions in 2001 are:

Collection system mains \$ 503,260.00

The District completed two capital repair projects in 2009. The western section of Webster Road was updated to remove system deficiencies and to add additional tap availability. The Rincon Project, Phase I, was completed in 2009 and new PVC line was installed to eliminate the old "Truss" pipe – eliminating I/I issues.

### DEBT OUTSTANDING

Debt information is available in the notes to the financial statements (see page 15-16).

### ECONOMIC AND OTHER FACTORS

The economy of the Orchard Mesa area served by the District continues to decline due to the downward spiral in the national economy. The decreasing number of sewer tap sales (see page 8) and subdivision development indicates a declining growth trend.

### FINANCIAL CONTACT

The District's financial statements are designed to present District users, taxpayers and creditors with a general overview of the District's finances and to demonstrate the District's accountability. If you have any question concerning this report or need additional financial information, please contact the District's office, Orchard Mesa Sanitation District, 240 27-1/4 Road, Grand Junction, CO 81503.

**STATEMENT OF NET ASSETS**

**ORCHARD MESA SANITATION DISTRICT**

**STATEMENT OF NET ASSETS**

December 31, 2009

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**ASSETS**

**CURRENT ASSETS**

Cash	\$ 701,667
Investments	1,354,963
Customer accounts receivable	131,464
Accrued property taxes receivable	74,459
<b><i>TOTAL CURRENT ASSETS</i></b>	<u>2,262,553</u>

**RESTRICTED ASSETS**

Investments	356,443
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**PROPERTY, PLANT AND EQUIPMENT**

Building and improvements	84,319
Collection system	7,518,358
Office equipment	61,733
	<u>7,664,410</u>
Less accumulated depreciation	<u>(3,381,882)</u>
	4,282,528
Land	88,500
<b><i>TOTAL PROPERTY, PLANT AND EQUIPMENT</i></b>	<u>4,371,028</u>

<b><i>TOTAL ASSETS</i></b>	<u><u>\$ 6,990,024</u></u>
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The accompanying notes are an integral part of these statements.

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**LIABILITIES AND FUND EQUITY****CURRENT LIABILITIES**

Current maturities of long-term debt	\$ 45,000
Accounts payable	15,026
Accrued expenses	1,089
Accrued interest	4,500
Due to other governments	48,622
Deferred revenue from property taxes	74,459
<b><i>TOTAL CURRENT LIABILITIES</i></b>	<u>188,696</u>

**LONG-TERM DEBT**

Bonds payable	360,000
Less current maturities	(45,000)
<b><i>TOTAL LONG-TERM DEBT</i></b>	<u>315,000</u>

**NET ASSETS**

Invested in capital assets, net of related debt	4,011,028
Restricted for debt service	67,156
Restricted for capital assets	402,295
Unrestricted	2,005,849
<b><i>TOTAL NET ASSETS</i></b>	<u>6,486,328</u>

***TOTAL LIABILITIES AND FUND EQUITY*** \$ 6,990,024

**ORCHARD MESA SANITATION DISTRICT**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

Year ended December 31, 2009

<b>OPERATING INCOME</b>	
Sewer Service	\$ 698,503
<b>OPERATING EXPENSES</b>	
Audit and accounting	6,500
Depreciation	193,106
Directors' fees	8,000
Employee benefits	9,110
Legal and professional fees	6,869
Engineering fees	3,295
Salaries	108,786
Office expense	18,013
Operating expense	10,407
Repair and maintenance	330,828
Retirement	4,163
Service fees	461,734
Utilities and Telephone	4,011
	<u>1,164,822</u>
<b>LOSS FROM OPERATIONS</b>	<b>(466,319)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Property taxes	77,110
County treasurer's fees	(1,806)
Investment income	29,174
Interest expense	(19,687)
	<u>84,791</u>
<b>LOSS BEFORE CONTRIBUTIONS</b>	<b>(381,528)</b>
<b>CAPITAL CONTRIBUTIONS</b>	
Tap fees	84,498
Developer donated lines	34,835
Contributions for system upgrades	100,000
	<u>219,333</u>
<b>CHANGE IN NET ASSETS</b>	<b>(162,195)</b>
<b>NET ASSETS, beginning of year</b>	<b>6,648,523</b>
<b>NET ASSETS, end of year</b>	<b>\$ <u>6,486,328</u></b>

The accompanying notes are an integral part of these statements

**ORCHARD MESA SANITATION DISTRICT**

**STATEMENT OF CASH FLOWS**

Year ended December 31, 2009

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 683,724
Cash paid to suppliers	(905,348)
Cash paid to employees	(108,786)
<b><i>NET CASH USED BY OPERATING ACTIVITIES</i></b>	<u>(330,410)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Treasurer's fees paid	(1,806)
Property tax revenue received	77,110
<b><i>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</i></b>	<u>75,304</u>

**CASH FLOWS FROM CAPITAL AND RELATED  
FINANCING ACTIVITIES**

Tap fees and line costs received in excess of costs	84,498
Contributions for system upgrades	100,000
Acquisitions and construction of capital assets	(469,460)
Debt reduction	(45,000)
Interest paid on debt	(19,687)
<b><i>NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES</i></b>	<u>(349,649)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Net income on investments	8,531
Sale of investments	1,260,000
Purchase of investments	(1,259,753)
<b><i>NET CASH PROVIDED BY INVESTING ACTIVITIES</i></b>	<u>8,778</u>
<b><i>NET INCREASE IN CASH</i></b>	<u>(595,977)</u>
CASH - beginning of year	<u>1,297,644</u>
CASH - end of year	<u>\$ 701,667</u>

The accompanying notes are an integral part of these statements

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**RECONCILIATION OF LOSS FROM OPERATIONS TO NET  
CASH USED IN OPERATING ACTIVITIES**

<b><i>LOSS FROM OPERATIONS</i></b>	<b>\$ (466,319)</b>
<b>ADJUSTMENTS TO RECONCILE LOSS FROM OPERATIONS TO NET CASH USED IN OPERATING ACTIVITIES</b>	
Depreciation	193,106
(Increase) in accounts receivable	(14,779)
(Decrease) in accounts payable	(4,796)
(Decrease) in accrued expenses	(3,556)
(Decrease) in due to other governments	(34,066)
<b><i>NET CASH USED IN OPERATING ACTIVITIES</i></b>	<b><u>\$ (330,410)</u></b>

**Supplemental Disclosure of Non-Cash Transactions**

Bond discount amortization	12,577
Lines contributed by developers	34,835
Adjust investments to fair market value	6,794

The accompanying notes are an integral part of these statements

# ORCHARD MESA SANITATION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009

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### **NOTE A - SUMMARY OF ACCOUNTING POLICIES**

The District is organized under the laws of the State of Colorado by virtue of an organizational decree issued by the District Court in and for the County of Mesa and State of Colorado on November 25, 1974.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the committee on accounting procedure issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The District has implemented the provisions of the Statement.

#### Basis of Presentation

The District is a special-purpose government engaged only in a business type activity. The accounts of the District are organized as a proprietary fund. This means that the District accounts for its operations in a manner similar to a private business enterprise. The intent is that the costs of providing services to the general public on a continuing basis be financed through user charges.

#### Basis of Accounting

The basis of accounting refers to the timing of the recognition of revenue and expenditures in the financial statements. Since the District is organized as a proprietary fund, it uses the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

#### Bad Debts

All accounts are considered collectible, therefore, no provision for uncollectible accounts is considered necessary.

**ORCHARD MESA SANITATION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS - continued**

December 31, 2009

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**NOTE A - SUMMARY OF ACCOUNTING POLICIES - continued**

Cash Equivalents

For purposes of the statement of cash flows, the District considers checking, money market, and passbook savings accounts to be cash equivalents.

Property, Plant, Equipment and Depreciation

Property, plant and equipment are recorded at cost. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets.

Building and improvements	10-20 years
Collection system	40 years
Office equipment	5 years

Reporting Entity

The reporting entity of the District includes those activities and functions over which the District's officials maintain accountability, oversight and control. The District's financial statements include the accounts and operations of all of the District's functions. The District is the primary government and does not include any component units using the criteria set forth in generally accepted accounting principles.

Future Compensated Absences

It is the District's policy to permit employees to accumulate a limited amount of earned but unused vacation that will be taken after December 31, 2007 or paid upon separation from District service. As of December 31, 2007, the total of accrued future compensated absences was immaterial and not accrued in the basic financial statements.

Net Assets

Investments in capital assets (net of related debt) is intended to reflect the portion of net assets that are associated with non-liquid capital assets, less outstanding capital related debt. Restricted assets are liquid assets that have third-party limitations on their use.

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing sanitation service to customers. All revenues and expenses not in the course of providing service are reported as non-operating revenues and expenses.

**ORCHARD MESA SANITATION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS - continued**

December 31, 2009

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**NOTE A - SUMMARY OF ACCOUNTING POLICIES - continued**

Budgets and Budgetary Accounting

Annual appropriation budgets are adopted by the District. The budgets are adopted on the accrual basis with certain modifications. The modifications include the addition of capital expenditures and debt service expenditures and the exclusion of depreciation. Appropriations lapse at the end of the year, therefore no provision for encumbrances are included.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Application of GASB No. 20, Paragraph 7

The District has elected to follow all FASB statements issued after November 30, 1989, that do not conflict or contradict GASB pronouncements and that are developed for business enterprises.

**NOTE B - CASH AND INVESTMENTS**

The District may invest public funds and monies of the District in any securities designated as legal investments in any applicable statute of the state of Colorado. Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest including obligations of the United States and certain U.S. government agency securities; certain international agency securities; general obligation and revenue bonds of U.S. local government entities; bankers' acceptances of certain banks; commercial paper; local government investment pools; written repurchase agreements collateralized by certain authorized securities; certain money market funds; and guaranteed investment contracts. Colorado statutes require the District to make deposits only in eligible public depositories as defined by the Colorado Public Deposit Protection Act of 1975. The Act requires the eligible depository with public deposits in excess of federal insurance levels to create single institution collateral pools of defined eligible assets. Eligible collateral includes obligations of the United States, the state of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the pool must be at least equal to the uninsured deposits.

**ORCHARD MESA SANITATION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS - continued**

December 31, 2009

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**NOTE B - CASH AND INVESTMENTS - continued**

The District's investments consist of U.S. government securities and investments with the investment pool, ColoTrust.

Cash and investments, at cost, consist of:

	Rating	Maturity less than one year
<b>Cash</b>		
Petty cash	N/A	\$ 75
Checking accounts	N/A	174,760
Passbook savings and money market accounts	N/A	526,832
		<u>\$ 701,667</u>
<b>Investments</b>		
U.S. T-Bills	N/A	\$ 1,257,507
ColoTrust	AAA	453,899
Less: amount restricted		<u>(356,443)</u>
		<u>\$ 1,354,963</u>

The District's deposits with financial institutions had carrying amounts of \$699,952 and bank balances of \$700,963 on December 31, 2009. Balances exceeded federal depository insurance limits of \$387,295 are secured. The District's money market accounts with brokerage institutions had carrying amounts and institution amounts of \$1,640 on December 31, 2009. This entire amount was insured under the Securities Investors Protection Corporation. Further information on ColoTrust is available online at [www.colotrust.com](http://www.colotrust.com).

U.S. T-Bills are purchased at a discount and are carried at amortized cost.

**ORCHARD MESA SANITATION DISTRICT**

NOTES TO FINANCIAL STATEMENTS - continued

December 31, 2009

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**NOTE C - PROPERTY TAXES**

Property taxes for 2009, collectible in 2010, were approved by the Board of Directors in December, 2009 and levied by the Mesa County Commissioners. Property taxes attach as an enforceable lien on January 1, 2010 and are payable in two installments due February 28 and June 15, or in one installment due April 30.

Property taxes for 2009, collectible in 2010, are shown as property taxes receivable and deferred revenue on the balance sheet in the amount of assessed taxes. No allowance is made for uncollectible taxes.

Revenue from 2008 property taxes collected in 2009 are recognized in these financial statements as follows:

Assessed valuation	\$ 59,367,220
Mill levy	1.05
Property taxes levied	\$ 66,900
Property taxes collected	\$ 65,349
Percent collected	97.68%

**NOTE D – CAPITAL ASSETS**

At December 31, 2009, capital assets (property, plant and equipment) include the following:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Non-depreciable assets				
Land	\$ 88,500	\$ -	\$ -	\$ 88,500
Depreciable assets				
Building and improvements	84,319	-	-	84,319
Collection system	7,015,098	503,260	-	7,518,358
Office equipment	60,698	1,035	-	61,733
Total cost	<u>7,248,615</u>	<u>504,295</u>	<u>-</u>	<u>7,752,910</u>
Less accumulated depreciation	<u>(3,188,776)</u>	<u>(193,106)</u>	<u>-</u>	<u>(3,381,882)</u>
Total capital assets, net	<u>\$ 4,059,839</u>	<u>\$ 311,189</u>	<u>\$ -</u>	<u>\$ 4,371,028</u>

**ORCHARD MESA SANITATION DISTRICT**

NOTES TO FINANCIAL STATEMENTS - continued

December 31, 2009

**NOTE D - LONG TERM DEBT**

Sewer Revenue Bonds and Reserve

Sewer Revenue Bonds, Series 1976, were issued January 1, 1977. Commencing in 1977, the bonds mature in serial number order in varying amounts on October 1. Interest of 5% is payable each April 1 and October 1. Bonds payable totaled \$405,000 at December 31, 2008. \$45,000 of bonds were retired in 2009 leaving a balance of \$360,000 outstanding at December 31, 2009.

The following is a summary of bond principal and interest requirements:

<u>Year</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>		<u>Annual Total</u>
	<u>October 1</u>	<u>October 1</u>	<u>April 1</u>	
2010	45,000	9,000	9,000	63,000
2011	50,000	7,875	7,875	65,750
2012	50,000	6,625	6,625	63,250
2013	50,000	5,375	5,375	60,750
2014	55,000	4,125	4,125	63,250
2015	55,000	2,750	2,750	60,500
2016	55,000	1,375	1,375	57,750
	<u>\$ 360,000</u>	<u>\$ 37,125</u>	<u>\$ 37,125</u>	<u>\$ 434,250</u>

A Bond Reserve Account of \$67,000 as required by the bond indenture was established upon receipt of the loan proceeds. Funds may be expended from the Reserve for the purpose of preventing defaults in the payments of the bonds or interest. If used, the Reserve must be replenished by a yearly addition of \$6,700 until the required amount of \$67,000 is attained. The reserve account had a balance of \$67,156 on December 31, 2009.

**ORCHARD MESA SANITATION DISTRICT**

NOTES TO FINANCIAL STATEMENTS - continued

December 31, 2009

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**NOTE D - LONG TERM DEBT - continued**

Following is a summary of changes in long-term debt for the years ended December 31, 2009

	<u>January 1</u>	<u>Borrowing</u>	<u>Repayments</u>	<u>December 31</u>
Bonds payable	<u>\$ 405,000</u>	<u>\$ -</u>	<u>\$ 45,000</u>	<u>\$ 360,000</u>

**NOTE E - SEWER SERVICE AND INTERGOVERNMENTAL AGREEMENT**

Sewer service income is recognized monthly as the service by the District is rendered. The City of Grand Junction/Mesa County, Colorado Joint Sewer System charges the District a monthly fee for operating services performed. The charges by the Joint Sewer System are recognized on the same basis as the service income. Terms of a revised agreement with the Joint Sewer System completed in 2004, require a return of a portion of these charges. Beginning in 2004 and finishing in 2015, the District is to receive \$43,400 per year to be used for non-specific capital purposes. In addition, beginning in 2004 and ending in 2012, the District is to receive \$56,600 per year in capital funds to be used for specified capital expenditures. Of funds received as of December 31, 2008, \$402,295 remained unspent as of December 31, 2009 as a result this amount is shown as restricted portion of net assets. On or before the November 2015 general election, the District board shall take steps to take to the voters a plan and proposal to dissolve the district.

**NOTE F - RETIREMENT PLANS**

- A. The District provides pension benefits for all of its full-time employees through a defined contribution plan with the Colorado County Officials and Employees Retirement Association Retirement Plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate six months from the date of employment. The District contributed from 6% to 8% of the employee's monthly base salary to the plan. The District's contribution for each employee (and interest allocated to the employee's account) vest at a rate of 20% per year. Any non-vested District contributions forfeited by an employee who leaves the District's employment are remitted to the District. Further information on CCOERA may be found online at [www.ccoera.org](http://www.ccoera.org).

**ORCHARD MESA SANITATION DISTRICT**

NOTES TO FINANCIAL STATEMENTS - continued

December 31, 2009

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**NOTE F - RETIREMENT PLANS - continued**

The District's total payroll was \$117,896 in 2009. The total payroll covered by the pension plan was \$102,846. Employees, through a deferred compensation arrangement, contributed \$8,228 to the plan and the District's contribution totaled \$6,078.

- B. The District offers a deferred compensation plan in accordance with Section 457 of the Internal Revenue Code. The plan permits employees to defer a portion of their salary to future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the deferred compensation plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust by an independent trustee for the exclusive benefit of the participants and their beneficiaries.

**NOTE G - RECONCILIATION OF REVENUE AND EXPENSES – BUDGETARY BASIS TO GAAP BASIS**

Excess revenue over expenditures - budget basis	\$ (518,384)
Plus:	
Debt principal	45,000
Capital outlay	469,460
Developer donated lines	34,835
	<u>30,911</u>
Less:	
Depreciation expense	<u>(193,106)</u>
Change in Net Assets (GAAP Basis)	<u><u>\$ (162,195)</u></u>

## **ORCHARD MESA SANITATION DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS - continued**

December 31, 2009

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#### **NOTE H - TAX, SPENDING, AND DEBT LIMITATIONS**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The voters of the District exempted the District from all Amendment requirements in a 1995 election, therefore, the District believes none of the Amendment's provisions apply. The exemption applies to the 1995 fiscal year as well as subsequent years.

#### **NOTE I - RISK MANAGMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters. The District participates in the Colorado Special Districts Property and Liability Pool to provide workers' compensation coverage and general liability and property insurance. The District, along with other participating entities, contributes annual amounts determined by the Pool management. As claims arise, they are submitted to and paid by the Pool. There have been no significant reductions in insurance coverage, nor have settlement amounts exceeded coverage for the current or prior three years.

#### **NOTE J – SUBSEQUENT EVENTS**

The district has considered subsequent events through February 25, 2010 as they may affect these financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**ORCHARD MESA SANITATION DISTRICT**

**STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL  
(NON-GAAP BUDGETARY BASIS)**

Year Ended December 31, 2009

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUE</b>			
Sewer service	\$ 688,250	\$ 698,503	\$ 10,253
Taps	60,000	84,498	24,498
Property taxes	74,900	77,110	2,210
Capital contributions	97,000	134,835	
Investment income	15,000	29,174	14,174
	<u>\$ 935,150</u>	<u>\$ 1,024,120</u>	<u>\$ 88,970</u>
<b>EXPENDITURES</b>			
Audit	\$ 7,450	\$ 6,500	\$ 950
Interest expense	20,250	19,687	563
Debt principal	45,000	45,000	-
Capital outlay	5,000	1,035	3,965
Clerical	46,750	43,669	3,081
Collection system development	53,600	42,680	10,920
Sewer line replacement	500,000	468,425	31,575
County Treasurer's fees	2,000	1,806	194
Director's fees	8,000	8,000	-
Employee benefits	10,800	9,110	1,690
Legal and professional	86,200	10,164	76,036
Management fees	65,275	59,177	6,098
Office expense	35,315	23,953	11,362
Repairs and maintenance	150,000	333,390	(183,390)
Retirement	35,000	4,163	30,837
Service fees	486,500	461,734	24,766
Utilities and telephone	5,250	4,011	1,239
	<u>\$ 1,562,390</u>	<u>\$ 1,542,504</u>	<u>\$ 19,886</u>
<b>Excess Revenues over Expenditures</b>		(518,384)	
Adjustments - budgetary basis to GAAP basis		356,189	
<b>CHANGE IN NET ASSETS - (GAAP Basis)</b>		<u>\$ (162,195)</u>	

The accompanying notes are an integral part of these statements.