

**TABERNASH MEADOWS WATER
AND SANITATION DISTRICT**
Grand County, Colorado

**FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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Independent Auditor's Report

Board of Directors
Tabernash Meadows Water and Sanitation District
Grand County, Colorado

We have audited the accompanying basic financial statements of Tabernash Meadows Water and Sanitation District as of and for the years ended December 31, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of Tabernash Meadows Water and Sanitation District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tabernash Meadows Water and Sanitation District, as of December 31, 2010 and 2009, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages II - VII is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information listed in the table of contents is presented for purposes of additional analysis and legal compliance and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SCHILLING & COMPANY, INC.

March 23, 2011

**TABERNASH WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2010 and 2009**

Our discussion and analysis of Tabernash Water and Sanitation District's (District) financial performance provides an overview of the District's financial activities for the fiscal years ended December 31, 2010 and 2009. Please read it in conjunction with the District's basic financial statements which begin on page 1.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Required statements for proprietary funds are: 1) Statement of Net Assets, 2) Statement of Revenues, Expenses and Changes in Fund Net Assets, and 3) Statement of Cash Flows. The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets are prepared using the economic resource measurement focus and the accrual basis of accounting.

The *Statement of Net Assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. This statement provides useful information regarding the financial position of the District. Over time, increases and decreases in net assets can serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Nonfinancial factors should also be considered to assess the overall financial position of the District.

The *Statement of Revenues, Expenses and Changes in Fund Net Assets* reports the changes that have occurred during the year to the District's net assets. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Revenues and expenses are reported for some items that will only result in cash flows in the subsequent years.

The *Statement of Cash Flows*, as its name implies, is concerned solely with flows of cash and cash equivalents. Only transactions that affect the District's cash position are reflected in this statement. Transactions are segregated into four sections on the statement: 1) cash flows from operating activities, 2) cash flows from capital financing activities, 3) cash flows from noncapital financing activities, and 4) cash flows from investing activities.

FINANCIAL SUMMARY AND ANALYSIS

Net Assets

2010

As noted earlier, net assets may serve as a useful indicator of the District's financial position. As noted in the table below, in 2010 the District's assets exceeded its liabilities by \$2,865,783 an increase from 2009 of \$138,691 or 5.1%. Total assets increased by \$228,532. Unrestricted cash made up a large part of this increase, \$331,290, which was due to the sale of 22 taps at \$20,000 per tap plus payment on delinquent service fees of over \$27,000. These taps were purchased as part of a settlement between Millennium Bank, M3 Colorado, LLC and the District.

The original 2006 Water and Sewer Tap Purchase Agreement was issued between the District and M3 Colorado, LLC. Also restricted cash increased by \$164,185 due to the refunding of the 2000 bonds. The bond refunding required the District to restrict an additional \$100,000 in a Pledged Revenue Fund to be used to service outstanding debt if the District defaulted on its bond payments.

The above asset increases were offset by an overall increase in liabilities of \$89,841. This change in liabilities was mostly due to the transactions concerning the refunding of the 2000 Series General Obligation Bonds.

2009

In 2009, the District's assets exceed liabilities by \$2,727,092. This amount increased from 2008 to 2009 by \$338,437 or 14.2%. Current assets increased by \$136,422 or 18.4% from 2008 to 2009. The main increases were in accounts receivable which increased \$43,718 primarily due to past due water and sewer service fees on property owned by the developer. Additionally, property taxes receivable increased by approximately \$106,000 primarily due to a 10.000 increase in the mill levy for debt service to be collected in 2010. Capital assets increased by \$135,239, refer to the capital asset administration section of the management's discussion and analysis for detailed explanations of this increase. Current liabilities increased by \$139,888 or 29.1% from 2008 to 2009. This increase is due primarily to an increase in deferred property tax revenue of approximately \$106,000 as discussed above. Additional increases were noted in accrued general leave which increased by \$11,309 from 2008 to 2009.

NET ASSETS

	December 31,		
	2010	2009	2008 (Restated)
ASSETS			
Current assets	\$ 1,336,772	\$ 877,235	\$ 740,813
Capital assets, net	5,224,022	5,448,171	5,312,932
Other	153,620	160,476	175,760
Total assets	<u>6,714,414</u>	<u>6,485,882</u>	<u>6,229,505</u>
LIABILITIES			
Current liabilities	335,386	620,738	480,850
Long-term liabilities	3,513,245	3,138,052	3,360,000
Total liabilities	<u>3,848,631</u>	<u>3,758,790</u>	<u>3,840,850</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,856,546	2,208,145	1,893,692
Restricted	174,986	10,501	1,200
Unrestricted	834,251	508,446	493,763
Total net assets	<u>\$ 2,865,783</u>	<u>\$ 2,727,092</u>	<u>\$ 2,388,655</u>

Changes in Net Assets

2010

As noted in the table below, the District's net assets for 2010 increased by \$138,691. Overall revenue decreased by \$289,524. Operating revenues increased by \$40,870 or 11.9%. Part of this increase was from the additional service fees collected on taps from the settled tap purchase agreement; and additional service fees collected as part of an increase in the quarterly service fees representing over \$28,000. Non-operating or general revenues increased by \$118,537 all of this increase was due to additional property tax collected. The District was forced to raise its 2010 bond mill levy by 10 mills, to a total of 30 mills, to meet its bond debt servicing. The last component of revenue is contributed capital in which the District had a couple of unusual transactions in 2009 which were not repeated in 2010. These transactions brought in \$448,931 less in 2010. In 2009 the District drew \$600,000 from a non-revocable letter of credit to purchase 30 taps compared to 2010 in which the District sold 22 taps for \$440,000. The other 2009 transaction not repeated in 2010 was the acceptance of \$288,931 in water and sewer lines contributed to the District by the Coyote Creek subdivision.

Adding to the net asset increase is an overall savings in expenses of \$89,778. Operating expenses decreased by \$138,829. The key components of this decrease were over \$50,000 less in legal costs mostly associated with the M3 Colorado, LLC settlement; over \$40,000 savings in labor due to more work on 2010 capital assets and a reduced work schedule by one employee; \$20,000 in overall operating cost savings due to efficiencies in energy use and "green" savings due to the use of the District's biosolid drying beds. The operating savings above was offset by the one time loss on the sale of the Lakeside lots the District held for resale. These lots were the last property the District held as part of the 2006 real estate it obtained in its foreclosure action against the original developer of the Pole Creek Valley Subdivision.

2009

For 2009, the District's net assets increased by \$338,437. The charges for services revenue increased by \$24,017, or 7.5%, from 2008 to 2009. Key components of this increase were increases in water and sewer charges of \$46,115 due to an increase in quarterly rates. Additionally the charges to Grand County increased by \$7,275 due to more capital improvement reimbursements during 2009. These increases were offset by a reduction of \$29,373 in other charges for services. Capital grants and contributions increased by \$572,931 or 181.3% from 2008 to 2009. During 2009 the developer did not purchase the specified amount of tap fees as stated in the Water and Sewer Tap Purchase agreement with the developer. As a result the District drew \$600,000 from a non-revocable letter of credit which was provided by the developer to secure payment for the agreed upon taps. Additionally, during 2009 the District formally accepted \$288,931 of water and sewer lines contributed to the District by the developer that were constructed in the Coyote Creek subdivision.

Overall expenses decreased by \$77,391, or 6.7% from 2008 to 2009. Total water and sewer expenses were down slightly from 2008 to 2009, however, there was a shift in overall salaries from sewer to water. The largest contributor to the decrease in expenses from 2008 to 2009 was a decrease of \$88,215 in administration. The main decrease in administration was due to a reduction of legal fees from 2008 to 2009 of \$85,460.

CHANGES IN NET ASSETS

	Years Ended December 31,		
	2010	2009	2008 (Restated)
REVENUES			
Program revenues:			
Charges for services	\$ 383,293	\$ 342,423	\$ 318,406
Capital grants and contributions	440,000	888,931	316,000
General revenues:			
Property taxes	291,828	174,395	158,152
Specific ownership taxes	10,826	7,629	9,668
Investment earnings	9,211	11,304	24,691
Total revenues	1,135,158	1,424,682	826,917
EXPENSES			
Water operations	114,184	153,659	126,305
Sewer operations	202,870	226,468	262,184
Administration	75,468	148,900	237,115
Depreciation	229,116	231,440	203,828
Interest, fiscal charges and other	326,009	325,778	334,204
Loss on sale of land	48,820	-	-
Total expenses	996,467	1,086,245	1,163,636
CHANGE IN NET ASSETS	138,691	338,437	(336,719)
NET ASSETS - BEGINNING OF YEAR	2,727,092	2,388,655	2,725,374
NET ASSETS - END OF YEAR	\$ 2,865,783	\$ 2,727,092	\$ 2,388,655

BUDGETARY HIGHLIGHTS

During 2010 and 2011 the District's budget was amended. The final appropriation was for \$4,504,868 amending the last approved amount of \$1,745,616. The increase was to reflect the Districts refunding on its 2000 series bonds and adjusted the appropriate line items to more accurately reflect the use and proper accounting of the bond proceeds. The \$4,504,868 in actual expenditures can be summarized as \$407,265 in operations, \$113,787 in capital expenditures, \$189,733 of debt service expenditures, \$158,437 in bond issue costs on the 2010 bonds and \$3,635,646 in payments made to an escrow account for the refunding of the 2000 series bonds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets at December 31, 2010 and 2009 is as follows:

CAPITAL ASSETS (net of accumulated depreciation)

	<u>2008</u> (Restated)	<u>Change</u>	<u>2009</u>	<u>Change</u>	<u>2010</u>
Land	\$ 164,976	\$ -	\$ 164,976	\$ (108,820)	\$ 56,156
Water rights	333,200	-	333,200	-	333,200
Construction in progress	-	-	-	83,698	83,698
Water system	1,925,430	78,125	2,003,555	(83,861)	1,919,694
Wastewater system	2,853,032	28,123	2,881,155	(101,930)	2,779,225
Vehicles and equipment	36,294	28,991	65,285	(13,236)	52,049
Total	<u>\$ 5,312,932</u>	<u>\$ 135,239</u>	<u>\$ 5,448,171</u>	<u>\$ (224,149)</u>	<u>\$ 5,224,022</u>

2010

During 2010 the District spent \$113,787 on capital projects, of this amount \$83,698 were projects that were not complete as of the end of 2010. Completed projects included the following: \$20,527 for an upgrade to the digester and blower in the waste water operation, \$9,561 for the installation of a new piece of equipment called a probe which allows the District to automate some of its required readings and tests. Incomplete or in progress assets included the waste dewatering project at \$35,909 and the new well at an in process cost of \$47,788.

2009

During 2009 the District purchased a Bobcat skid-steer loader for \$30,809 and a Konica Minolta copier for \$10,450, both with capital leases. Additionally during 2009, the District capitalized \$21,304 for the biosolids project. Other equipment and improvement purchases totaled \$15,185. As noted above the District received contributed water and sewer lines from the developer in the amount of \$288,931.

Additional information on the District's capital assets can be found in Note 4 of this report.

Long-Term Obligations

The District's long-term obligations at December 31, 2010 and 2009 are as follows:

LONG-TERM OBLIGATIONS

	<u>2008</u>	<u>Change</u>	<u>2009</u>	<u>Change</u>	<u>2010</u>
GO Bonds Series 2000	\$ 3,595,000	\$ (235,000)	\$ 3,360,000	\$(3,360,000)	\$ -
GO Refunding Bonds Series 2010	-	-	-	3,488,020	3,488,020
Capital leases	-	40,502	40,502	(7,426)	33,076
Total	<u>\$ 3,595,000</u>	<u>\$ (194,498)</u>	<u>\$ 3,400,502</u>	<u>\$ 120,594</u>	<u>\$ 3,521,096</u>

2010

During 2010 the District issued the 2010 General Obligation Refunding Bonds to advance refund and defease the outstanding 2000 General Obligation Bonds. The District recognized a loss on the refunding transaction in the amount of \$338,221 which is being amortized over the

original life of the refunding bonds. The capital lease debt service payments were made as scheduled.

2009

During 2009 the District made the scheduled debt service payments on the 2000 General Obligation bonds. Also during 2009 the District entered into two capital leases to purchase equipment as previously discussed. The District made the scheduled lease payments on these capital leases.

ECONOMIC FACTORS NEXT YEAR'S BUDGET AND RATES

For 2011 the District did not raise its water and sewer rates or increase its debt service mill levy from the 2010 rate of 30.000 mills. The District decided to hold these two revenue streams constant and not increase the burden to its users. Total budgeted revenues for 2011 are \$665,662. Total budget expenditures for 2011 are \$757,831. The budget deficit of \$92,169 will be offset by \$28,038 from the use of prior years bond property tax collection; \$49,587 from the use of prior years capital project proceeds; and \$21,549 from the use of prior years general fund balance carryover.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of Tabernash Water and Sanitation District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's Manager, L.L. Kourse, P.O. Box 443, Tabernash, CO 80478, (970) 726-2839.

BASIC FINANCIAL STATEMENTS

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
STATEMENTS OF NET ASSETS
December 31, 2010 and 2009

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents - Unrestricted	\$ 748,437	\$ 417,147
Cash and cash equivalents - Restricted	173,386	9,201
Accounts receivable:		
Customers	69,237	88,615
Others	27,047	39,724
Prepaid expenses	50	12,153
Prepaid tap inventory	24,000	24,000
Property taxes receivable	294,615	286,395
Total current assets	1,336,772	877,235
CAPITAL ASSETS		
Capital assets, not being depreciated	473,054	498,176
Capital assets, being depreciated	6,419,169	6,389,080
	6,892,223	6,887,256
Less accumulated depreciation and amortization	(1,668,201)	(1,439,085)
Total capital assets	5,224,022	5,448,171
OTHER ASSETS		
Bond issue costs, net	153,620	160,476
Total other assets	153,620	160,476
TOTAL ASSETS	\$ 6,714,414	\$ 6,485,882
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 3,870	\$ 16,650
Accrued general leave	7,218	31,723
Interest payable	22,563	23,520
Deferred property taxes	293,884	286,395
Bonds and capital leases payable - current	7,851	262,450
Total current liabilities	335,386	620,738
NONCURRENT LIABILITIES		
Bonds and capital leases payable - noncurrent	3,513,245	3,138,052
Total noncurrent liabilities	3,513,245	3,138,052
Total liabilities	3,848,631	3,758,790
NET ASSETS		
Invested in capital assets net of related debt	1,856,546	2,208,145
Restricted for:		
Emergencies	1,600	1,300
Debt service	173,386	9,201
Unrestricted	834,251	508,446
Total net assets	2,865,783	2,727,092
TOTAL LIABILITIES AND NET ASSETS	\$ 6,714,414	\$ 6,485,882

These financial statements should be read only in connection with
the accompanying notes to financial statements.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
Years Ended December 31, 2010 and 2009

	2010	2009
OPERATING REVENUE		
Service charges - water	\$ 127,868	\$ 116,870
Service charges - sewer	124,643	102,312
Intergovernmental charges for services	83,937	86,402
Other charges for services	46,845	36,839
Total operating revenue	383,293	342,423
 OPERATING EXPENSES		
Water operations	114,184	153,659
Sewer operations	202,870	226,468
Administration	75,468	148,900
Depreciation	229,116	231,440
Total operating expenses	621,638	760,467
 OPERATING LOSS	(238,345)	(418,044)
 NONOPERATING REVENUE (EXPENSE)		
Property taxes	291,828	174,395
Specific ownership taxes	10,826	7,629
Net investment income	9,211	11,304
County treasurer's fees	(14,743)	(8,786)
Bond interest expense and fiscal charges	(302,628)	(301,708)
Bond issuance costs amortization	(8,638)	(15,284)
Loss on sale of land	(48,820)	-
Total nonoperating revenue (expense)	(62,964)	(132,450)
 LOSS BEFORE CAPITAL CONTRIBUTIONS	(301,309)	(550,494)
CAPITAL CONTRIBUTIONS		
Tap fees	440,000	-
Letter of credit proceeds - tap purchase agreement	-	600,000
Contributed water and sewer lines	-	288,931
Total capital contributions	440,000	888,931
 CHANGE IN NET ASSETS	138,691	338,437
 NET ASSETS - BEGINNING OF YEAR (Restated)	2,727,092	2,388,655
 NET ASSETS - END OF YEAR	\$ 2,865,783	\$ 2,727,092

These financial statements should be read only in connection with
the accompanying notes to financial statements.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 415,348	\$ 299,247
Payments to vendors	(180,679)	(290,695)
Payments to employees	(237,025)	(240,773)
Net cash required by operating activities	(2,356)	(232,221)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital asset purchases	(113,787)	(36,489)
Principal paid on capital debt	(7,426)	(235,757)
Interest paid on capital debt	(183,264)	(303,353)
Letter of credit proceeds - tap purchase agreement	-	600,000
Tap fees received	440,000	-
Bond proceeds	3,800,000	-
Payment to refunding escrow	(3,635,646)	-
Bond issue costs paid	(158,437)	-
Proceeds from sale of land	60,000	-
Net cash provided by capital financing activities	201,440	24,401
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property and specific ownership taxes received	301,923	182,024
County treasurer's fees paid	(14,743)	(8,786)
Interest received	9,211	11,304
Net cash provided by noncapital financing activities	296,391	184,542
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	495,475	(23,278)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	426,348	449,626
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 921,823	\$ 426,348
 RECONCILIATION OF OPERATING LOSS TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ (238,345)	\$ (418,044)
Adjustments to reconcile (loss) from operations to net cash provided by operating activities:		
Depreciation	229,116	231,440
Effects of changes in operating assets and liabilities:		
Accounts receivable	32,055	(43,176)
Prepaid expenses	12,103	(12,153)
Inventory	-	2,114
Accounts payable	(12,780)	(3,711)
Accrued general leave	(24,505)	11,309
Net cash required by operating activities	\$ (2,356)	\$ (232,221)
 NONCASH CAPITAL FINANCING ACTIVITIES		
Contributed water and sewer lines	\$ -	\$ 288,931
Purchase of capital assets with capital leases	-	41,259
Total noncash capital financing activities	\$ -	\$ 330,190

These financial statements should be read only in connection with the accompanying notes to financial statements.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 1 – DEFINITION OF REPORTING ENTITY

Tabernash Meadows Water and Sanitation District (District), was created on November 14, 1996, as a quasi-municipal corporation and political subdivision of the State of Colorado, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Grand County, Colorado. The District purpose is to provide for the design, acquisition, installation and construction of a complete water and irrigation water system, sanitary sewers, flood and surface drainage, wastewater treatment and disposal works and facilities, and all necessary or proper equipment and appurtenances incident thereto. The District is governed by an elected Board of Directors.

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 accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

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

Basis of Accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and loans is recorded as a reduction in liabilities. Tap fees and contributed assets from developers are recorded as capital contributions when received.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating Revenues and Expenses

The District distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. Operating revenues consist of charges to customers for service provided. Operating expenses for enterprise funds include the cost of sales and 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.

Budgets

In accordance with the Local Government Budget Law of Colorado, the District's Board of Directors holds public hearings 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 appropriation can only be modified upon completion of notification and publication requirements.

For the year ended December 31, 2010, supplementary appropriations approved by the District modified the appropriation from \$1,745,616 to \$4,504,868.

Property Taxes

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

Cash Equivalents

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

Investments

Investments are stated at fair value.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable

Accounts receivable consist of uncollected water and sewer service revenue. Due to the District's broad powers of collection, no allowance for uncollectible water and sewer service revenue receivables has been reported.

Prepaid Expenses

Certain payments to vendors for goods or services reflect costs which are applicable to future accounting periods are recorded as prepaid items in the financial statements.

Capital Assets

Capital assets are recorded at cost except for those assets which have been contributed which are stated at estimated fair value at the date of contribution. 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 capital assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Water system	25 - 30 years
Wastewater	25 - 30 years
Vehicles and equipment	3 - 5 years

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. 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 vary from the estimates that were assumed in preparing the financial statements.

Tap Fees and Contributed Lines

Tap fees are recorded as capital contributions when received. Lines contributed to the District are recorded as capital contributions and additions to the systems at estimated fair market value when received.

Bond Issue Costs

Bond issue costs are reported as deferred charges and amortized over the term of the bonds using the straight line method.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Loss on Bond Refunding

The loss on bond refunding has been deferred and is being amortized over the remaining term of the refunded bonds using the straight line method. The annual amortization of the deferred loss is reported as a component of bond interest expense in the statement of revenues, expenses and changes in fund net assets. The unamortized deferred loss on bond refunding is reported with the long-term obligations in the statement of net assets.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2010 and 2009 are classified in the accompanying financial statements as follows:

	2010	2009
Cash and cash equivalents - Unrestricted	\$ 748,437	\$ 417,147
Cash and cash equivalents - Restricted	173,386	9,201
Total cash and cash equivalents	\$ 921,823	\$ 426,348

The restricted cash and cash equivalents, is restricted for the payment of debt service on the District's general obligation bonds.

Cash Deposits

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. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 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.

At December 31, 2010, the District had cash deposits with a bank balance of \$716,384 and a carrying balance of \$702,078. At December 31, 2009, the District had cash deposits with a bank balance of \$396,678 and a carrying balance of \$361,849.

Investments

The District has not adopted a formal investment policy, however, the District follows Colorado State Statutes which specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

**TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009**

NOTE 3 - CASH AND INVESTMENTS (continued)

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

At December 31, 2010 and 2009 the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	
		<u>2010</u>	<u>2009</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	\$ 219,745	\$ 64,499

CSAFE

The District has invested \$219,745 and \$64,499 as of December 31, 2010 and 2009, respectively, in the CSAFE, which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing CSAFE. The CSAFE is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, highest rate commercial paper and repurchase agreements collateralized by U.S. Treasury securities. CSAFE is rated AAAM by Standard & Poor's. Information related to Standard & Poor's ratings can be obtained from Standard & Poor's.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 4 - CAPITAL ASSETS

The following is an analysis of the changes in capital assets for the year ended December 31, 2010:

	<u>Balance at December 31, 2009</u>	<u>Additions</u>	<u>Disposals/ Retirements</u>	<u>Balance at December 31, 2010</u>
Capital assets, not being depreciated:				
Land	\$ 164,976	\$ -	\$ 108,820	\$ 56,156
Water rights	333,200	-	-	333,200
Construction in progress	-	83,698	-	83,698
Total capital assets, not being depreciated	<u>498,176</u>	<u>83,698</u>	<u>108,820</u>	<u>473,054</u>
Capital assets, being depreciated:				
Water system	2,567,042	-	-	2,567,042
Wastewater system	3,703,056	20,527	-	3,723,583
Vehicles and equipment	118,982	9,562	-	128,544
Total capital assets being depreciated	<u>6,389,080</u>	<u>30,089</u>	<u>-</u>	<u>6,419,169</u>
Less accumulated depreciation for:				
Water system	(563,487)	(83,861)	-	(647,348)
Wastewater system	(821,901)	(122,457)	-	(944,358)
Vehicles and equipment	(53,697)	(22,798)	-	(76,495)
Total accumulated depreciation	<u>(1,439,085)</u>	<u>(229,116)</u>	<u>-</u>	<u>(1,668,201)</u>
Total capital assets being depreciated, net	<u>4,949,995</u>	<u>(199,027)</u>	<u>-</u>	<u>4,750,968</u>
Total capital assets, net	<u>\$ 5,448,171</u>	<u>\$ (115,329)</u>	<u>\$ 108,820</u>	<u>\$ 5,224,022</u>

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 4 - CAPITAL ASSETS (continued)

The following is an analysis of the changes in capital assets for the year ended December 31, 2009:

	Balance at December 31, 2008	Additions	Disposals/ Retirements	Balance at December 31, 2009
	(Restated)			
Capital assets, not being depreciated:				
Land	\$ 164,976	\$ -	\$ -	\$ 164,976
Water rights	333,200	-	-	333,200
Total capital assets, not being depreciated	<u>498,176</u>	<u>-</u>	<u>-</u>	<u>498,176</u>
Capital assets, being depreciated:				
Water system	2,402,300	164,742	-	2,567,042
Wastewater system	3,548,081	154,975	-	3,703,056
Vehicles and equipment	72,020	46,962	-	118,982
Total capital assets being depreciated	<u>6,022,401</u>	<u>366,679</u>	<u>-</u>	<u>6,389,080</u>
Less accumulated depreciation for:				
Water system	(476,870)	(86,617)	-	(563,487)
Wastewater system	(695,049)	(126,852)	-	(821,901)
Vehicles and equipment	(35,726)	(17,971)	-	(53,697)
Total accumulated depreciation	<u>(1,207,645)</u>	<u>(231,440)</u>	<u>-</u>	<u>(1,439,085)</u>
Total capital assets being depreciated, net	<u>4,814,756</u>	<u>135,239</u>	<u>-</u>	<u>4,949,995</u>
Total capital assets, net	<u>\$ 5,312,932</u>	<u>\$ 135,239</u>	<u>\$ -</u>	<u>\$ 5,448,171</u>

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 5 – LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2010:

	<u>Balance at December 31, 2009</u>	<u>Additions</u>	<u>Refunded/ Reductions</u>	<u>Balance at December 31, 2010</u>	<u>Due Within One Year</u>
Bonds payable:					
GO Bonds Series 2000	\$ 3,360,000	\$ -	\$ 3,360,000	\$ -	\$ -
GO Refunding Bonds Series 2010	-	3,800,000	-	3,800,000	-
Less deferred loss on bond refunding	-	(338,221)	(26,241)	(311,980)	-
Total bonds payable	<u>3,360,000</u>	<u>3,461,779</u>	<u>3,333,759</u>	<u>3,488,020</u>	<u>-</u>
Capital leases:					
Capital Lease - Loader	30,365	-	5,499	24,866	5,825
Capital Lease - Copier	10,137	-	1,927	8,210	2,026
Total long-term obligations	<u>\$ 3,400,502</u>	<u>\$ 3,461,779</u>	<u>\$ 3,341,185</u>	<u>\$ 3,521,096</u>	<u>\$ 7,851</u>

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2009:

	<u>Balance at December 31, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2009</u>	<u>Due Within One Year</u>
Bonds payable:					
GO Bonds Series 2000	\$ 3,595,000	\$ -	\$ 235,000	\$ 3,360,000	\$ 255,000
Capital leases:					
Capital Lease - Loader	-	30,809	444	30,365	5,498
Capital Lease - Copier	-	10,450	313	10,137	1,952
Total long-term obligations	<u>\$ 3,595,000</u>	<u>\$ 41,259</u>	<u>\$ 235,757</u>	<u>\$ 3,400,502</u>	<u>\$ 262,450</u>

General Obligation Bonds, Series 2000

On June 14, 2000, the District issued \$5,300,000 of General Obligation Bonds dated June 1, 2000. The bonds are term bonds due June 1, 2020. The bonds are subject to annual sinking fund redemption beginning December 1, 2002 and continuing through December 1, 2019, with a final regular bond payment at maturity on June 1, 2020. The bonds bear interest at 8.4%, payable semi-annually on June 1 and December 1. The bonds maturing on and after December 1, 2011, are subject to redemption prior to the maturity, at the option of the District, on December 1, 2010, and on any date thereafter, upon payment of par and accrued interest, with no redemption premium. Additionally, bonds maturing on and after December 1, 2003, not in excess of \$2,500,000, are subject to redemption prior to maturity, at the option of the District on December 1, 2002 and on any date thereafter upon payment of par, accrued interest and a defined redemption premium. In 2006, the District redeemed \$900,000 of bonds consisting of the \$575,000 bonds maturing in 2020 and \$325,000 of the bonds maturing in 2019. In 2010, the District advance refunded and defeased the remaining outstanding bonds in the amount of \$3,360,000.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 5 – LONG-TERM OBLIGATIONS (continued)

General Obligation Refunding Bonds, Series 2010

On March 31, 2010, the District issued \$3,800,000 of General Obligation Refunding Bonds dated March 31, 2010. The bonds are term bonds due December 1, 2034. The bonds are subject to mandatory sinking fund redemption, in part, by lot, on December 1, 2013, and on each December 1 thereafter. The bonds bear interest at 7.125%, payable semi-annually on June 1 and December 1. The bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in part in integral multiples of \$5,000, on December 1, 2020, and on any date thereafter, upon payment of the principal amount of the bonds being redeemed plus accrued interest to the redemption date, without redemption premium. The bonds in the aggregate principal amount not to exceed \$500,000 are subject to extraordinary redemption prior to maturity, at the option of the District, as a whole or integral multiples of \$5,000, on any one or more interest payment dates, upon payment of the principal amount of the bonds being redeemed plus accrued interest to the redemption date, without redemption premium.

Security for the bonds is provided by a pledge of the District's property taxes, specific ownership taxes, and other legally available moneys of the District. The District is required to impose a mill levy, without limitation of rate, in the amount sufficient pay the principal and interest on the bonds as they become due.

Bond refunding

On March 31, 2010, the District advance refunded and defeased (debt legally satisfied) \$3,360,000 of General Obligation bonds dated June 1, 2000 with an interest rate of 8.4% by the issuance of \$3,800,000 General Obligation Refunding bonds dated March 31, 2010 with an interest rate of 7.125%. The defeased bonds are not considered a liability of the District since sufficient funds (\$3,635,646) were deposited with a trustee and invested in U.S. government securities for the purpose of paying the principal and interest of the defeased bonds when due.

The District increased its aggregate debt service payments by almost \$3,728,000 over the next 25 years and obtained an economic loss (difference between the present values of the old and new debt service payments) of \$164,850.

The District's general obligation bonds will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ -	\$ 270,750	\$ 270,750
2012	-	270,750	270,750
2013	15,000	270,750	285,750
2014	20,000	269,681	289,681
2015	20,000	268,256	288,256
2016-2020	410,000	1,292,831	1,702,831
2021-2025	785,000	1,085,850	1,870,850
2026-2030	1,195,000	751,688	1,946,688
2031-2034	1,355,000	250,800	1,605,800
	<u>\$ 3,800,000</u>	<u>\$ 4,731,356</u>	<u>\$ 8,531,356</u>

**TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009**

NOTE 5 – LONG-TERM OBLIGATIONS (continued)

Capital Lease - Loader

On November 12, 2009, the District entered into a capital lease obligation to purchase a Bobcat skid-steer loader for \$30,809. The payments of \$593, representing principal and interest at 5.783%, are due monthly through November 2014. The District capitalized the cost of the loader in the amount of \$30,809, which as of December 31, 2010 and 2009 had accumulated depreciation of \$7,189 and \$1,027, respectively. During 2010 and 2009 the District paid interest of \$1,612 and \$148, respectively, under this capital lease.

Capital Lease – Copier

On November 5, 2009, the District entered into a capital lease obligation to purchase a Konica Minolta copier for \$10,450. The payments of \$194, representing principal and interest at 4.480%, are due monthly through November 2014. The District capitalized the cost of the copier in the amount of \$10,450, which as of December 31, 2010 and 2009 had accumulated depreciation of \$2,438 and \$348, respectively. During 2010 and 2009 the District paid interest of \$401 and \$75, respectively, under this capital lease.

The District’s capital lease obligations will mature as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2011	\$ 9,438
2012	9,438
2013	9,438
2014	8,458
Total minimum lease payments	<u>36,772</u>
Amount representing interest	(3,696)
Present value of minimum lease payments	<u><u>\$ 33,076</u></u>

Authorized Debt

On November 4, 1997, a majority of the District’s voters authorized the issuance of general obligation indebtedness in an amount not to exceed the following amounts and for the following purposes: \$5,000,000 for a sanitary sewage collection and transmission system; \$3,000,000 for a complete potable and non-potable water supply, treatment, storage, transmission, and distribution system; \$8,000,000 for the purpose of refunding, paying or defeasing other financial obligations of the District; for a total authorization of \$16,000,000. As of December 31, 2010, the District had utilized \$5,300,000 of the total authorized debt, resulting in \$10,700,000 of authorized but unissued general obligation indebtedness.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 6 - NET ASSETS

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

Invested in capital assets, consists of capital assets, net of accumulated depreciation and if applicable reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2010 and 2009, the District had invested in capital assets of \$1,856,546 and \$2,208,145, respectively.

Restricted net assets include net assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed through constitutional provisions or enabling legislation. The District had restricted net assets of \$1,600 and \$1,300 as of December 31, 2010 and 2009, respectively, as required by Article X, Section 20 of the Constitution of the State of Colorado (See Note 11).

At December 31, 2010, the District had \$173,386, representing the accumulated cash and cash equivalents in the bond surplus account, which is restricted for the payment of debt service on the District's General Obligation Refunding Bonds, Series 2010. At December 31, 2009, the District had \$9,201, representing the accumulated cash and cash equivalents in the bond surplus account, which restricted for the payment of debt service on the District's General Obligation Bonds, Series 2000.

NOTE 7 - RISK MANAGEMENT

The District is 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 maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 8 – INTERGOVERNMENTAL AGREEMENT

The District has entered into an intergovernmental agreement with Grand County (County) related to the operation of a wastewater treatment system. The District has the capacity to treat 200,000 gallons of wastewater influent and 418 pounds of BOD organic material per day. The amended 1041 permit allows the plan to service 714 single-family taps. As of December 31, 2010, 192 taps have been sold to residents within the community.

Total costs associated with the facility, including construction, land purchase, engineering and inspection fees, developer expenses and organization costs, legal and accounting costs were borne by the District and the County at 66.7% and 33.3%, respectively. Ownership of the facility is to be shared by the District and the County based on the same percentages of shared costs.

With the completion of the wastewater treatment plant in 2001 and the upgrade in 2005, the District and the County agreed to share the operating expenses of the plant in the same ratio of ownership.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 9 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO

Plan Description

The District contributes to the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The LGDTF provides retirement and disability, post-retirement annual increases, and death benefits for members or their beneficiaries. All employees of the District are members of the LGDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the LGDTF. That report may be obtained [online at www.copera.org](http://www.copera.org) or by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

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 percent and for the District it is 10.00 percent of covered salary. A portion of the District's contribution (1.02 percent of covered salary) is allocated to the Health Care Trust Fund (See Note 10). If the District rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay employer contributions on the amounts paid for the retiree, however no member contributions are required. The District is also required to pay an amortization equalization disbursement equal to 2.2 percent for the calendar year 2010 (1.8 percent of the total payroll for the calendar year 2009 and 1.4 percent for the calendar year 2008). Effective January 1, 2010, the District is required to pay a supplemental amortization equalization in the amount of 1.5 percent of the total payroll for the calendar year (1.0 percent for 2009 calendar year and 0.5 percent for 2008 calendar year). For the years ending December 31, 2010, 2009, and 2008, the District's employer contributions to LGDTF were \$22,432, \$23,298, and 17,279, respectively, equal to the required contributions for each year. For the years ending December 31, 2010, 2009, and 2008, the District's employee contributions to LGDTF were \$16,972, \$16,160, and \$14,584, respectively, equal to the required contributions for each year.

NOTE 10 – POST RETIREMENT HEALTHCARE BENEFITS

Plan Description

The District contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained [online at www.copera.org](http://www.copera.org) or by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 10 – POST RETIREMENT HEALTHCARE BENEFITS (continued)

Funding Policy

The District is required to contribute at a rate of 1.02 percent of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. For the years ending December 31, 2010, 2009 and 2008, the District's employer contributions to the HCTF were \$1,804, \$2,017 and \$1,620, respectively, equal to their required contributions for each year.

NOTE 11 - 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 that apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

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.

On November 7, 1995 a majority of the District's voters approved the following ballot question:

Shall Tabernash Meadows Water and Sanitation District be authorized to collect, retain and spend developer contributions, rates, fees, tolls and charges, and any other revenues not derived from ad valorem taxes in 1996 and each year thereafter, and shall such revenues and any investment income thereon be collected and spent as a voter-approved revenue change, without regard to any spending, revenue-raising or other limitation of Article X, Section 20 of the Colorado Constitution, or any other law?

On November 5, 1996 a majority of the District's voters approved the following ballot question:

Shall Tabernash Meadows Water and Sanitation District be increased \$15,000 annually, commencing with a total mill levy not to exceed 6.325 mills certified in 1996, and by whatever additional amounts are raised each year thereafter from a total mill levy not to exceed 6.325 mills, for the purpose of funding any lawful expenses of the District, and shall such revenues and any investment income thereon be collected and spent as a voter-approved revenue change without regard to and spending, revenue-raising or other limitation of Article X Section 20 of the Colorado Constitution or any other law; and shall the revenue from such taxes and any investment income thereon also be approved for 1997 and each thereafter as an increased levy under section 29-1-302, C.R.S.?

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 11 - TAX, SPENDING AND DEBT LIMITATIONS (continued)

On November 4, 1997 a majority of the District's voters approved the following ballot questions:

Shall Tabernash Meadows Water and Sanitation District taxes be increased \$500,000 annually, or by such lesser annual amount as may be necessary to pay the District's operations, maintenance, and other expenses: such taxes to consist of an ad valorem mill levy imposed without limitation of rate or with such limitations as may be determined by the Board, and in amounts sufficient to produce the annual increase set forth above or such lesser amount as may be necessary, to be used for the purpose of paying the District's operations, maintenance, and other expenses; and shall the proceeds of such taxes and investment income thereon constitute voter-approved revenue changes and be collected and spent by the District each year 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?

Shall Tabernash Meadows Water and Sanitation District, for purposes other than enterprises, and as a voter-approved revenue change, be authorized to collect, retain, and spend the amount of \$500,000 annually from any revenue sources other than ad valorem taxes, including but not limited to tap fees, facility fees, service charges, administrative charges, grants, or any other fee, rate, toll, penalty, income or charge imposed, collected, or authorized by law to be imposed or collected by the District, and shall such revenues be collected and spent by the District without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, and without limiting in any year the amount of other revenues that may be collected and spent by the District?

On November 3, 1998 a majority of the District's voters approved the following ballot question:

Shall Tabernash Meadows Water and Sanitation District, for the purposes other than enterprises, and as a voter-approved revenue change, be authorized to collect, retain, and spend the amount of \$2,000,000 annually from any revenue sources other than ad valorem taxes, including but not limited to tap fees, facility fees, service charges, inspection charges, administrative charges, grants, or any other fee, rate, toll, penalty, income or charge imposed, collected, or authorized by law to be imposed or collected by the District, and shall such revenues, be collected and spent by the District without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, and without limiting, in 1998 or any year thereafter, the amount of other revenues that may be collected and spent by the District under Section 29-1-301, C.R.S. or any other statute or law?

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 management believes a significant portion of the District's activities qualify as an Enterprise within the meaning of TABOR.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 11 - TAX, SPENDING AND DEBT LIMITATIONS (continued)

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and many of the provisions, including the calculation of fiscal year spending limits, growth factors, and qualification as an Enterprise, may require judicial interpretation.

NOTE 12 - RESTATEMENT

During the year ended December 31, 2009 it was determined that deferred revenue recorded in a prior year should have been recognized when the associated land was deeded to the District. As a result, the deferred revenue at December 31, 2008 in the amount of \$108,820 has been recognized and beginning net assets restated accordingly.

During the year ended December 31, 2009 it was determined that 16.66 acre feet of consumptive use water rights deeded to the District during the year ended December 31, 2000 had not been added to the District's capital assets at the estimated fair value. As a result the water rights at an estimated fair value of \$333,200 have been recorded and beginning net assets restated accordingly.

The effect of the restatement is as follows:

Net assets - December 31, 2008, as originally stated	\$ 1,946,635
Restatement to recognize deferred revenue	108,820
Restatement to record water rights	333,200
Net assets - December 31, 2008, as restated	<u><u>\$ 2,388,655</u></u>

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

**TABERNASH MEADOWS WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2010**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Tap fees	\$ 96,000	\$ 500,000	\$ 440,000	\$ (60,000)
General property taxes	49,868	49,868	51,179	1,311
Bond property taxes	236,528	236,528	240,649	4,121
Specific ownership tax	5,000	5,000	10,826	5,826
County portion of operations	83,907	83,907	83,937	30
Interest income	4,000	4,000	9,211	5,211
Other income	35,000	35,000	46,845	11,845
Service charges	218,832	245,340	252,511	7,171
Total Revenues	<u>729,135</u>	<u>1,159,643</u>	<u>1,135,158</u>	<u>(24,485)</u>
EXPENDITURES				
Salaries and benefits	193,606	219,046	212,520	6,526
HR development	3,000	3,000	3,005	(5)
Contract/professional services	12,000	12,000	10,970	1,030
Vehicle expense	5,000	5,000	9,084	(4,084)
Operating supply/equipment	29,000	29,000	24,527	4,473
Operating supply non-reimburse	1,000	1,000	5,625	(4,625)
Lab testing	7,000	7,000	7,461	(461)
Biosolids removal	7,500	7,500	10,226	(2,726)
Utilities	41,000	41,000	15,957	25,043
Snow removal	-	-	780	(780)
Communication	5,000	5,000	6,033	(1,033)
Office supply	6,000	6,000	6,614	(614)
Licenses, dues and subscriptions	5,000	5,000	3,463	1,537
Audit and accounting	21,000	21,000	19,235	1,765
Treasurer fees	14,400	14,400	14,743	(343)
General legal	47,000	47,000	44,080	2,920
Board of directors expense	5,000	5,000	290	4,710
General liability insurance	14,000	14,000	12,652	1,348
Capital expenditures	60,775	64,135	113,787	(49,652)
Bond administration	1,150	1,150	-	1,150
Bond and capital lease interest	282,240	181,252	182,307	(1,055)
Bond and capital lease principal	255,000	-	7,426	(7,426)
Bond issuance costs	-	155,739	158,437	(2,698)
Contingency	729,945	25,000	-	25,000
Total expenditures	<u>1,745,616</u>	<u>869,222</u>	<u>869,222</u>	<u>-</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(1,016,481)</u>	<u>290,421</u>	<u>265,936</u>	<u>(24,485)</u>
OTHER FINANCING SOURCES (USES)				
Bonds issued	-	3,800,000	3,800,000	-
Proceeds from sale of land	60,000	-	60,000	60,000
Payment to refunding escrow	-	(3,635,646)	(3,635,646)	-
Total other financing sources (uses)	<u>60,000</u>	<u>164,354</u>	<u>224,354</u>	<u>60,000</u>
NET CHANGE IN FUND BALANCES	<u>(956,481)</u>	<u>454,775</u>	<u>490,290</u>	<u>35,515</u>
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>978,557</u>	<u>518,947</u>	<u>518,947</u>	<u>-</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 22,076</u>	<u>\$ 973,722</u>	<u>\$ 1,009,237</u>	<u>\$ 35,515</u>

Funds available at December 31, 2010 is computed as follows:

Current assets	\$ 1,336,772
Current liabilities	(335,386)
Add back current portion of bonds and capital leases payable	7,851
	<u>\$ 1,009,237</u>

**TABERNASH MEADOWS WATER AND SANITATION DISTRICT
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Year Ended December 31, 2010**

Revenue (budgetary basis)	\$ 4,995,158
Bonds issued	(3,800,000)
Proceeds from sale of land	<u>(60,000)</u>
Revenues per Statement of Revenues, Expenses and Changes in Fund Net Assets	<u>1,135,158</u>
Expenditures (budgetary basis)	4,504,868
Depreciation	229,116
Capital outlay	(113,787)
Loss on sale of land	48,820
Bond and capital lease principal	(7,426)
Portion of payment to refunding escrow reported as interest expense	94,080
Bond issuance costs amortization	8,638
Amortization of deferred loss on bond refunding	26,241
Bond issuance costs	(158,437)
Payment to refunding escrow	<u>(3,635,646)</u>
Expenses per Statement of Revenues, Expenses and Changes in Fund Net Assets	<u>996,467</u>
Change in net assets per Statement of Revenues, Expenses and Changes in Fund Net Assets	<u><u>\$ 138,691</u></u>

**TABERNASH MEADOWS WATER AND SANITATION DISTRICT
SUMMARY OF ASSESSED VALUATION , MILL LEVY
AND PROPERTY TAXES COLLECTED
Year Ended December 31, 2010**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Property Taxes		Percentage Collected to Levied
		Operations	Debt Service	Levied	Collected	
2009	\$ 6,834,210	6.325	20.000	\$ 179,911	\$ 174,395	96.9%
2010	\$ 7,884,250	6.325	30.000	\$ 286,395	\$ 291,828	101.9%
Estimated for year ending December 31, 2011	\$ 8,090,390	6.325	30.000	\$ 293,884		

NOTE: Property taxes collected in any one year may include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.