

**GREATROCK NORTH WATER AND
SANITATION DISTRICT
Adams County, Colorado**

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

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Independent Auditor's Report

Board of Directors
Greatrock North Water and Sanitation District
Adams County, Colorado

We have audited the accompanying basic financial statements of Greatrock North 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 Greatrock North 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 audits 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 Greatrock North 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 III through VI 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 audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Revenues, Expenditures and Changes in Funds Available – Budget and Actual (Budgetary Basis) and the Reconciliation of Budgetary Basis to Statement of Revenues, Expenses and Changes in Fund Net Assets as listed in the table of contents are presented for purposes of additional analysis and legal compliance and are 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.

The Five Year Summary of Assessed Valuation, Mill Levy and Property Taxes Collected as listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

SCHWING & COMPANY, INC.

May 5, 2011

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

Our discussion and analysis of Greatrock North 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

As noted earlier, net assets may serve as a useful indicator of the District's financial position. As noted in the table below, the District's assets exceed liabilities in 2010, 2009 and 2008 by \$4.8 million, \$4.9 million and \$5.0 million respectively. Current assets increased by \$796,546 or 44.1% from 2009 to 2010. The main increases were in cash and cash equivalents and investments which increased \$712,194, due primarily to the capital improvement proceeds received from the issuance of the Series 2010 General Obligation Refunding and Improvement Bonds. Additionally, property taxes receivable increased by \$80,727 primarily due to a debt service mill levy increase, which increased the total mills from 35.000 mills to 42.500 mills. Current assets decreased from 2008 and 2009 by \$1,492,704 or 45.3% due to unspent bond proceeds from the Series 2007 General Obligation and Refunding and Improvement Bonds held

at December 31, 2008. The proceeds were spent in 2009 which resulted in the increase in capital assets, net of depreciation of \$1,269,949. Total liabilities increased from 2009 to 2010 by \$1,069,446 as a result of the issuance the Series 2010 General Obligation Refunding and Improvement Bonds.

	NET ASSETS		
	December 31,		
	2010	2009	2008
ASSETS			
Current assets	\$ 2,602,057	\$ 1,805,511	\$ 3,298,215
Capital assets, net	7,834,893	7,770,966	6,501,017
Other assets, net	298,972	202,274	210,702
Total assets	<u>10,735,922</u>	<u>9,778,751</u>	<u>10,009,934</u>
LIABILITIES			
Current liabilities	620,283	575,028	655,346
Noncurrent liabilities	5,315,206	4,291,015	4,287,478
Total liabilities	<u>5,935,489</u>	<u>4,866,043</u>	<u>4,942,824</u>
NET ASSETS			
Invested in capital assets	2,818,659	3,672,225	2,419,241
Restricted	14,600	12,900	13,600
Unrestricted	1,967,174	1,227,583	2,634,269
Total net assets	<u>\$ 4,800,433</u>	<u>\$ 4,912,708</u>	<u>\$ 5,067,110</u>

Changes in Net Assets

As noted in the table below, the District's net assets decreased from 2009 to 2010 by \$112,275. Charges for services revenue increased from 2009 to 2010 by \$111,043 as a result of a base rate increase and change in usage rates to deliver water. Additionally, a property tax revenue increase of \$57,785 or 14.5%, is due to the collection of prior year's delinquent property tax in 2010. Total revenue decreased from 2008 to 2009 by \$152,887 or 18.6%. The decrease is attributable in part to a decrease in charges for services of approximately \$46,000. The District approved a temporary rate reduction for high usages in order to encourage residents to install their landscaping. In addition, 2009 was a relatively wet irrigation season therefore usage was down from 2008. Additionally, the investment market experienced a significant downturn in 2009 that resulted in decreases in investment earnings of approximately \$68,000.

Overall expenses increased by \$136,365 or 16.5% from 2009 to 2010. The fluctuation is primarily due to repairs for storm and lightning damage, legal fees for settlement of a litigation matter, and increases in engineering and project management costs to improve operation efficiencies. Total expenses decreased from 2008 to 2009 by \$65,802 or 7.4% due to a number of factors. Depreciation expense recorded for 2009 increased from 2008 by approximately \$36,000 due to new assets added in 2009, legal expense decreased by approximately \$49,000 due to an election conducted in 2008, and well maintenance decreased approximately \$28,000 due to the rehab of Arapahoe Well being completed in 2008 and the District deferring its 2009 budgeted well maintenance to 2010.

CHANGES IN NET ASSETS

	Years Ended December 31,		
	2010	2009	2008
REVENUES			
Program revenues:			
Charges for services	\$ 331,103	\$ 220,060	\$ 266,058
Irrigation lease	7,895	7,500	7,500
Inclusion fees	-	-	10,828
Miscellaneous	8,088	955	2,806
General revenues:			
Property taxes	456,737	398,952	416,475
Specific ownership taxes	28,376	30,609	34,862
Investment earnings	16,482	12,113	81,023
Capital contributions	-	-	3,524
Total revenues	<u>848,681</u>	<u>670,189</u>	<u>823,076</u>
EXPENSES			
Water and sewer operations	491,374	422,797	444,311
Interest and related charges	232,283	211,956	212,425
Administration	237,299	189,838	233,657
Total expenses	<u>960,956</u>	<u>824,591</u>	<u>890,393</u>
CHANGE IN NET ASSETS	(112,275)	(154,402)	(67,317)
NET ASSETS - BEGINNING OF YEAR	4,912,708	5,067,110	5,134,427
NET ASSETS - END OF YEAR	<u>\$ 4,800,433</u>	<u>\$ 4,912,708</u>	<u>\$ 5,067,110</u>

BUDGETARY HIGHLIGHTS

During 2010, the District's budget was amended from \$979,709 to \$3,000,000 primarily for the partial refunding of the Series 2007 General Obligation Refunding and Improvement Bonds. The total actual expenditures were \$2,554,770 or \$445,230 under the amended budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The District's investment in capital assets at December 31, 2010 and 2009, amounted to \$7.83 million and \$7.7 million (net of accumulated depreciation), respectively. This investment in capital assets includes water distribution infrastructure, water rights, easements, land, and on-going capital projects.

The analysis of changes in capital assets is as follows:

	<u>December 31, 2008</u>	<u>Change</u>	<u>December 31, 2009</u>	<u>Change</u>	<u>December 31, 2010</u>
Land	\$ 41,568	\$ -	\$ 41,568	\$ 61,446	\$ 103,014
Water rights	767,619	26,125	793,744	-	793,744
Easements	118,391	34,211	152,602	290	152,892
Construction in progress	455,867	(448,528)	7,339	158,354	165,693
Water distribution system	5,998,303	1,842,771	7,841,074	40,145	7,881,219
	<u>7,381,748</u>	<u>1,454,579</u>	<u>8,836,327</u>	<u>260,235</u>	<u>9,096,562</u>
Accumulated depreciation	(880,731)	(184,630)	(1,065,361)	(196,308)	(1,261,669)
Total capital assets, net	<u>\$ 6,501,017</u>	<u>\$ 1,269,949</u>	<u>\$ 7,770,966</u>	<u>\$ 63,927</u>	<u>\$ 7,834,893</u>

In 2010, there were additions of \$260,235 in the District's capital assets resulting from the acquisition of land, construction in progress, and water distribution system improvements. In 2009, there was a \$1,454,579 increase in the District's capital assets resulting from the completion of the District's water distribution looping system and valuation of water rights and easements.

Additional information regarding the District's capital assets can be found in Note 4.

DEBT ADMINISTRATION

During 2010, the District issued Series 2010 General Obligation Refunding and Improvement Bonds in the amount of \$2,230,000. The Series 2010 bonds were issued to refund \$1,175,000 of the 2007 General Obligation Refunding and Improvement Bonds and to have proceeds available for additional capital projects.

Additional information regarding the District's long-term debt can be found in Note 5.

ECONOMIC FACTORS NEXT YEAR'S BUDGET AND RATES

For 2011, the District's property tax revenue is expected to increase due to an increase of 7.5 mills to service the District's debt. Total budgeted expenditures are expected to decrease in 2011 due to operation efficiencies and completion of capital projects. Total budgeted revenues for 2011 are \$871,083. Total appropriated expenditures for 2011 are \$2,204,504.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of Greatrock North 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, Lisa Johnson at Special District Management Services, 141 Union Blvd, Suite 150, Lakewood, CO 80228.

BASIC FINANCIAL STATEMENTS

GREATROCK NORTH WATER AND SANITATION DISTRICT
STATEMENTS OF NET ASSETS
December 31, 2010 and 2009

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,058,451	\$ 746,257
Investments	-	600,000
Accounts receivable:		
Customers	29,376	22,174
County treasurer	2,084	2,118
Property taxes receivable	512,146	431,419
Interest receivable	-	3,543
Total current assets	2,602,057	1,805,511
CAPITAL ASSETS		
Capital assets, not being depreciated	1,215,343	995,253
Capital assets, being depreciated	7,881,219	7,841,074
	9,096,562	8,836,327
Less accumulated depreciation and amortization	(1,261,669)	(1,065,361)
Total capital assets	7,834,893	7,770,966
OTHER ASSETS		
Bond issue costs, net	298,972	202,274
Total other assets	298,972	202,274
TOTAL ASSETS	\$ 10,735,922	\$ 9,778,751
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 86,241	\$ 48,887
Retainage payable	-	67,700
Interest payable	21,046	16,172
Deposits	850	850
Deferred property taxes receivable	512,146	431,419
Bonds payable - current	-	10,000
Total current liabilities	620,283	575,028
NONCURRENT LIABILITIES		
Bonds payable - noncurrent	5,315,206	4,291,015
Total noncurrent liabilities	5,315,206	4,291,015
Total liabilities	5,935,489	4,866,043
NET ASSETS		
Invested in capital assets, net of related debt	2,818,659	3,672,225
Restricted for emergencies	14,600	12,900
Unrestricted	1,967,174	1,227,583
Total net assets	4,800,433	4,912,708
TOTAL LIABILITIES AND NET ASSETS	\$ 10,735,922	\$ 9,778,751

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

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

	<u>2010</u>	<u>2009</u>
OPERATING REVENUE		
Service charges - Greatrock	\$ 127,100	\$ 86,583
Service charges - Rockinghorse Farms	85,422	56,436
Service charges - Box Elder	118,581	77,041
Irrigation lease revenue	7,895	7,500
Miscellaneous	8,088	955
Total operating revenue	<u>347,086</u>	<u>228,515</u>
OPERATING EXPENSES		
General and administration		
Accounting	28,436	28,987
District management	58,637	52,283
Audit	4,800	5,463
Safety audit	1,321	-
Director fees	4,700	6,400
Payroll taxes	758	398
Utility billing	17,189	24,806
Insurance	12,633	12,945
Legal	88,796	44,431
Boundary map	4,564	-
Miscellaneous	8,531	8,132
Operations		
Depreciation	196,308	184,630
Engineering	29,458	12,001
Inclusion cost - Homestead Heights	-	116
Irrigation lease	-	90
Utilities	47,838	57,795
Testing and reporting	5,536	24,701
Plant supplies	12,799	16,890
Meter reading	22,750	22,803
Mileage	11,993	9,963
Well maintenance	9,056	555
Maintenance and repair	70,976	21,221
Operator services	50,455	67,646
Service plan amendment	-	4,386
Amortization	16,189	8,428
Total operating expenses	<u>703,723</u>	<u>615,070</u>
OPERATING LOSS	<u>(356,637)</u>	<u>(386,555)</u>
NONOPERATING REVENUE AND (EXPENSES)		
Property taxes	456,737	398,952
Specific ownership taxes	28,376	30,609
Net investment income	16,482	12,113
Acquisition costs	(34,205)	-
County treasurer's fees	(6,934)	(5,993)
Bond interest expense	(216,094)	(203,378)
Paying agent fees	-	(150)
Total nonoperating revenue (expense)	<u>244,362</u>	<u>232,153</u>
CHANGE IN NET ASSETS	<u>(112,275)</u>	<u>(154,402)</u>
NET ASSETS - BEGINNING OF YEAR	<u>4,912,708</u>	<u>5,067,110</u>
NET ASSETS - END OF YEAR	<u>\$ 4,800,433</u>	<u>\$ 4,912,708</u>

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

GREATROCK NORTH 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	\$ 331,796	\$ 227,573
Payments to vendors	(480,781)	(422,120)
Other operating receipts	8,088	955
Net cash required by operating activities	(140,897)	(193,592)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital asset purchases	(301,026)	(1,549,454)
Bond interest paid	(189,328)	(189,607)
Bond principal paid	(10,000)	(5,000)
Bond proceeds received-net	889,412	-
Net cash provided (required) by capital financing activities	389,058	(1,744,061)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property and specific ownership taxes received	485,147	429,711
County treasurer's fees paid	(6,934)	(5,993)
Acquisition costs	(34,205)	-
Net cash provided by noncapital financing activities	444,008	423,718
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	-	(600,000)
Redemption of investments	600,000	-
Interest received	20,025	8,570
Net cash provided (required) by investing activities	620,025	(591,430)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,312,194	(2,105,365)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR OF YEAR	746,257	2,851,622
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,058,451	\$ 746,257
RECONCILIATION OF OPERATING LOSS TO CASH FLOWS REQUIRED BY OPERATING ACTIVITIES		
Operating loss	\$ (356,637)	\$ (386,555)
Adjustments to reconcile operating loss to net cash required by operating activities:		
Depreciation	196,308	184,630
Amortization	16,189	8,428
Effects of changes in operating assets and liabilities:		
Accounts receivable	(7,202)	13
Accounts payable	10,445	(108)
Net cash required by operating activities	\$ (140,897)	\$ (193,592)

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

GREATROCK NORTH WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 1 – DEFINITION OF REPORTING ENTITY

Greatrock North Water and Sanitation District (District), was organized on May 27, 1998, as a quasi-municipal corporation and political subdivision of the State of Colorado, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Adams County, Colorado. The District's purpose is to provide public water services and stormwater drainage and detention to the property owners and residents of the District. The District is governed by an elected Board of Directors.

The District has no employees and all operations and administration functions are contracted.

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.

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.

GREATROCK NORTH WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 financial statement presentation purposes, the District is reported as a single enterprise fund. For budgetary purposes, the District separately budgets for specific components of this enterprise fund. These separate budgetary components of the District are the general fund, debt service fund and capital projects fund. For budgetary reporting purposes these components are combined into a single budgetary schedule.

During 2010, supplemental appropriations approved by the Board of Directors modified the general fund appropriation from \$509,872 to \$650,000; the debt service fund appropriation from \$203,292 to \$1,600,000; and the capital projects fund appropriation from \$266,545 to \$750,000. For the overall financial statement presentation as discussed above, the total appropriation was modified from \$979,709 to \$3,000,000.

Property Taxes

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

Accounts Receivable

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

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.

GREATROCK NORTH WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Water distribution system	40 years
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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 by developers are recorded as capital contributions and additions to the systems at estimated fair market value when received.

Bond Issue Costs, Original Issue Discount, Deferred Loss on Bond Refunding

Bond issue costs are reported as deferred charges and amortized over the term of the bonds using the straight line method. The original issue discount is being amortized over the life of the bonds using the effect interest method. The deferred loss on bond refunding is being amortized over the life of the refunded bonds using the straight line method.

Reclassifications

For comparability, certain 2009 amounts have been reclassified where appropriate to conform with the 2010 financial statement presentation.

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

NOTE 3 - CASH AND INVESTMENTS

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

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 2,058,451	\$ 746,257
Investments	-	600,000
	<u>\$ 2,058,451</u>	<u>\$ 1,346,257</u>

Cash deposits and investments as of December 31, 2010 and 2009 consist of the following:

	<u>2010</u>	<u>2009</u>
Cash deposits	\$ 879,219	\$ 1,068,349
Investments	1,179,232	277,908
	<u>\$ 2,058,451</u>	<u>\$ 1,346,257</u>

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 \$956,906 and a carrying balance of \$879,219. At December 31, 2009, the District had cash deposits with a bank balance of \$1,092,175 and a carrying balance of \$1,068,349.

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:

- . 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

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

NOTE 3 - CASH AND INVESTMENTS (continued)

- . 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

The local government investment pools, which include the Colorado Surplus Asset Fund Trust (CSAFE) and the Colorado Local Government Liquid Asset Trust (COLOTRUST) are both rated AAAM by Standard and Poor's. Information related to Standard & Poor's ratings can be obtained from Standard & Poor's.

The District's investments are stated at fair value.

Interest Rate Risk

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

As of 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>
Colostrust Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	\$ 1,179,232	\$ 180,960
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	-	96,948
		<u>\$ 1,179,232</u>	<u>\$ 277,908</u>

COLOTRUST

The District had invested \$1,179,232 and \$180,960 as of December 31, 2010 and 2009, respectively, in COLOTRUST, an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the COLOTRUST. The COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00.

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

NOTE 3 - CASH AND INVESTMENTS (continued)

CSAFE

The District has invested \$-0- and \$96,948 as of December 31, 2010 and 2009, respectively, in 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.

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2010 follows:

	<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	\$ 41,568	\$ 42,354	\$ -	\$ 83,922
Water rights	793,744	-	-	793,744
Easements	152,602	290	-	152,892
Construction in progress	7,339	177,446	-	184,785
Total capital assets, not being depreciated	<u>995,253</u>	<u>220,090</u>	<u>-</u>	<u>1,215,343</u>
Capital assets, being depreciated:				
Water distribution system	<u>7,841,074</u>	<u>40,145</u>	<u>-</u>	<u>7,881,219</u>
Total capital assets being depreciated	<u>7,841,074</u>	<u>40,145</u>	<u>-</u>	<u>7,881,219</u>
Less accumulated depreciation for:				
Water distribution system	<u>(1,065,361)</u>	<u>(196,308)</u>	<u>-</u>	<u>(1,261,669)</u>
Total accumulated depreciation	<u>(1,065,361)</u>	<u>(196,308)</u>	<u>-</u>	<u>(1,261,669)</u>
Total capital assets being depreciated, net	<u>6,775,713</u>	<u>(156,163)</u>	<u>-</u>	<u>6,619,550</u>
Total capital assets, net	<u><u>\$ 7,770,966</u></u>	<u><u>\$ 63,927</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,834,893</u></u>

GREATROCK NORTH WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 4 - CAPITAL ASSETS (continued)

An analysis of the changes in capital assets for the year ended December 31, 2009 follows:

	<u>Balance at December 31, 2008</u>	<u>Additions</u>	<u>Disposals/ Retirements</u>	<u>Balance at December 31, 2009</u>
Capital assets, not being depreciated:				
Land	\$ 41,568	\$ -	\$ -	\$ 41,568
Water rights	767,619	26,125	-	793,744
Easements	118,391	34,211	-	152,602
Construction in progress	455,867	7,339	(455,867)	7,339
Total capital assets, not being depreciated	<u>1,383,445</u>	<u>67,675</u>	<u>(455,867)</u>	<u>995,253</u>
Capital assets, being depreciated:				
Water distribution system	5,998,303	1,842,771	-	7,841,074
Total capital assets being depreciated	<u>5,998,303</u>	<u>1,842,771</u>	<u>-</u>	<u>7,841,074</u>
Less accumulated depreciation for:				
Water distribution system	(880,731)	(184,630)	-	(1,065,361)
Total accumulated depreciation	<u>(880,731)</u>	<u>(184,630)</u>	<u>-</u>	<u>(1,065,361)</u>
Total capital assets being depreciated, net	<u>5,117,572</u>	<u>1,658,141</u>	<u>-</u>	<u>6,775,713</u>
Total capital assets, net	<u>\$ 6,501,017</u>	<u>\$ 1,725,816</u>	<u>\$ (455,867)</u>	<u>\$ 7,770,966</u>

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>Reductions</u>	<u>Balance at December 31, 2010</u>	<u>Due Within One Year</u>
General Obligation Refunding and					
Improvement Bonds, Series 2007	\$ 4,415,000	\$ -	\$ 1,185,000	\$ 3,230,000	\$ -
Improvement Bonds, Series 2010	-	2,230,000	-	2,230,000	-
Less deferred amounts:					
2007 issue discount	(15,145)	-	(4,892)	(10,253)	-
2007 deferred loss on refunding	(98,840)	-	(12,355)	(86,485)	-
2010 issue premium	-	119,086	-	119,086	-
2010 deferred loss on refunding	-	(175,499)	(8,357)	(167,142)	-
Total long-term obligations	<u>\$ 4,301,015</u>	<u>\$ 2,173,587</u>	<u>\$ 1,159,396</u>	<u>\$ 5,315,206</u>	<u>\$ -</u>

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

NOTE 5 – LONG-TERM OBLIGATIONS (continued)

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>
General Obligation Refunding and Improvement Bonds, Series 2007	\$ 4,420,000	\$ -	\$ 5,000	\$ 4,415,000	\$ 10,000
Less deferred amounts:					
Original issue discount	(16,327)	-	(1,182)	(15,145)	-
Deferred loss on refunding	(111,195)	-	(12,355)	(98,840)	-
Total long-term obligations	<u>\$ 4,292,478</u>	<u>\$ -</u>	<u>\$ (8,537)</u>	<u>\$ 4,301,015</u>	<u>\$ 10,000</u>

General Obligation Refunding and Improvement Bonds, Series 2007

On June 21, 2007, the District authorized the issuance of General Obligation Refunding and Improvement Bonds dated June 27, 2007. The bonds refunded the outstanding Limited Tax General Obligation Bonds Series 1998 and the outstanding Subordinate Limited Tax General Obligation Bonds Series 2002 and provided funding to construct and install certain improvements to the District's water system. The bonds bear interest at rates between 4.00% and 4.49%, payable semiannually on each June 1 and December 1, commencing on December 1, 2007. The bonds are subject to mandatory sinking fund redemption commencing on December 1, 2009. The Bonds maturing on and before December 1, 2017, are not subject to redemption prior to their respective maturity dates. The Bonds maturing on and after December 1, 2022 are subject to redemption prior to maturity, at the option of the District, on December 1, 2017 at a redemption price equal to 100% together with accrued interest thereon to the date of redemption. On October 5, 2010, the District refunded \$1,175,000 of the principal balance of the bonds.

General Obligation Refunding and Improvement Bonds, Series 2010

On October 5, 2010, the District authorized the issuance of General Obligation Refunding Bonds dated December 1, 2010. The bonds partially refunded the General Obligation Refunding and Improvement Bonds Series 2007 and provided additional funding to construct and install certain improvements to the District's water system. The bonds bear interest at rates between 2.25% and 5.00%, payable semiannually on each June 1 and December 1, commencing on June 1, 2011. The bonds on and before December 1, 2020 are not subject to redemption prior to their respective maturity dates. The bonds maturing December 1, 2025 are subject to mandatory sinking fund redemption commencing on December 1, 2021 and each December thereafter. The Bonds maturing on and after December 1, 2025 are subject to redemption prior to maturity as a whole or in integral multiples of \$5,000, at the option of the District, on December 1, 2020 upon payment of par and accrued interest, without redemption premium. The District had a net present value loss of \$303,417 by refunding a portion of the Series 2007 Bonds. The District realized a book loss of \$175,499 related to the refunding.

GREATROCK NORTH WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 5 – LONG-TERM OBLIGATIONS (continued)

The District's long-term obligations will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ -	\$ 246,158	\$ 246,158
2012	-	246,158	246,158
2013	25,000	246,158	271,158
2014	25,000	245,595	270,595
2015	180,000	244,970	424,970
2016-2020	1,090,000	1,109,857	2,199,857
2021-2025	1,465,000	843,242	2,308,242
2026-2030	2,020,000	445,390	2,465,390
2031-2033	655,000	59,407	714,407
	<u>\$ 5,460,000</u>	<u>\$ 3,686,935</u>	<u>\$ 9,146,935</u>

Authorized Debt

On May 5, 1998, a majority of the District's voters authorized the issuance of indebtedness in an amount not to exceed \$16,600,000 for purpose of designing, acquiring, constructing, completing and installing a complete potable and nonpotable water supply, purification, storage, transmission and distribution system. As of December 31, 2010 and 2009, the District had utilized \$6,750,000 of the total authorized debt of \$16,600,000, resulting in \$9,850,000 of authorized but unissued indebtedness.

NOTE 6 – INCLUSION AGREEMENTS

Homestead Heights, LLC

On November 21, 2006, the District entered into an inclusion agreement with Homestead Heights, LLC (Homestead) associated with property known as Homestead Heights, II. The agreement calls for Homestead to pay a system development fee in the amount of \$16,000 for the first fifteen units and the remaining system development fees will be due prior to the issuance of building permits. The agreement for inclusion is for approximately 56 residential lots. Homestead also agreed to post fees deposits in increments of \$10,000 as requested by the District to satisfy all District incurred costs from the start of the inclusion process to the completion of a final conveyance and acceptance agreement. Upon completion of the inclusion process, any remaining funds on deposit with the District shall be refunded to Homestead. On January 24, 2008, the District amended the inclusion fee incremental refundable deposits to \$5,000 from \$10,000. On December 5, 2007, the District filed a statement of lien on the property owned by Homestead Heights, LLC in the amount of \$240,000 for the 15 system development fees that were to be prepaid by Homestead within 30 days of the execution of the agreement. On August 20, 2008 the District and Homestead entered into the first amendment to the inclusion agreement. In the amended agreement, the District agreed to remove the \$240,000 lien placed on the property. Additionally the payment terms for the system development fees were modified such that Homestead is to remit the system development fees, at the District's then current system development fee rate, within certain periods following the issuance of building permits by the county. During 2010 and 2009 the District received \$-0- system development fees related to this inclusion agreement.

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

NOTE 6 – INCLUSION AGREEMENTS (continued)

Hayesmount Properties, LLC

On August 23, 2007, the District entered into an inclusion agreement with Hayesmount Properties, LLC (Hayesmount) associated with property known as Hayesmount Estates. Under the agreement, Hayesmount must pay system development fees for the first five units either within 120 days of recordation of a final plat for the Hayesmount Estates development or prior to the start of construction, whichever occurs first. The system development fees on all remaining lots shall be due and owing prior to the issuance of building permits by the County. The agreement for inclusion is for approximately 21 single-family detached lots. Hayesmount also agreed to post fees deposits in increments of \$10,000 as requested by the District to satisfy all District incurred costs from the start of the inclusion process to the completion of a final conveyance and acceptance agreement. Upon completion of the inclusion process, any remaining funds on deposit with the District shall be refunded to the Hayesmount. On January 24, 2008, the District amended the inclusion fee incremental refundable deposits to \$5,000 from \$10,000. During 2010 and 2009 the District received \$-0- system development fees related to this inclusion agreement.

Ridgeview Estates LLC

On July 24, 2008, the District entered into an inclusion agreement with Ridgeview Estates LLC (Ridgeview) associated with property known as the Ridgeview Estates Subdivision. Under the agreement, Ridgeview must provide adjudicated water rights associated with the 62.3 acre Ridgeview Estates Subdivision to the District through a Special Warranty Deed. Upon inclusion into the District, the District will provide water for 21 approximately 2.5 acre lots in the Ridgeview Estates Subdivision. Ridgeview is responsible for the construction of a single 8 inch looped water line (Water Improvements) in accordance with District specifications. Upon completion of the Water Improvements, Ridgeview shall convey the Water Improvements to the District. System development fees are to be collected on an equivalent residential unit basis on the properties within the Ridgeview Estates Subdivision. Ridgeview also agreed to post a fees deposit in increments of \$5,000 as requested by the District to satisfy all District incurred costs from the start of the inclusion process to the completion of a final conveyance and acceptance agreement. Upon completion of the inclusion process, any remaining funds on deposit with the District shall be refunded to the Ridgeview. During 2010 and 2009 the District received \$-0- system development fees related to this inclusion agreement.

NOTE 7 – WATER LEASE OPTION AGREEMENT

On January 23, 2007, the District entered into a water lease option agreement with Box Elder Creek Ranch Water Company (Box Elder). The agreement grants Box Elder an option to lease a portion of its Laramie-Fox Hills aquifer ground water available for specific uses. Each year this agreement is in effect, Box Elder shall pay to the District a reservation/lease fee of \$7,500 per year, regardless of use, on or before January 10. The reservation/lease fee shall increase by the Denver-Boulder Consumer Price Index plus 1% compounded, annually. Box Elder shall also reimburse the District for a proportional amount of the energy and administrative costs incurred by the District to pump the Laramie Water to the Box Elder stream bed for Box Elder's benefit. The District received lease revenue of \$7,895 in 2010 and \$7,500 in 2009 under this agreement.

GREATROCK NORTH WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 7 – WATER LEASE OPTION AGREEMENT (continued)

On November 4, 2010 the agreement was amended to provide for the delivery of Laramie Water to Box Elder on a rolling three year schedule and provisions related to the District's SCADA system. Box Elder may install and connect to the District's SCADA System in the future at its option. If Box Elder chooses this option, it shall be responsible for any hard and soft costs associated with the installation of the system at its pond and recharge pond.

NOTE 8 - NET ASSETS

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and, 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 \$2,818,659 and \$3,672,225, respectively, invested in net capital assets, net of related debt.

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 by law through constitutional provisions or enabling legislation. The District had restricted net assets of \$14,600 and \$12,900 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).

NOTE 9 - RISK MANAGEMENT

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2010. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

GREATROCK NORTH WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Construction Commitments

As of December 31, 2010, the District had unexpended construction related contract commitments of \$658,251. There were no unexpended construction related contract commitments as of December 31, 2009.

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.

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 is of the opinion that its water activity enterprise, and all activities related thereto are carried on as an Enterprise within the meaning of TABOR and the Enterprise Act, C.R.S. 37-45.;1-01, et seq. The District's annual budget and financial statements are deemed by the District to be the annual budget and financial statements of the Enterprise.

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.

On May 5, 1998, a majority of the District's voters approved the following ballot question: Shall Greatrock North Water and Sanitation District taxes be increased \$200,000 annually in the first full fiscal year by the imposition of a mill levy on all taxable property within the boundaries of the District, which mill levy shall generate not more than said annual amount in ad valorem property tax revenues for the District in the first full fiscal year for the purposes of the operation and maintenance of the District's services and facilities; and shall the revenues generated by such taxes in each year thereafter be approved as an increased levy without regard to the tax increase limitation contained in Section 29-1-301, Colorado Revised Statutes, or any other tax increase limitation under any other law; and shall the revenue changes caused by the collection and spending of such tax revenues in every year be approved, permitting such tax revenues and any investment earnings thereon be collected and spent by the District without limitation or

GREATROCK NORTH WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

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

condition, and without limiting the collection or spending of any other revenues or funds by the District under Article X, Section 20 of the Colorado Constitution or any other law?

On May 6, 2008, a majority of the District's voters approved the following ballot question: Shall Greatrock North Water and Sanitation District be authorized to retain all revenues generated by or from rates, fees, tolls, charges, specific ownership taxes, agreements with other local governments, grants from the state or from any local government, lottery distributions, and any other revenues generated or received by the District, including reduction in debt service, in 1998 and in all subsequent years (which amounts does not include revenues generated from ad valorem property taxes); and shall the District be authorized to spend such revenues and investment income thereon as a voter-approved revenue change and an exception to and spending limitations which might otherwise apply?

On May 6, 2008, a majority of the District's voters approved the following ballot question: Shall Greatrock North Water and Sanitation District taxes be increased \$300,000 annually (for collection in calendar year 2008) and by the additional amounts that are raised annually thereafter by the imposition of an ad valorem property tax levy of 35 mills for the purpose of paying the District's administration, operations and maintenance and other similar expenses, and shall the revenue from such taxes and any investment income thereon together with all revenue received prior to calendar year 2008 from imposition of the District's operations mill levy and any investment income thereon be collected, retained and spent by the District in each fiscal year prior to, through and including 2008 and thereafter as a voter-approved revenue changes without regard to any spending, revenue-raising, or other limitation contained within Articles X, Section 20 of the Colorado Constitution, the limits imposed on increased in property taxation by Section 29-1-301, C.R.S in any year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

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

SUPPLEMENTAL INFORMATION

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

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 431,419	\$ 424,217	\$ 456,737	\$ 32,520
Specific ownership taxes	34,513	28,363	28,376	13
Service charges - Greatrock	95,000	115,490	127,100	11,610
Service charges - Rocking Horse	55,000	78,689	85,422	6,733
Service charges - Box Elder	80,000	122,220	118,581	(3,639)
Reimbursement - other entities	-	6,465	6,465	-
Irrigation lease revenue	7,897	7,895	7,895	-
Net investment income	12,658	12,101	16,482	4,381
Miscellaneous	-	1,016	1,623	607
Bond proceeds	100,000	2,343,325	2,230,000	(113,325)
Bond premium	-	-	119,086	119,086
Insurance proceeds	-	34,294	34,294	-
Transfer from general	56,500	77,156	64,000	(13,156)
Transfer from capital projects fund	-	26,803	-	(26,803)
Total Revenues	<u>872,987</u>	<u>3,278,034</u>	<u>3,296,061</u>	<u>18,027</u>
EXPENDITURES				
Administration and operations:				
Accounting	15,500	26,611	28,436	(1,825)
District management	45,000	35,947	48,833	(12,886)
Project management	-	8,000	9,804	(1,804)
Audit	4,800	4,800	4,800	-
Safety audit	-	-	1,321	(1,321)
Director fees	3,000	6,000	4,700	1,300
Utility billing	15,000	18,309	17,189	1,120
Insurance	16,000	12,464	12,633	(169)
Legal	34,700	44,772	58,693	(13,921)
Litigation	15,000	20,000	30,103	(10,103)
Website development	5,000	-	-	-
Miscellaneous	5,000	7,500	8,136	(636)
Boundary map	-	15,000	4,564	10,436
Engineering	12,000	22,000	29,458	(7,458)
Irrigation lease	1,000	-	-	-
Utilities	65,000	58,000	47,838	10,162
Testing and reporting	12,500	10,000	5,536	4,464
Plant supplies	45,800	15,000	12,799	2,201
Meter reading	18,000	20,500	22,750	(2,250)
Mileage	11,000	11,000	11,993	(993)
Well maintenance	2,500	12,681	9,056	3,625
Maintenance and repair	19,500	70,000	70,976	(976)
Weather damage repair	-	-	34,294	(34,294)
Acquisition costs	-	45,000	34,205	10,795
Operator services	73,000	55,500	50,455	5,045
Payroll taxes	230	461	758	(297)
County treasurer's fees	4,437	4,393	4,755	(362)
Communications services	1,200	395	395	-

(Continued)

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

(Continued)

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Emergency reserve	13,205	13,205	-	13,205
Contingency	15,000	80,306	-	80,306
Transfer to debt service	56,500	77,156	64,000	13,156
Debt Service:				
Paying agent fees	2,000	300	-	300
2007 GO Bonds principal	10,000	10,000	10,000	-
2007 GO Bonds interest	189,258	189,258	194,133	(4,875)
Transfer to Escrow - 2007 Bonds	-	1,353,325	1,295,255	58,070
Bond issuance costs	-	211,541	164,490	47,051
County treasurer's fees	2,034	1,970	2,179	(209)
Contingency	-	45,147	-	45,147
Capital Outlay:				
Legal	2,500	500	1,294	(794)
Water rights development	64,000	50,000	72,247	(22,247)
Drive by meter	45,045	1,494	17,842	(16,348)
UV / By-Pass Project	135,000	35,000	42,952	(7,952)
Property acquisition	-	45,000	42,354	2,646
Water tank construction	-	55,000	39,938	15,062
Water tank base	-	15,000	-	15,000
Well field construction	-	10,000	9,530	470
Water distribution system	-	1,716	1,716	-
Easements	-	290	290	-
Service plan amendment	20,000	5,000	3,170	1,830
Surge protection	-	-	28,900	(28,900)
Rules and regulations	-	1,000	-	1,000
Contingency	-	273,459	-	273,459
Total expenditures	<u>979,709</u>	<u>3,000,000</u>	<u>2,554,770</u>	<u>445,230</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(106,722)</u>	<u>278,034</u>	<u>741,291</u>	<u>463,257</u>
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>1,041,657</u>	<u>1,256,652</u>	<u>1,240,483</u>	<u>(16,169)</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 934,935</u>	<u>\$ 1,534,686</u>	<u>\$ 1,981,774</u>	<u>\$ 447,088</u>

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

Current assets	\$ 2,602,057
Current liabilities	(620,283)
	<u>\$ 1,981,774</u>

**GREATROCK NORTH 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)	\$ 3,296,061
Bond proceeds	(2,230,000)
Bond premium	(119,086)
Insurance proceeds	(34,294)
Transfer from general (transfer within same fund)	<u>(64,000)</u>
Revenues per Statement of Revenues, Expenses and Changes in Fund Net Assets	<u>848,681</u>
 Expenditures (budgetary basis)	 2,554,770
Depreciation	196,308
Capital outlay	(260,165)
Bond principal payment	(10,000)
Transfer to Escrow - 2007 Bonds	(1,295,255)
Bond issue costs	(164,490)
Transfer to debt (transfer within same fund)	(64,000)
Weather damage repair	(34,294)
Bond issue cost amortization	16,189
Original issue discount amortization	1,181
Deferred loss on refunding amortization	<u>20,712</u>
Expenses per Statement of Revenues, Expenses and Changes in Fund Net Assets	<u>960,956</u>
 Change in net assets per Statement of Revenues, Expenses and Changes in Fund Net Assets	 <u><u>\$ (112,275)</u></u>

**GREATROCK NORTH WATER AND SANITATION DISTRICT
 FIVE YEAR SUMMARY OF ASSESSED VALUATION , MILL LEVY
 AND PROPERTY TAXES COLLECTED
 Year Ended December 31, 2010
 (Unaudited)**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>	<u>Property Taxes</u>		<u>Percentage Collected to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
2006	\$ 9,446,130	35.000	\$ 330,615	\$ 330,614	100.0%
2007	\$ 10,331,630	35.000	\$ 361,607	\$ 361,361	99.9%
2008	\$ 11,899,290	35.000	\$ 416,475	\$ 416,474	100.0%
2009	\$ 12,061,080	35.000	\$ 422,138	\$ 398,952	94.5%
2010	\$ 12,326,250	35.000	\$ 431,419	\$ 456,737	105.9%
Estimated for year ending December 31, 2011	\$ 12,050,510	42.500	\$ 512,146		

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.