

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

**FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

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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, 2011 and 2010, 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, 2011 and 2010, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages III through VI be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

The other information, 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 do not express an opinion or provide any assurance on it.

*SCHILLING & COMPANY, INC.*

June 5, 2012

**GREATROCK NORTH WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended December 31, 2011 and 2010**

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, 2011 and 2010. 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 2011, 2010 and 2009 by \$4.7 million, \$4.8 million and \$4.9 million, respectively. Current assets decreased by \$483,821 or 18.6% from 2010 to 2011. The main decrease was in cash and cash equivalents which decreased \$486,921, due primarily to the construction of capital assets which increased by \$534,463 from 2010 to 2011. 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. Total liabilities increased \$140,371 from 2010 to 2011, primarily due to an increase of \$136,256 in amounts due to contractors for construction projects. 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.

	<b>NET ASSETS</b>		
	<b>December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>			
Current assets	\$ 2,118,236	\$ 2,602,057	\$ 1,805,511
Capital assets, net	8,369,356	7,834,893	7,770,966
Other assets, net	262,532	298,972	202,274
Total assets	<u>10,750,124</u>	<u>10,735,922</u>	<u>9,778,751</u>
<b>LIABILITIES</b>			
Current liabilities	746,920	620,283	575,028
Noncurrent liabilities	5,328,940	5,315,206	4,291,015
Total liabilities	<u>6,075,860</u>	<u>5,935,489</u>	<u>4,866,043</u>
<b>NET ASSETS</b>			
Invested in capital assets	3,302,948	2,818,659	3,672,225
Restricted	16,500	14,600	12,900
Unrestricted	1,354,816	1,967,174	1,227,583
Total net assets	<u>\$ 4,674,264</u>	<u>\$ 4,800,433</u>	<u>\$ 4,912,708</u>

### Changes in Net Assets

As noted in the table below, the District's net assets decreased from 2010 to 2011 by \$126,169. Property tax revenue increased by \$58,549 or 12.8% due primarily to an increase in the debt service mill levy of 7.500 mills. The District's net assets decreased from 2009 to 2010 by \$112,275. Total revenue increased from 2009 to 2010 by \$178,492 or 26.6%. Charges for services revenue increased \$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.

Overall expenses increased by \$81,699 or 8.5% from 2010 to 2011. The increase is primarily due to an increase in bond interest of \$43,265; an increase in utilities expense of \$27,527 due to the District Reverse Osmosis plant being down for 6 months in 2010 and to substantial rate increases in 2011; and an increase in repair and maintenance expenses as a result of costs incurred for landscaping repairs and improvements. 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.

## CHANGES IN NET ASSETS

	Years Ended December 31,		
	2011	2010	2009
<b>REVENUES</b>			
Program revenues:			
Charges for services	\$ 343,881	\$ 331,103	\$ 220,060
Irrigation lease	7,500	7,895	7,500
Inclusion fees	-	-	-
Miscellaneous	10,085	8,088	955
General revenues:			
Property taxes	515,286	456,737	398,952
Specific ownership taxes	32,788	28,376	30,609
Investment earnings	6,946	16,482	12,113
Total revenues	<u>916,486</u>	<u>848,681</u>	<u>670,189</u>
<b>EXPENSES</b>			
Water and sewer operations	537,239	491,374	422,797
Interest and related charges	272,498	232,283	211,956
Administration	232,918	237,299	189,838
Total expenses	<u>1,042,655</u>	<u>960,956</u>	<u>824,591</u>
<b>CHANGE IN NET ASSETS</b>	(126,169)	(112,275)	(154,402)
<b>NET ASSETS - BEGINNING OF YEAR</b>	4,800,433	4,912,708	5,067,110
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 4,674,264</u>	<u>\$ 4,800,433</u>	<u>\$ 4,912,708</u>

## BUDGETARY HIGHLIGHTS

The total actual expenditures for 2011 were \$653,960 under budgeted expenditures of \$2,204,504. There were no amendments to the original 2011 budget.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### CAPITAL ASSETS

The District's investment in capital assets at December 31, 2011 and 2010, amounted to \$8.37 million and \$7.83 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, 2009</u>	<u>Change</u>	<u>December 31, 2010</u>	<u>Change</u>	<u>December 31, 2011</u>
Land	\$ 41,568	\$ 42,354	\$ 83,922	\$ 10,321	\$ 94,243
Water rights	793,744	-	793,744	125,620	919,364
Easements	152,602	290	152,892	97	152,989
Construction in progress	7,339	177,446	184,785	439,928	624,713
Water distribution system	7,841,074	40,145	7,881,219	156,602	8,037,821
	<u>8,836,327</u>	<u>260,235</u>	<u>9,096,562</u>	<u>732,568</u>	<u>9,829,130</u>
Accumulated depreciation	<u>(1,065,361)</u>	<u>(196,308)</u>	<u>(1,261,669)</u>	<u>(198,105)</u>	<u>(1,459,774)</u>
Total capital assets, net	<u>\$ 7,770,966</u>	<u>\$ 63,927</u>	<u>\$ 7,834,893</u>	<u>\$ 534,463</u>	<u>\$ 8,369,356</u>

In 2011, there was a \$732,568 increase (excluding depreciation) in the District's capital assets as the result of costs incurred in the construction of a well, land acquisition, water rights, and water distribution system improvements. 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.

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. The District was not required to make any principal payments on the Series 2010 Bonds during 2011.

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

#### **ECONOMIC FACTORS NEXT YEAR'S BUDGET AND RATES**

For 2012, the District's property tax revenue is expected to remain fairly consistent with 2011 due to a decrease in the assessed valuation offset by an increase in the mill levy. Total budgeted expenditures are expected to decrease in 2012 due to operation efficiencies and completion of capital projects. Total budgeted revenues for 2012 are \$889,599. Total appropriated expenditures for 2012 are \$1,347,387.

#### **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, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents - unrestricted	\$ 1,381,521	\$ 1,186,013
Cash and cash equivalents - restricted	190,009	872,438
Accounts receivable:		
Customers	33,047	29,376
County treasurer	2,464	2,084
Property taxes receivable	511,025	512,146
Prepaid expense	170	-
Total current assets	2,118,236	2,602,057
<b>CAPITAL ASSETS</b>		
Capital assets, not being depreciated	1,791,309	1,215,343
Capital assets, being depreciated	8,037,821	7,881,219
	9,829,130	9,096,562
Less accumulated depreciation and amortization	(1,459,774)	(1,261,669)
Total capital assets	8,369,356	7,834,893
<b>OTHER ASSETS</b>		
Bond issue costs, net	262,532	298,972
Total other assets	262,532	298,972
<b>TOTAL ASSETS</b>	\$ 10,750,124	\$ 10,735,922
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 161,406	\$ 86,241
Retainage payable	53,126	-
Interest payable	20,513	21,046
Deposits	850	850
Deferred property taxes receivable	511,025	512,146
Total current liabilities	746,920	620,283
<b>NONCURRENT LIABILITIES</b>		
Bonds payable - noncurrent	5,328,940	5,315,206
Total noncurrent liabilities	5,328,940	5,315,206
Total liabilities	6,075,860	5,935,489
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	3,302,948	2,818,659
Restricted for emergencies	16,500	14,600
Unrestricted	1,354,816	1,967,174
Total net assets	4,674,264	4,800,433
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 10,750,124	\$ 10,735,922

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, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>OPERATING REVENUE</b>		
Service charges - Greatrock	\$ 127,627	\$ 127,100
Service charges - Rockinghorse Farms	86,299	85,422
Service charges - Box Elder	129,955	118,581
Irrigation lease revenue	7,500	7,895
Miscellaneous	10,085	8,088
Total operating revenue	<u>361,466</u>	<u>347,086</u>
<b>OPERATING EXPENSES</b>		
General and administration		
Accounting	20,435	28,436
District management	68,517	58,637
Audit	8,588	4,800
Safety audit	201	1,321
Director fees	6,700	4,700
Payroll taxes	1,131	758
Utility billing	17,863	17,189
Insurance	12,785	12,633
Legal	67,238	88,796
Boundary map	9,184	4,564
Miscellaneous	12,527	8,531
Operations		
Depreciation	198,105	196,308
Engineering	25,305	29,458
Utilities	75,365	47,838
Testing and reporting	8,423	5,536
Plant supplies	19,002	12,799
Meter reading	17,398	22,750
Mileage	9,705	11,993
Well maintenance	285	9,056
Maintenance and repair	89,574	70,976
Operator services	36,735	50,455
Concentrate disposal	9,739	-
SCADA	10,367	-
Service plan amendment	21,106	-
Water resources master plan	16,130	-
Total operating expenses	<u>762,408</u>	<u>687,534</u>
<b>OPERATING LOSS</b>	<u>(400,942)</u>	<u>(340,448)</u>
<b>NONOPERATING REVENUE AND (EXPENSES)</b>		
Property taxes	515,286	456,737
Specific ownership taxes	32,788	28,376
Net investment income	6,946	16,482
Acquisition costs	-	(34,205)
County treasurer's fees	(7,749)	(6,934)
Bond interest expense	(259,358)	(216,094)
Bond amortization	(12,840)	(16,189)
Paying agent fees	(300)	-
Total nonoperating revenue (expense)	<u>274,773</u>	<u>228,173</u>
<b>CHANGE IN NET ASSETS</b>	<u>(126,169)</u>	<u>(112,275)</u>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>4,800,433</u>	<u>4,912,708</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 4,674,264</u>	<u>\$ 4,800,433</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, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 347,710	\$ 331,796
Payments to vendors	(574,827)	(453,872)
Other operating receipts	10,085	8,088
Net cash required by operating activities	(217,032)	(113,988)
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Capital asset purchases	(593,583)	(327,935)
Bond interest paid	(246,797)	(189,328)
Bond principal paid	-	(10,000)
Bond proceeds received-net	-	889,412
Reimbursement of unused bond costs of issuance	23,600	-
Net cash provided (required) by capital financing activities	(816,780)	362,149
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Property and specific ownership taxes received	547,694	485,147
County treasurer's fees paid	(7,749)	(6,934)
Acquisition costs	-	(34,205)
Net cash provided by noncapital financing activities	539,945	444,008
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Redemption of investments	-	600,000
Interest received	6,946	20,025
Net cash provided by investing activities	6,946	620,025
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(486,921)	1,312,194
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR OF YEAR</b>	2,058,451	746,257
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,571,530	\$ 2,058,451
<b>RECONCILIATION OF OPERATING LOSS TO CASH FLOWS REQUIRED BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (400,942)	\$ (340,448)
Adjustments to reconcile operating loss to net cash required by operating activities:		
Depreciation	198,105	196,308
Effects of changes in operating assets and liabilities:		
Accounts receivable	(3,671)	(7,202)
Prepaid expenses	170	-
Accounts payable	(10,694)	37,354
Net cash required by operating activities	\$ (217,032)	\$ (113,988)

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, 2011 and 2010**

**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, 2011 and 2010**

**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.

**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 30 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, 2011 and 2010**

**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.

**System Development Fees and Contributed Lines**

System development 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 and premium are being amortized over the life of the bonds using the effective 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 2010 amounts have been reclassified where appropriate to conform with the 2011 financial statement presentation.

**GREATROCK NORTH WATER AND SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011 and 2010**

**NOTE 3 - CASH AND INVESTMENTS**

Cash and investments as of December 31, 2011 and 2010 are classified in the accompanying financial statements as follows:

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents - unrestricted	\$ 1,381,521	\$ 1,186,013
Cash and cash equivalents - restricted	190,009	872,438
	<u>\$ 1,571,530</u>	<u>\$ 2,058,451</u>

Cash deposits and investments as of December 31, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Cash deposits	\$ 1,247,625	\$ 879,219
Investments	323,905	1,179,232
	<u>\$ 1,571,530</u>	<u>\$ 2,058,451</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, 2011, the District had cash deposits with a bank balance of \$1,246,797 and a carrying balance of \$1,247,625. At December 31, 2010, the District had cash deposits with a bank balance of \$956,906 and a carrying balance of \$879,219.

**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, 2011 and 2010**

**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 pool, Colorado Local Government Liquid Asset Trust (COLOTRUST), is 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, 2011 and 2010, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	
		<u>2011</u>	<u>2010</u>
Colostrust Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	\$ 323,905	\$ 1,179,232
		<u>\$ 323,905</u>	<u>\$ 1,179,232</u>

**COLOTRUST**

The District had invested \$323,905 and \$1,179,232 as of December 31, 2011 and 2010, 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.

**RESTRICTED CASH**

At December 31, 2011, the District had restricted cash of \$190,009 which represents unspent proceeds from the Series 2010, G.O. Refunding and Improvement Bonds. At December 31, 2010, the District had restricted cash of \$872,438 which represents unspent proceeds from the Series 2010, G.O. Refunding and Improvement Bonds.

**GREATROCK NORTH WATER AND SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

**NOTE 4 - CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2011 follows:

	<u>Balance at December 31, 2010</u>	<u>Additions</u>	<u>Disposals/ Retirements</u>	<u>Balance at December 31, 2011</u>
Capital assets, not being depreciated:				
Land	\$ 83,922	\$ 10,321	\$ -	\$ 94,243
Water rights	793,744	125,620	-	919,364
Easements	152,892	97	-	152,989
Construction in progress	184,785	584,775	(144,847)	624,713
Total capital assets, not being depreciated	<u>1,215,343</u>	<u>720,813</u>	<u>(144,847)</u>	<u>1,791,309</u>
Capital assets, being depreciated:				
Water distribution system	7,881,219	156,602	-	8,037,821
Total capital assets being depreciated	<u>7,881,219</u>	<u>156,602</u>	<u>-</u>	<u>8,037,821</u>
Less accumulated depreciation for:				
Water distribution system	(1,261,669)	(198,105)	-	(1,459,774)
Total accumulated depreciation	<u>(1,261,669)</u>	<u>(198,105)</u>	<u>-</u>	<u>(1,459,774)</u>
Total capital assets being depreciated, net	<u>6,619,550</u>	<u>(41,503)</u>	<u>-</u>	<u>6,578,047</u>
Total capital assets, net	<u>\$ 7,834,893</u>	<u>\$ 679,310</u>	<u>\$ (144,847)</u>	<u>\$ 8,369,356</u>

**GREATROCK NORTH WATER AND SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

**NOTE 4 - CAPITAL ASSETS** (continued)

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	7,841,074	40,145	-	7,881,219
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	(1,065,361)	(196,308)	-	(1,261,669)
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>\$ 7,770,966</u>	<u>\$ 63,927</u>	<u>\$ -</u>	<u>\$ 7,834,893</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, 2011:

	<u>Balance at December 31, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2011</u>	<u>Due Within One Year</u>
General Obligation Refunding and Improvement Bonds, Series 2007	\$ 3,230,000	\$ -	\$ -	\$ 3,230,000	\$ -
Improvement Bonds, Series 2010	2,230,000	-	-	2,230,000	-
Less deferred amounts:					
2007 issue discount	(10,253)	-	(858)	(9,395)	-
2007 deferred loss on refunding	(86,485)	-	(12,355)	(74,130)	-
2010 issue premium	119,086	-	7,836	111,250	-
2010 deferred loss on refunding	(167,142)	-	(8,357)	(158,785)	-
Total long-term obligations	<u>\$ 5,315,206</u>	<u>\$ -</u>	<u>\$ (13,734)</u>	<u>\$ 5,328,940</u>	<u>\$ -</u>

**GREATROCK NORTH WATER AND SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011 and 2010**

**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, 2010:

	<b>Balance at December 31, 2009</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at December 31, 2010</b>	<b>Due Within One Year</b>
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>

**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. As of December 31, 2011, the principal balance of the defeased bonds was \$1,125,000.

**General Obligation Refunding and Improvement Bonds, Series 2010**

On October 5, 2010, the District authorized the issuance of \$2,230,000 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,

**GREATROCK NORTH WATER AND SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011 and 2010**

**NOTE 5 – LONG-TERM OBLIGATIONS** (continued)

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.

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>
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	190,000	238,207	428,207
2017-2021	1,155,000	1,065,222	2,220,222
2022-2026	1,570,000	774,977	2,344,977
2027-2031	1,865,000	349,230	2,214,230
2032-2033	450,000	30,260	480,260
	<u>\$ 5,460,000</u>	<u>\$ 3,440,777</u>	<u>\$ 8,900,777</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, 2011 and 2010, 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

**GREATROCK NORTH WATER AND SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

**NOTE 6 – INCLUSION AGREEMENTS** (continued)

\$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 2011 and 2010 the District received \$-0- system development fees related to this inclusion agreement.

**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 2011 and 2010 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 2011 and 2010 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

**GREATROCK NORTH WATER AND SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

**NOTE 7 – WATER LEASE OPTION AGREEMENT** (continued)

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 \$7,500 in 2011 and \$7,895 in 2010 under this agreement.

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, 2011 and 2010, the District had \$3,302,948 and \$2,818,659, 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 \$16,500 and \$14,600 as of December 31, 2011 and 2010, 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, 2011. 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

**GREATROCK NORTH WATER AND SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

**NOTE 9 - RISK MANAGEMENT** (continued)

incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members.

Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

**Construction Commitments**

As of December 31, 2011, the District had unexpended construction related contract commitments of \$13,078. As of December 31, 2010, the District had unexpended construction related contract commitments of \$658,251.

**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.

**GREATROCK NORTH WATER AND SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

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

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 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, 2011**

	Original and Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>			
Property taxes	\$ 512,146	\$ 515,286	\$ 3,140
Specific ownership taxes	32,958	32,788	(170)
Service charges - Greatrock	115,000	127,627	12,627
Service charges - Rocking Horse	75,000	86,299	11,299
Service charges - Box Elder	120,000	129,955	9,955
Irrigation lease revenue	8,079	7,500	(579)
Net investment income	6,900	6,946	46
Miscellaneous	1,000	1,108	108
Reimbursement - bond issue costs	-	23,600	23,600
Insurance proceeds	-	8,977	8,977
Total Revenues	871,083	940,086	69,003
<b>EXPENDITURES</b>			
Administration:			
Accounting	18,000	20,435	(2,435)
District management	50,000	62,161	(12,161)
Audit	7,750	8,588	(838)
Director fees	8,000	6,700	1,300
Utility billing	15,000	17,863	(2,863)
Website development	5,000	17	4,983
Insurance	13,000	12,785	215
Legal	40,000	62,877	(22,877)
Statutory compliance	1,500	342	1,158
Legal publication/election	500	104	396
Miscellaneous	7,500	12,607	(5,107)
Payroll taxes	612	1,131	(519)
County treasurer's fees	4,338	4,376	(38)
Operations:			
Project management	5,000	6,356	(1,356)
Engineering	15,000	25,305	(10,305)
Utilities	57,000	75,365	(18,365)
Testing and reporting	12,500	8,423	4,077
Plant supplies	14,500	19,002	(4,502)
Maintenance and repair	28,000	89,194	(61,194)
Operator services	46,000	36,735	9,265
Irrigation lease	500	-	500
Meter reading	12,000	17,398	(5,398)
Mileage	10,000	9,705	295
Well maintenance	50,000	285	49,715
Tank painting	75,000	380	74,620
Boundary map	-	9,184	(9,184)
Safety audit	5,000	201	4,799
Concentrate disposal	20,000	9,739	10,261

(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, 2011**

(Continued)

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
Emergency reserve	34,331	-	34,331
Contingency	27,000	-	27,000
Debt Service:			
2007 GO Bonds interest	141,408	140,874	534
2010 GO Bonds interest	104,750	104,750	-
Paying agent fees	2,000	300	1,700
County treasurer's fees	3,344	3,373	(29)
Contingency	5,000	-	5,000
Capital Outlay:			
Legal	2,500	3,915	(1,415)
Water rights development	50,000	52,078	(2,078)
Rules and regulations	500	2,088	(1,588)
Service plan amendment	10,000	15,847	(5,847)
SCADA	38,300	10,367	27,933
Property acquisition	-	10,321	(10,321)
Drive by meter	100,871	88,468	12,403
Water resources master plan	25,000	16,130	8,870
Water tank construction	570,000	584,775	(14,775)
Nano filtration system	250,000	-	250,000
Contingency	317,800	-	317,800
Total expenditures	<u>2,204,504</u>	<u>1,550,544</u>	<u>653,960</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,333,421)</u>	<u>(610,458)</u>	<u>722,963</u>
<b>FUNDS AVAILABLE - BEGINNING OF YEAR</b>	<u>1,917,050</u>	<u>1,981,774</u>	<u>64,724</u>
<b>FUNDS AVAILABLE - END OF YEAR</b>	<u>\$ 583,629</u>	<u>\$ 1,371,316</u>	<u>\$ 787,687</u>

Funds available at December 31, 2011 is computed as follows:

Current assets	\$ 2,118,236
Current liabilities	(746,920)
	<u>\$ 1,371,316</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, 2011**

Revenue (budgetary basis)	\$ 940,086
Reimbursement - bond issue costs	(23,600)
Revenues per Statement of Revenues, Expenses and Changes in Fund Net Assets	<u>916,486</u>
Expenditures (budgetary basis)	1,550,544
Depreciation	198,105
Capital outlay	(732,568)
Bond issue cost amortization	12,840
Original issue discount/premium amortization	(6,978)
Deferred loss on refunding amortization	20,712
Expenses per Statement of Revenues, Expenses and Changes in Fund Net Assets	<u>1,042,655</u>
Change in net assets per Statement of Revenues, Expenses and Changes in Fund Net Assets	<u><u>\$ (126,169)</u></u>

## **OTHER INFORMATION**

**GREATROCK NORTH WATER AND SANITATION DISTRICT  
 FIVE YEAR SUMMARY OF ASSESSED VALUATION , MILL LEVY  
 AND PROPERTY TAXES COLLECTED  
 Year Ended December 31, 2011**

<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>	
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%
2011	\$ 12,050,510	42.500	\$ 512,146	\$ 515,286	100.6%
Estimated for year ending December 31, 2012	\$ 11,231,320	45.500	\$ 511,025		

**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.