

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

**FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

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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 (District) as of and for the years ended December 31, 2012 and 2011, as listed in the table of contents, and the related notes to the financial statements.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greatrock North Water and Sanitation District, as of December 31, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements.

The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information 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.*

Highlands Ranch, Colorado  
July 2, 2013

**GREATROCK NORTH WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended December 31, 2012 and 2011**

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, 2012 and 2011. 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 Position, 2) Statement of Revenues, Expenses and Changes in Fund Net Position, and 3) Statement of Cash Flows. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position are prepared using the economic resource measurement focus and the accrual basis of accounting.

The *Statement of Net Position* presents information on all of the District's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, with the difference between the two reported as net position. This statement provides useful information regarding the financial position of the District. Over time, increases and decreases in net position 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 Position* reports the changes that have occurred during the year to the District's net position. All changes in net position 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 Position**

As noted earlier, net position may serve as a useful indicator of the District's financial position. As noted in the table below, the District's assets plus deferred outflows of resources exceed liabilities plus deferred inflows of resources in 2012, 2011 and 2010 by \$4.3 million, \$4.5 million and \$4.5 million respectively. Current assets decreased by \$283,546 or 13% from 2011 to 2012. The main decrease was in cash and cash equivalents which decreased \$288,044, due primarily to payment in 2012 of outstanding balances due to contractors at December 31, 2011 of \$125,891 and current year capital asset additions of \$151,613. Current assets decreased by \$483,821 or 19% 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. Total liabilities decreased \$168,011 from 2011 to 2012, primarily due to payment in 2012 of outstanding balances due to contractors at December 31, 2011 of \$125,891 and a net decrease in accounts payable of \$10,280. Total liabilities increased \$120,780 from 2010 to 2011, primarily due to an increase of \$136,256 in amounts due to contractors for construction projects, offset by \$6,978 combined amortization of bond premiums and discounts.

	<b>NET POSITION</b>		
	<b>December 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>			
Current assets	\$ 1,834,690	\$ 2,118,236	\$ 2,602,057
Capital assets, net	8,302,134	8,369,356	7,834,893
Other assets, net	41,844	44,010	46,176
Total assets	<u>10,178,668</u>	<u>10,531,602</u>	<u>10,483,126</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on refunding	212,202	232,915	253,627
Total deferred outflows of resources	<u>212,202</u>	<u>232,915</u>	<u>253,627</u>
<b>LIABILITIES</b>			
Current liabilities	75,029	235,895	108,137
Noncurrent liabilities	5,554,710	5,561,855	5,568,833
Total liabilities	<u>5,629,739</u>	<u>5,797,750</u>	<u>5,676,970</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax revenue	510,414	511,025	512,146
Total deferred inflows of resources	<u>510,414</u>	<u>511,025</u>	<u>512,146</u>
<b>NET POSITION</b>			
Net investment in capital assets	3,001,440	3,302,948	2,818,659
Restricted	16,400	16,500	14,600
Unrestricted	1,232,877	1,136,294	1,714,378
Total net position	<u>\$ 4,250,717</u>	<u>\$ 4,455,742</u>	<u>\$ 4,547,637</u>

### Changes in Net Position

As noted in the table below, the District's net position decreased from 2011 to 2012 by \$205,025. Charges for services revenue increased \$37,009 as a result of a shift of more consumption to the over 40,000 gallon usage rate of \$10 per 1,000 gallons compared to the rate below 40,000 gallons of \$4.50 per 1,000 gallons. The District received an energy audit grant in 2012 for \$10,000. The District's net position decreased from 2010 to 2011 by \$91,895. 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. Unused funds of \$23,600, anticipated to be used for costs associated with the issuance of the 2010 bonds, were reimbursed to the District in 2011.

Expenses increased by \$126,848 or 12% from 2011 to 2012. The fluctuation is primarily due to \$64,698 to paint a water tank, increase of \$36,033 for disposal of brine, and other system repairs. Overall expenses decreased by \$53,767 or 5% from 2010 to 2011. The decrease is primarily due to expensing of \$138,887 of costs in 2010 resulting from the issuance of bonds in that year. This decrease was partially offset by an increase in bond interest of \$43,265; an increase in utilities expense of \$27,527 due to the District's Reverse Osmosis plant being down for 6 months in 2010, substantial rate increases in 2011, and an increase in repair and maintenance expenses as a result of costs incurred for landscaping repairs and improvements.

## CHANGES IN NET POSITION

	Years Ended December 31,		
	2012	2011	2010
<b>REVENUES</b>			
Program revenues:			
Charges for services	\$ 380,890	\$ 343,881	\$ 331,103
Irrigation lease	7,500	7,500	7,895
Inclusion fees	2,500	-	-
Grants	10,000	-	-
Miscellaneous	2,980	10,085	8,088
General revenues:			
Property taxes	511,359	515,286	456,737
Specific ownership taxes	34,981	32,788	28,376
Investment earnings	3,594	6,946	16,482
Reimbursements		23,600	
Total revenues	<u>953,804</u>	<u>940,086</u>	<u>848,681</u>
<b>EXPENSES</b>			
Water and sewer operations	683,918	537,239	491,374
Interest and related charges	262,242	261,824	357,075
Administration	212,669	232,918	237,299
Total expenses	<u>1,158,829</u>	<u>1,031,981</u>	<u>1,085,748</u>
<b>CHANGE IN NET POSITION</b>	(205,025)	(91,895)	(237,067)
<b>NET POSITION - BEGINNING OF YEAR AS RESTATED</b>	4,455,742	4,547,637	4,784,704
<b>NET POSITION - END OF YEAR</b>	<u>\$ 4,250,717</u>	<u>\$ 4,455,742</u>	<u>\$ 4,547,637</u>

## BUDGETARY HIGHLIGHTS

The total actual expenditures for 2012 were \$297,214 under the amended budgeted expenditures of \$1,392,831. During 2012, the District's budget was amended from \$1,347,387 to \$1,392,831 primarily due to increased repair costs.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### CAPITAL ASSETS

The District's capital assets at December 31, 2012, 2011 and 2010, amounted to \$8.30 million and \$8.37 million and \$7.8 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:

	<b>December 31, 2010</b>	<b>Change</b>	<b>December 31, 2011</b>	<b>Change</b>	<b>December 31, 2012</b>
Land	\$ 83,922	\$ 10,321	\$ 94,243	\$ -	\$ 94,243
Water rights	793,744	125,620	919,364	60,741	980,105
Easements	152,892	97	152,989	-	152,989
Construction in progress	184,785	439,928	624,713	(624,713)	-
Water distribution system	7,881,219	156,602	8,037,821	715,585	8,753,406
	<u>9,096,562</u>	<u>732,568</u>	<u>9,829,130</u>	<u>151,613</u>	<u>9,980,743</u>
Accumulated depreciation	(1,261,669)	(198,105)	(1,459,774)	(218,835)	(1,678,609)
Total capital assets, net	<u>\$ 7,834,893</u>	<u>\$ 534,463</u>	<u>\$ 8,369,356</u>	<u>\$ (67,222)</u>	<u>\$ 8,302,134</u>

In 2012, there were additions of \$151,613 in the District's capital assets resulting from the protection of water rights and water distribution system improvements. In 2011, there was a \$732,568 increase 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.

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. During 2012 and 2011 there were no required principal payments on the outstanding bonds.

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

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

For 2013, the District's property tax revenue is expected to remain fairly consistent with 2012 as the assessed valuation decreased by 0.1% and the mill levy remained unchanged. The District approved an increase to the base rate from \$30/month to \$35/month. Total budgeted expenditures are expected to decrease in 2013 due to operation efficiencies and completion of capital projects. Total budgeted revenues for 2013 are \$1,012,564. Total appropriated expenditures for 2013 are \$1,218,937.

#### **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 POSITION**  
**December 31, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents - unrestricted	\$ 1,283,486	\$ 1,381,521
Cash and cash equivalents - restricted	-	190,009
Accounts receivable:		
Customers	37,998	33,047
County treasurer	2,792	2,464
Property taxes receivable	510,414	511,025
Prepaid expense	-	170
Total current assets	1,834,690	2,118,236
<b>CAPITAL ASSETS</b>		
Capital assets, not being depreciated	1,227,337	1,791,309
Capital assets, being depreciated	8,753,406	8,037,821
	9,980,743	9,829,130
Less accumulated depreciation and amortization	(1,678,609)	(1,459,774)
Total capital assets	8,302,134	8,369,356
<b>OTHER ASSETS</b>		
Prepaid debt insurance	41,844	44,010
Total other assets	41,844	44,010
Total assets	10,178,668	10,531,602
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred loss on refunding	212,202	232,915
Total deferred outflows of resources	212,202	232,915
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 10,390,870</b>	<b>\$ 10,764,517</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 53,666	\$ 161,406
Retainage payable	-	53,126
Interest payable	20,513	20,513
Deposits	850	850
Total current liabilities	75,029	235,895
<b>NONCURRENT LIABILITIES</b>		
Bonds payable		
Due within one year	25,000	-
Due in more than one year	5,529,710	5,561,855
Total noncurrent liabilities	5,554,710	5,561,855
Total liabilities	5,629,739	5,797,750
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred property tax revenue	510,414	511,025
Total deferred inflows of resources	510,414	511,025
<b>NET POSITION</b>		
Net investment in capital assets	3,001,470	3,302,948
Restricted for emergencies	16,400	16,500
Unrestricted	1,232,847	1,136,294
Total net position	4,250,717	4,455,742
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 10,390,870</b>	<b>\$ 10,764,517</b>

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 POSITION**  
**Years Ended December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUE</b>		
Service charges - Greatrock	\$ 144,986	\$ 127,627
Service charges - Rockinghorse Farms	102,641	86,299
Service charges - Box Elder	133,263	129,955
Irrigation lease revenue	7,500	7,500
Inclusion fees	2,500	-
Miscellaneous	2,980	10,085
Total operating revenue	<u>393,870</u>	<u>361,466</u>
<b>OPERATING EXPENSES</b>		
General and administration		
Accounting	21,798	20,435
District management	73,306	68,517
Audit	8,360	8,588
Safety audit	-	201
Director fees	5,723	6,700
Payroll taxes	511	1,131
Utility billing	13,478	17,863
Insurance	14,616	12,785
Legal	58,109	67,238
Boundary map	-	9,184
Elections	832	-
Miscellaneous	8,268	12,527
Operations		
Depreciation	218,835	198,105
Engineering	72,958	25,305
Inclusion cost	4,921	-
Utilities	78,401	75,365
Testing and reporting	4,128	8,423
Plant supplies	6,550	19,002
Meter reading	3,270	17,398
Mileage	2,957	9,705
Well maintenance	2,426	285
Maintenance and repair	115,880	89,574
Operator services	44,656	36,735
Concentrate disposal	45,772	9,739
UV / By-Pass Project	-	10,367
Service plan amendment	-	21,106
Water resources master plan	33,393	16,130
Rules and regulations	8,408	-
GIS Mapping	9,515	-
Water tank construction	30,925	-
Service area expansion	97	-
EDOP review	826	-
Total operating expenses	<u>888,919</u>	<u>762,408</u>
<b>OPERATING LOSS</b>	<u>(495,049)</u>	<u>(400,942)</u>
<b>NONOPERATING REVENUE AND (EXPENSES)</b>		
Property taxes	511,359	515,286
Specific ownership taxes	34,981	32,788
Net investment income	3,594	6,946
Grant proceeds	10,000	-
Reimbursements	-	23,600
County treasurer's fees	(7,668)	(7,749)
Bond interest expense	(259,725)	(259,359)
Bond amortization	(2,167)	(2,165)
Paying agent fees	(350)	(300)
Total nonoperating revenue (expense)	<u>290,024</u>	<u>309,047</u>
<b>CHANGE IN NET POSITION</b>	<u>(205,025)</u>	<u>(91,895)</u>
<b>NET POSITION - BEGINNING OF YEAR, AS RESTATED</b>	<u>4,455,742</u>	<u>4,547,637</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 4,250,717</u>	<u>\$ 4,455,742</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, 2012 and 2011

	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 385,939	\$ 347,710
Payments to vendors	(659,974)	(574,827)
Other operating receipts	2,980	10,085
Net cash required by operating activities	(271,055)	(217,032)
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Capital asset purchases	(322,759)	(593,583)
Bond interest paid	(259,735)	(246,797)
Reimbursement of unused bond costs of issuance	-	23,600
Net cash required by capital financing activities	(582,494)	(816,780)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Property and specific ownership taxes received	546,012	547,694
County treasurer's fees paid	(7,668)	(7,749)
Grant proceeds	10,000	-
Net cash provided by noncapital financing activities	548,344	539,945
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	3,594	6,946
Net cash provided by investing activities	3,594	6,946
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(301,611)	(486,921)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>		
<b>OF YEAR</b>	1,571,530	2,058,451
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,269,919	\$ 1,571,530
<b>RECONCILIATION OF OPERATING LOSS TO CASH FLOWS</b>		
<b>REQUIRED BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (495,049)	\$ (400,942)
Adjustments to reconcile operating loss to net cash		
required by operating activities:		
Depreciation	218,835	198,105
Effects of changes in operating assets and liabilities:		
Accounts receivable	(4,951)	(3,671)
Prepaid expenses	(170)	170
Accounts payable	10,280	(10,694)
Net cash required by operating activities	\$ (271,055)	\$ (217,032)

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, 2012 and 2011**

**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.

**Operating Revenues and Expenses**

The District distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. Operating revenues consist of charges to customers for service provided. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

**Budgets**

In accordance with the Local Government Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total

**GREATROCK NORTH WATER AND SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2012 and 2011**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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.

The District amended its budget by increasing appropriations for the general fund from \$554,556 to \$600,000 which increased total appropriations from \$1,347,387 to \$1,392,831.

**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.

**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.

**GREATROCK NORTH WATER AND SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012 and 2011**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

Water distribution system	20 - 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 issuance costs are treated as a period cost and expensed in the year incurred. The deferred loss on bond refunding and bond insurance obtained at issuance of the bonds are being amortized over the life of the refunded 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.

**Reclassifications**

For comparability, certain 2011 amounts have been reclassified where appropriate to conform with the 2012 financial statement presentation.

**NOTE 3 - CASH AND INVESTMENTS**

Cash and investments as of December 31, 2012 and 2011 are classified in the accompanying financial statements as follows:

	<b>2012</b>	<b>2011</b>
Cash and cash equivalents - unrestricted	\$ 1,283,486	\$ 1,381,521
Cash and cash equivalents - restricted	-	190,009
	<b>\$ 1,283,486</b>	<b>\$ 1,571,530</b>

**GREATROCK NORTH WATER AND SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012 and 2011**

**NOTE 3 - CASH AND INVESTMENTS** (continued)

Cash deposits and investments as of December 31, 2012 and 2011 consist of the following:

	2012	2011
Cash deposits	\$ 1,119,407	\$ 1,247,624
Investments	164,079	323,906
	\$ 1,283,486	\$ 1,571,530

**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, 2012, the District had cash deposits with a bank balance and a carrying balance of \$1,119,407. At December 31, 2011, the District had cash deposits with a bank balance of \$1,246,797 and a carrying balance of \$1,247,624.

**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
- . 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

**GREATROCK NORTH WATER AND SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012 and 2011**

**NOTE 3 - CASH AND INVESTMENTS** (continued)

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.

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, 2012 and 2011, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	
		<u>2012</u>	<u>2011</u>
Colostrust Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 164,079</u>	<u>\$ 323,906</u>

**COLOTRUST**

The District had invested \$164,079 and \$323,906 as of December 31, 2012 and 2011, 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 and Investments**

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.

**GREATROCK NORTH WATER AND SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2012 and 2011**

**NOTE 4 - CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2012 follows:

	<u>Balance at December 31, 2011</u>	<u>Additions</u>	<u>Disposals/ Retirements</u>	<u>Balance at December 31, 2012</u>
Capital assets, not being depreciated:				
Land	\$ 94,243	\$ -	\$ -	\$ 94,243
Water rights	919,364	60,741	-	980,105
Easements	152,989	-	-	152,989
Construction in progress	624,713	-	(624,713)	-
Total capital assets, not being depreciated	<u>1,791,309</u>	<u>60,741</u>	<u>(624,713)</u>	<u>1,227,337</u>
Capital assets, being depreciated:				
Water distribution system	8,037,821	715,585	-	8,753,406
Total capital assets being depreciated	<u>8,037,821</u>	<u>715,585</u>	<u>-</u>	<u>8,753,406</u>
Less accumulated depreciation for:				
Water distribution system	(1,459,774)	(218,835)	-	(1,678,609)
Total accumulated depreciation	<u>(1,459,774)</u>	<u>(218,835)</u>	<u>-</u>	<u>(1,678,609)</u>
Total capital assets being depreciated, net	<u>6,578,047</u>	<u>496,750</u>	<u>-</u>	<u>7,074,797</u>
Total capital assets, net	<u>\$ 8,369,356</u>	<u>\$ 557,491</u>	<u>\$ (624,713)</u>	<u>\$ 8,302,134</u>

**GREATROCK NORTH WATER AND SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2012 and 2011**

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

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>

**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, 2012:

	<u>Balance at December 31, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2012</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	25,000
Less deferred amounts:					
2007 issue discount	(9,395)	-	(691)	(8,704)	-
2010 issue premium	111,250	-	7,836	103,414	-
Total long-term obligations	<u>\$ 5,561,855</u>	<u>\$ -</u>	<u>\$ 7,145</u>	<u>\$ 5,554,710</u>	<u>\$ 25,000</u>

**GREATROCK NORTH WATER AND SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012 and 2011**

**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, 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)	-
2010 issue premium	119,086	-	7,836	111,250	-
Total long-term obligations	<u>\$ 5,568,833</u>	<u>\$ -</u>	<u>\$ 6,978</u>	<u>\$ 5,561,855</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.

**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.

**GREATROCK NORTH WATER AND SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012 and 2011**

**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>
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	195,000	230,338	425,338
2018-2022	1,235,000	1,017,002	2,252,002
2023-2027	1,675,000	701,048	2,376,048
2028-2032	1,705,000	261,067	1,966,067
2033	230,000	10,235	240,235
	<u>\$ 5,460,000</u>	<u>\$ 3,194,620</u>	<u>\$ 8,654,620</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, 2012 and 2011, 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,

**GREATROCK NORTH WATER AND SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012 and 2011**

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

at the District's then current system development fee rate, within certain periods following the issuance of building permits by the county. During 2012 and 2011 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. No system development fees were received in 2012 or 2011.

**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 2012 and 2011 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

**GREATROCK NORTH WATER AND SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2012 and 2011**

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

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 waived the CPI adjustments and collected lease revenue of \$7,500 in 2012 and \$7,500 in 2011 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 POSITION**

The District's net position consists of three components – net investment in capital assets; restricted; and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and, if applicable, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2012 and 2011, the District had \$3,001,470 and \$3,302,948, respectively, invested in net capital assets, net of related debt.

Restricted net position includes amounts 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's restricted net position consists of \$16,400 and \$16,500 as of December 31, 2012 and 2011, respectively, as required by Article X, Section 20 of the Constitution of the State of Colorado (See Note 10).

**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, 2012. 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 four 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.

**GREATROCK NORTH WATER AND SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2012 and 2011**

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

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

**NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations 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 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?

**GREATROCK NORTH WATER AND SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2012 and 2011**

**NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS** (continued)

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?

**NOTE 11 - NEW GASB STANDARDS**

For the year ended December 31, 2012, the District implemented the following GASB Statements:

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* - GASBS No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* - GASBS No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

**GREATROCK NORTH WATER AND SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012 and 2011**

**NOTE 11 - NEW GASB STANDARDS (continued)**

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* – GASBS No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Although this Statement is effective for periods beginning after December 15, 2012, the District elected to early implement it in fiscal year 2012 in conjunction with the implementation of GASBS No. 63.

The implementation of GASB 65 resulted in the restatement of the beginning net position of the District as of December 31, 2010 and December 31, 2011 as noted below:

Net assets/net position as originally reported December 31, 2010	\$ 4,800,433
Adjustment to expense bond issuance costs, net	(252,796)
Restated net position December 31, 2010	<u>\$ 4,547,637</u>
Net assets/net position as originally reported December 31, 2011	\$ 4,674,264
Effect of expensing bond issuance costs, net, as noted above	(252,796)
Adjustment for reimbursement of unused bond issue costs	23,600
Adjustment for amortization of bond issuance costs in 2011	10,674
Restated net position December 31, 2011	<u>\$ 4,455,742</u>

**NOTE 12 - ESTIMATED CLOSURE COSTS**

The District utilizes two evaporation ponds (impoundments) as part of its water treatment waste management. The impoundments are classified as Type B and subject to the requirements of the Hazardous Material and Waste Management Division's (Division) *Regulations Pertaining to Solid Waste Sites and Facilities* (the Regulations). Section 9.3.4 (F) and Section 1.8 of the Regulations requires the District to estimate the closure costs if the impoundments owned and used by the District were to be closed.

The District's engineer has provided an estimate of the closure costs based on the closure plan presented in the *Engineering, Design, and Operation Plan dated May 2013, Revision 2* submitted to the Division in May 2013. The closure plan follows a clean-in-place closure thereby eliminating the need for environmental covenant and post-closure care and costs. The closure costs were gathered from suppliers, contractors, and an internal database of historical project costs for the area. The estimates include the cost of engineering oversight, soil disposal, testing, liner removal and disposal, site grading, seeding, piping abandonment, erosion control as well as a contingency. The estimated closure costs for the impoundments are \$341,690. As of the date of the audit report, the District has no plans or intentions nor has it been ordered to close the impoundments, therefore, no liability has been recorded on the financial statements of the District in connection with the estimated costs.

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, 2012**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>		<b>Final Budget -</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES</b>				
Property taxes	\$ 505,915	\$ 505,915	\$ 511,359	\$ 5,444
Specific ownership taxes	30,662	30,662	34,981	4,319
Service charges - Greatrock	115,000	115,000	144,986	29,986
Service charges - Rocking Horse	75,000	75,000	102,641	27,641
Service charges - Box Elder	135,000	135,000	133,263	(1,737)
Irrigation lease revenue	7,500	7,500	7,500	-
Net investment income	3,150	3,150	3,594	444
Inclusion fees	-	-	2,500	2,500
Grant proceeds	-	-	10,000	10,000
Transfer from General Fund	16,372	16,372	3,192	(13,180)
Miscellaneous	1,000	1,000	2,980	1,980
Total Revenues	<u>889,599</u>	<u>889,599</u>	<u>956,996</u>	<u>67,397</u>
<b>EXPENDITURES</b>				
Administration and operations:				
Accounting	18,540	18,540	21,798	(3,258)
District management	51,500	51,500	68,901	(17,401)
Project management	3,980	3,980	4,405	(425)
Audit	8,500	8,500	8,360	140
Director fees	6,500	6,500	5,723	777
Utility billing	20,600	20,600	13,478	7,122
Insurance	15,000	15,000	14,616	384
Legal	67,200	67,200	57,339	9,861
Statutory compliance	1,545	1,545	350	1,195
Website development	6,000	6,000	-	6,000
Elections	-	-	832	(832)
Miscellaneous	8,000	8,000	8,268	(268)
Engineering	29,800	29,800	72,958	(43,158)
Utilities	76,000	76,000	78,401	(2,401)
Testing and reporting	15,000	15,000	4,128	10,872
Plant supplies	8,000	8,000	6,550	1,450
Meter reading	3,332	3,332	3,270	62
Mileage	2,856	2,856	2,957	(101)
Well maintenance	4,800	4,800	2,426	2,374
Maintenance and repair	6,720	6,720	44,054	(37,334)
Tank painting	-	-	64,698	(64,698)
Concentrate disposal	42,000	42,000	45,772	(3,772)
Operator services	41,400	41,400	44,656	(3,256)
Payroll taxes	497	497	511	(14)
County treasurer's fees	7,666	7,666	4,446	3,220
Inclusion	500	500	4,921	(4,421)
Water meters	500	500	274	226
Landscape maintenance	10,000	10,000	6,854	3,146
Transfer to Debt Service Fund	16,372	16,372	3,192	13,180
Emergency reserve	40,865	40,865	-	40,865
Contingency	44,000	89,444	-	89,444

(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, 2012**

(Continued)

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Debt Service:</b>				
Paying agent fees	2,000	2,000	350	1,650
Legal	1,000	1,000	420	580
2007 GO Bonds interest	141,408	141,408	141,408	-
2010 GO Bonds interest	104,750	104,750	104,750	-
County treasurer's fees	1,500	1,500	3,222	(1,722)
Contingency	5,000	5,000	-	5,000
<b>Capital Outlay:</b>				
Engineering	10,000	10,000	-	10,000
Water rights development	129,000	129,000	60,741	68,259
Easements	500	500	-	500
GIS Mapping	-	-	9,515	(9,515)
Box Elder improvements	-	-	21,800	(21,800)
Water tank construction	-	-	62,697	(62,697)
Service area expansion	-	-	97	(97)
Water distribution system	-	-	37,300	(37,300)
EDOP review	-	-	826	(826)
Service plan amendment	12,500	12,500	-	12,500
Rules and regulations	1,000	1,000	8,408	(7,408)
Water resources master plan	25,000	25,000	33,393	(8,393)
Contingency	356,056	356,056	-	356,056
Total expenditures	<u>1,347,387</u>	<u>1,392,831</u>	<u>1,079,065</u>	<u>297,214</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(457,788)</b>	<b>(503,232)</b>	<b>(122,069)</b>	<b>364,611</b>
<b>FUNDS AVAILABLE - BEGINNING OF YEAR</b>	<u>1,266,277</u>	<u>1,266,277</u>	<u>1,371,316</u>	<u>105,039</u>
<b>FUNDS AVAILABLE - END OF YEAR</b>	<u>\$ 808,489</u>	<u>\$ 763,045</u>	<u>\$ 1,249,247</u>	<u>\$ 469,650</u>

Funds available are computed as follows:

Current assets	\$ 1,834,690
Current liabilities	(75,029)
Deferred inflows of resources	(510,414)
	<u>\$ 1,249,247</u>

**GREATROCK NORTH WATER AND SANITATION DISTRICT  
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF  
REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
Year Ended December 31, 2012**

Revenue (budgetary basis)	\$ 956,996
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Revenues per Statement of Revenues, Expenses and Changes in Fund Net Position	956,996
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Expenditures (budgetary basis)	1,079,065
Depreciation	218,835
Capital outlay	(151,613)
Bond insurance cost amortization	2,167
Original issue discount/premium amortization	(7,145)
Deferred loss on refunding amortization	20,712
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Expenses per Statement of Revenues, Expenses and Changes in Fund Net Position	1,162,021
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Change in net position per Statement of Revenues, Expenses and Changes in Fund Net Position	\$ (205,025)
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## **OTHER INFORMATION**

**GREATROCK NORTH WATER AND SANITATION DISTRICT  
SUMMARY OF ASSESSED VALUATION , MILL LEVY  
AND PROPERTY TAXES COLLECTED  
Year Ended December 31, 2012**

<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>	
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%
2012	\$ 11,231,320	45.500	\$ 511,025	\$ 511,359	100.1%
Estimated for year ending December 31, 2013	\$ 11,217,880	45.500	\$ 510,414		

**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.