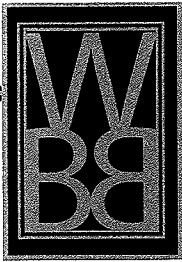


**PERRY PARK  
WATER AND SANITATION DISTRICT  
Douglas County, Colorado**

**FINANCIAL STATEMENTS  
December 31, 2008 and 2007**

## TABLE OF CONTENTS

	<b>PAGE</b>
<b>INDEPENDENT AUDITORS' REPORT .....</b>	<b>I</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
Statements of Net Assets .....	1
Statements of Revenues, Expenses and Changes in Net Assets .....	2
Statements of Cash Flows .....	3
Notes to Financial Statements.....	5
<b>SUPPLEMENTAL INFORMATION .....</b>	<b>18</b>
Schedules of Expenses .....	19
Schedule of Revenues, Expenditures and Funds Available	
Budget and Actual (Budgetary Basis).....	20
Reconciliation of Budgetary Basis (Actual) to Statement of	
Revenues, Expenses and Changes in Net Assets .....	21
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected.....	22



Mark E. Wagner, CPA  
Kelly R. Burke, CPA  
Eric S. Barnes, CPA

## Independent Auditors' Report

Board of Directors  
Perry Park Water and Sanitation District  
Douglas County, Colorado

We have audited the accompanying basic financial statements of Perry Park Water and Sanitation District (the District), as of and for the year ended December 31, 2008, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Perry Park Water and Sanitation District as of December 31, 2008, and the results of its operations and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

*Wagner, Burke & Barnes, LLP*

Golden, Colorado  
July 24, 2009

I

Wagner, Burke & Barnes, LLP

## **BASIC FINANCIAL STATEMENTS**

**PERRY PARK WATER AND SANITATION DISTRICT**  
**STATEMENTS OF NET ASSETS**  
**December 31, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 4,066,720	\$ 3,926,432
Accounts receivable, net	110,857	155,844
Receivable - County Treasurer	3,873	4,705
Property taxes receivable	431,294	612,486
Prepaid expenses	10,898	9,725
Total current assets	4,623,642	4,709,192
<b>RESTRICTED CURRENT ASSETS</b>		
Cash and cash equivalents	276,631	670,366
Total restricted current assets	276,631	670,366
<b>CAPITAL ASSETS, NET</b>		
	19,629,354	18,557,071
<b>OTHER ASSETS</b>		
Bond issue costs, net	4,587	13,760
Total other assets	4,587	13,760
<b>TOTAL ASSETS</b>	<b>\$ 24,534,214</b>	<b>\$ 23,950,389</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 49,060	\$ 88,867
Accrued compensated absences	1,413	785
Deferred property tax revenue	431,294	612,486
Deposits	5,500	3,700
Current portion of long-term obligations	264,648	360,000
Total current liabilities	751,915	1,065,838
<b>LONG-TERM OBLIGATIONS</b>		
Bonds payable	-	253,943
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	19,369,293	17,956,888
Restricted for:		
Emergency reserves	13,200	11,600
Debt service	263,431	320,240
Unrestricted	4,136,375	4,341,880
Total net assets	23,782,299	22,630,608
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 24,534,214</b>	<b>\$ 23,950,389</b>

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

**PERRY PARK WATER AND SANITATION DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**Years Ended December 31, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
<b>WATER AND SEWER OPERATIONS</b>		
Water and sewer income	\$ 922,445	\$ 892,333
Direct water and sewer expenses	(1,837,182)	(1,522,314)
<b>TOTAL GROSS (LOSS) FROM OPERATIONS</b>	<b>(914,737)</b>	<b>(629,981)</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	270,665	196,060
<b>OPERATING (LOSS)</b>	<b>(1,185,402)</b>	<b>(826,041)</b>
<b>NONOPERATING REVENUES</b>		
Property taxes	617,311	648,370
Specific ownership taxes	52,259	65,312
Water and sewer availability fees	82,441	67,063
Net investment income	111,172	200,088
Inclusion fees	162,000	-
Miscellaneous	163,637	143,321
Total nonoperating revenues	1,188,820	1,124,154
<b>NONOPERATING EXPENSES</b>		
County Treasurer's fees	9,640	10,364
Paying agent fees	250	250
Bond interest expense	15,300	26,400
Depreciation and amortization	42,137	42,552
Total nonoperating expenses	67,327	79,566
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	<b>(63,909)</b>	<b>218,547</b>
<b>CAPITAL CONTRIBUTIONS</b>		
Water and sewer tap and expansion fees	311,600	681,560
Contributed assets from Developers	904,000	1,158,682
Total capital contributions	1,215,600	1,840,242
<b>CHANGE IN NET ASSETS</b>	1,151,691	2,058,789
<b>TOTAL NET ASSETS - BEGINNING OF YEAR</b>	22,630,608	20,571,819
<b>TOTAL NET ASSETS - END OF YEAR</b>	<b>\$ 23,782,299</b>	<b>\$ 22,630,608</b>

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

**PERRY PARK WATER AND SANITATION DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 884,698	\$ 829,921
Payments to suppliers	(1,291,635)	(956,525)
Payments to employees and related expenses	(140,424)	(122,624)
Other receipts	25,992	49,780
Net cash provided (required) by operating activities	(521,369)	(199,448)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Property tax collections	617,311	648,370
Specific ownership taxes	53,091	64,405
Water and sewer availability fees	71,675	62,348
Inclusion fees	162,000	-
Reimbursed expenditures	226,889	-
Miscellaneous income	4,255	75,814
County Treasurer's fees	(9,641)	(10,364)
Net cash provided (required) by noncapital financing activities	1,125,580	840,573
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Water and sewer tap and expansion fees	311,600	681,560
Acquisition of property, plant and equipment (net of contributed assets of \$904,000 for 2008 and \$1,158,682 for 2007)	(904,880)	(629,573)
Interest on debt	(15,300)	(26,400)
Bond principal reduction	(360,000)	(350,000)
Paying agent fees and other expenses	(250)	(250)
Net cash provided (required) by capital and related financing activities	(968,830)	(324,663)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	111,172	200,088
Net cash provided (required) by investing activities	111,172	200,088

(Continued)

**PERRY PARK WATER AND SANITATION DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2008 and 2007**  
**(Continued)**

	<b>2008</b>	<b>2007</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	(253,447)	516,550
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	4,596,798	4,080,248
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 4,343,351	\$ 4,596,798
<b>Reconciliation of operating (loss) to net cash provided by operating activities</b>		
Operating (loss)	\$ (1,185,402)	\$ (826,041)
Adjustments to reconcile operating (loss) to net cash provided by operating activities		
Depreciation	714,339	674,527
(Increase) decrease in		
Accounts receivable	(11,754)	(12,632)
Prepaid expenses	(1,173)	(9,725)
Increase (decrease) in		
Accounts payable and accrued expenses	(39,179)	(26,777)
Deposits	1,800	1,200
Net cash provided (required) by operating activities	\$ (521,369)	\$ (199,448)
<b>Non-Cash Transactions</b>		
Assets contributed by Developers	\$ 904,000	\$ 1,158,682

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



**PERRY PARK WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

Perry Park Water and Sanitation District (District), a quasi-municipal corporation, was organized in 1969, and is governed pursuant to provisions of the Colorado Special District Act. The District exists to provide water and sanitary sewer facilities and services to the Perry Park area of Douglas County, Colorado. A portion of the District is included in the Town of Larkspur.

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 more significant accounting policies of the District are described as follows:

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 in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

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

**Basis of Accounting**

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

**PERRY PARK WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

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

**Operating Revenues and Expenses**

The District distinguishes between operating revenues and expenses and nonoperating items in the Statements of Revenues, Expenses and Changes in Net Assets. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing water and sanitation services to its customers. Operating revenues consist of charges to customers for service provided. Operating expenses include the cost of service, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

**Budgets**

In accordance with the State Budget Law, 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, including the Enterprise, 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.

**Cash Equivalents**

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

**Property Taxes**

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

**PERRY PARK WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007**

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

**Accounts Receivable**

Accounts receivable are shown net of an allowance for uncollectibles. Accounts receivables are expensed as bad debts at the time they are determined to be uncollectible. The allowance for uncollectibles is approximately 3% of the outstanding balance at December 31, 2008.

**Capital Assets**

Capital assets, which include land, water rights, buildings, distribution and collection systems and machinery and equipment are reported by the District. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation or at the developers' cost.

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 fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Buildings	35 years
Distribution and collection systems	35 years
Machinery and equipment	3-10 years

**Tap Fees and Capital Contributions**

Tap and development fees are recorded as capital contributions when received. Water and sewer lines contributed to the District by developers are recorded as capital contributions and additions to the systems at the developers' cost or at estimated fair value when received. The District records the contributions at the time the lines are conveyed to the District for preliminary acceptance.

**Water Rights**

The cost of water rights includes acquisition cost, legal and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed.

**PERRY PARK WATER AND SANITATION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2008 and 2007**

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

**Amortization**

**Bond Issue Costs and Original Issue Discount/Premium**

Bond issuance costs and bond premiums and discounts are amortized over the respective terms of the bonds using the straight-line method.

**Cost on Bond Refunding**

The deferred cost on bond refunding is being amortized using the straight-line method over the life of the new bonds. The amortization amount is a component of interest expense and the unamortized deferred cost is reflected as a reduction of bonds payable.

**Compensated Absences**

The District's employees are entitled to certain compensated absences based on their length of employment. Compensated absences are accrued when incurred in the financial statements. The District has accrued \$1,413 and \$785 as of December 31, 2008 and 2007, respectively, for future payment of this earned leave.

**Comparative Data**

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, comparative data has not been presented in all statements because such inclusion would make certain statements unduly complex and difficult to understand.

**NOTE 3 - CASH AND INVESTMENTS**

Cash and investments as of December 31, 2008 and 2007 are classified in the accompanying financial statements as follows:

	2008	2007
Statement of net assets:		
Cash and cash equivalents	\$ 4,066,720	\$ 3,926,432
Cash and cash equivalents - Restricted	276,631	670,366
Total cash and investments	\$ 4,343,351	\$ 4,596,798

**PERRY PARK WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007**

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

Cash and investments as of December 31, 2008 and 2007 consist of the following:

	<b>2008</b>	<b>2007</b>
Deposits with financial institutions	\$ 1,551,847	\$ 1,056,852
Investments	2,791,504	3,539,946
Total cash and investments	\$ 4,343,351	\$ 4,596,798

**Deposits with Financial Institutions**

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 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, 2008 and 2007, the District's cash deposits had a bank balance of \$1,603,285 and \$1,063,534, respectively, and a carrying balance of \$1,551,847 and \$1,056,852, respectively.

**Investments**

The District has not adopted a formal investment policy, however, the District follows State statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (\*) below, which are believed to have minimal credit risk; minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

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 requirements.

**PERRY PARK WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007**

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

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

The local government investment pools, which include the Colorado Surplus Asset Fund Trust (CSAFE) and the Colorado local Government Liquid Asset Trust (Colostrust) are both rated AAAM by Standard & Poor's. On February 27, 2009, Standard & Poor's placed CSAFE on CreditWatch Negative.

As of December 31, 2008 and 2007, the District had the following investments:

<b>Investment</b>	<b>Maturity</b>	<u>2008</u>	<u>2007</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	\$ 289,154	\$ 769,334
Colorado Liquid Asset Trust (Colostrust)	Less than one year	1,644,201	953,225
Wells Fargo Sweep Repo	Less than one year	<u>858,149</u>	<u>1,817,387</u>
		<u>\$ 2,791,504</u>	<u>\$ 3,539,946</u>

**COLOTRUST**

During 2008 and 2007, the District invested in the Colorado Local Government Liquid Asset Trust (the Trust), 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 Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may

**PERRY PARK WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

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

also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. As of December 31, 2008 and 2007, the District had \$1,644,201 and \$953,225, respectively, invested in COLOTRUST PRIME.

**CSAFE**

During 2008 and 2007, the District invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by State statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, highest rated commercial paper and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. As of December 31, 2008 and 2007, the District had \$289,154 and \$769,334, respectively, invested in CSAFE.

**Repurchase Agreement**

At December 31, 2008 and 2007, the District had \$858,149 and \$1,817,387, respectively, invested in a repurchase agreement that matured on January 2, 2008 and 2009, respectively, which was collateralized by Federal Home Loan Bank securities.

Cash and investments are restricted for the following purposes:

**Debt Service**

Cash and investments in the amount of \$263,431 and \$658,766 at December 31, 2008 and 2007, respectively, is restricted for debt service.

**Emergency Reserve**

Cash and investments of \$13,200 and \$11,600 are restricted as Emergency Reserves as required by Article X, Section 20 of the Constitution of the State of Colorado at December 31, 2008 and 2007, respectively (see Note 9).

**PERRY PARK WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007**

**NOTE 4 - CAPITAL ASSETS**

An analysis of the changes in capital assets for the years ended December 31, 2008 and 2007 follows:

	2008			Balance at December 31, 2008
	Balance at December 31, 2007	Increases	Decreases	
Capital assets, not being depreciated:				
Land	\$ 297,256	\$ 45,550	\$ -	\$ 342,806
Water rights	406,349	904,000	-	1,310,349
Construction in progress	389,521	859,330	1,103,509	145,342
Total capital assets, not being depreciated	<u>1,093,126</u>	<u>1,808,880</u>	<u>1,103,509</u>	<u>1,798,497</u>
Capital assets, being depreciated:				
Water system	14,406,689	552,642	-	14,959,331
Sewer system	10,409,357	550,867	-	10,960,224
Buildings	469,033	-	-	469,033
Equipment and vehicles	220,826	-	-	220,826
Total capital assets, being depreciated	<u>25,505,905</u>	<u>1,103,509</u>	<u>-</u>	<u>26,609,414</u>
Less accumulated depreciation for:				
Water system	4,199,631	415,567	-	4,615,198
Sewer system	3,563,705	298,772	-	3,862,477
Buildings	89,838	13,224	-	103,062
Equipment and vehicles	188,786	9,034	-	197,820
Total accumulated depreciation	<u>8,041,960</u>	<u>736,597</u>	<u>-</u>	<u>8,778,557</u>
Total capital assets, being depreciated, net	<u>17,463,945</u>	<u>366,912</u>	<u>-</u>	<u>17,830,857</u>
Capital assets, net	<u>\$ 18,557,071</u>	<u>\$ 2,175,792</u>	<u>\$ 1,103,509</u>	<u>\$ 19,629,354</u>

Subsequent to year end, on January 15, 2009, the District acquired a parcel of land for a future reservoir site for a total amount of \$500,327.



**PERRY PARK WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

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

	2007			Balance at December 31, 2007
	Balance at December 31, 2006	Increases	Decreases	
Capital assets, not being depreciated:				
Land	\$ 297,256	\$ -	\$ -	\$ 297,256
Water rights	406,588	-	239	406,349
Construction in progress	8,388	567,837	186,704	389,521
Total capital assets, not being depreciated	<u>712,232</u>	<u>567,837</u>	<u>186,943</u>	<u>1,093,126</u>
Capital assets, being depreciated:				
Water system	13,755,416	651,273	-	14,406,689
Sewer system	9,715,006	694,351	-	10,409,357
Buildings	444,408	24,625	-	469,033
Equipment and vehicles	183,714	37,112	-	220,826
Total capital assets, being depreciated	<u>24,098,544</u>	<u>1,407,361</u>	<u>-</u>	<u>25,505,905</u>
Less accumulated depreciation for:				
Water system	3,803,822	395,809	-	4,199,631
Sewer system	3,284,987	278,718	-	3,563,705
Buildings	77,200	12,638	-	89,838
Equipment and vehicles	178,751	10,035	-	188,786
Total accumulated depreciation	<u>7,344,760</u>	<u>697,200</u>	<u>-</u>	<u>8,041,960</u>
Total capital assets, being depreciated, net	<u>16,753,784</u>	<u>710,161</u>	<u>-</u>	<u>17,463,945</u>
Capital assets, net	<u>\$ 17,466,016</u>	<u>\$ 1,277,998</u>	<u>\$ 186,943</u>	<u>\$ 18,557,071</u>

Depreciation expense for the years ended December 31, 2008 and 2007 were charged as follows:

	2008	2007
Water	\$ 415,567	\$ 395,809
Sewer	298,772	278,718
General and administrative	22,258	22,673
	<u>\$ 736,597</u>	<u>\$ 697,200</u>

**PERRY PARK WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE 5 - LONG-TERM OBLIGATIONS**

The following is an analysis of the changes in the District's long-term obligations for the years ended December 31, 2008 and 2007:

	<u>Balance December 31, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2008</u>	<u>Amounts Due Within One Year</u>
2004 General Obligation					
Refunding Bonds	\$ 630,000	\$ -	\$ 360,000	\$ 270,000	\$ 270,000
Bond Premium	6,112	-	4,074	2,038	2,038
Cost of refunding	(22,169)	-	(14,779)	(7,390)	(7,390)
Total long-term obligations	<u>\$ 613,943</u>	<u>\$ -</u>	<u>\$ 349,295</u>	<u>\$ 264,648</u>	<u>\$ 264,648</u>
	<u>Balance December 31, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2007</u>	<u>Amounts Due Within One Year</u>
2004 General Obligation					
Refunding Bonds	\$ 980,000	\$ -	\$ 350,000	\$ 630,000	\$ 360,000
Bond Premium	10,186	-	4,074	6,112	-
Cost of refunding	(36,948)	-	(14,779)	(22,169)	-
Total long-term obligations	<u>\$ 953,238</u>	<u>\$ -</u>	<u>\$ 339,295</u>	<u>\$ 613,943</u>	<u>\$ 360,000</u>

The detail of the District's bonds payable is as follows:

**\$1,635,000 General Obligation Refunding Bonds, Series 2004, dated June 29, 2004**, with interest of 2.25% to 3.50%, consisting of serial bonds due annually through July 1, 2009. Interest on the bonds is payable semi-annually on January 1 and July 1 each year, commencing on January 1, 2005. The bonds are not subject to redemption prior to their respective maturities. Payment of principal and interest on the bonds is insured by Ambac Assurance Corporation. On February 20, 2009, Ambac was rated Baa1 by Moody's and A by Standard & Poor's.

The District's debt will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	<u>\$ 270,000</u>	<u>\$ 4,725</u>	<u>\$ 274,725</u>

**Authorized Debt**

The District had no authorized but unissued debt and no service plan limitations regarding debt.

**PERRY PARK WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE 6 - 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 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, 2008 and 2007, the District had invested in capital assets, net of related debt calculated as follows:

	<b>2008</b>	<b>2007</b>
Invested in capital assets, net of related debt:		
Capital assets, net	\$ 19,629,354	\$ 18,557,071
Bond issuance and discount costs (net of accumulated amortization)	4,587	13,760
Current portion of long-term obligations	(270,000)	(360,000)
Noncurrent portion of long-term obligations	-	(270,000)
Bond premium (net of accumulated amortization)	(2,038)	(6,112)
Cost of refunding (net of accumulated amortization)	7,390	22,169
Invested in capital asset, net of related debt	<u>\$ 19,369,293</u>	<u>\$ 17,956,888</u>

Restricted 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 as of December 31, 2008 and 2007 as follows:

	<b>2008</b>	<b>2007</b>
Restricted net assets:		
Debt service reserve (see Note 5)	\$ 263,431	\$ 320,240
Emergencies (see Note 9)	13,200	11,600
Total restricted net assets	<u>\$ 276,631</u>	<u>\$ 331,840</u>

The District's unrestricted net assets as of December 31, 2008 and 2007 are \$4,136,375 and \$3,732,623, respectively.

**PERRY PARK WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE 7 - PENSION AND BENEFIT PLANS**

**Deferred Compensation Plan - Assets in Trust**

The District has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is administered by Lincoln National Life. Participation in the plan is optional for all employees. The plan allows the employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement or death or unforeseen emergencies. The District matches the employee's contribution up to a percentage of compensation as follows: 0-2 years of employment 2%; 2 years of employment 3%; 3 years of employment 4%; and 5 or more years of employment 5%. The District's contributions for the years ended December 31, 2008 and 2007 were \$2,571 and \$1,584, respectively.

**NOTE 8 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God. The District maintains commercial insurance for most risks of loss. Prior to 2008, the District participated in the Colorado Special Districts Property and Liability Pool.

The District paid annual premiums to the Pool for general liability and public officials coverage. In the event aggregated losses incurred by the Pool during years of participation, exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members.

**NOTE 9 - 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 which apply to the State of Colorado and all local governments. The District does not believe that it qualifies as a TABOR Enterprise.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases.

**PERRY PARK WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE 9 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)**

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and Enterprise qualification will require judicial interpretation.

On November 7, 2006, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all revenues it has received in the past and expects to receive in the fiscal year 2007 and thereafter without regard to any limitations under TABOR.

The November 7, 2006 election question reads as follows:

Shall Perry Park Water and Sanitation District (without increasing existing tax rates or imposing a new tax) be authorized to collect, retain and spend all revenues from whatever source beginning in 2000 and in each year thereafter as a voter approved revenue change and exception to the limits which would otherwise apply under Article X, Section 20 of the Colorado Constitution, the 5.5% property tax revenue limit of Section 29 1 301, C.R.S. or any other law?

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

**SUPPLEMENTAL INFORMATION**

**PERRY PARK WATER AND SANITATION DISTRICT**  
**SCHEDULES OF EXPENSES**  
**Years Ended December 31, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
<b>DIRECT WATER AND SEWER EXPENSES</b>		
Salaries and payroll taxes	\$ 81,775	\$ 72,184
Engineering/consultants	46,842	38,442
Outside operations labor	310,440	292,800
Repairs and maintenance	139,596	97,097
Sewage treatment	215,196	117,077
Utilities	163,984	170,222
Water services	165,010	59,965
Depreciation	714,339	674,527
Total direct water and sewer expenses	\$ 1,837,182	\$ 1,522,314
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Accounting and audit	\$ 21,395	\$ 32,686
Auto expenses	1,103	1,021
Contract labor	4,728	3,725
Directors' fees	7,650	5,500
Dues and subscriptions	9,798	5,852
Election costs	4,120	-
Employee benefits	20,953	15,718
Insurance	23,736	-
Investment expense/bank charges	10,252	8,884
Legal	69,198	36,947
Master plan update	8,643	17,012
Miscellaneous	6,892	1,802
Office supplies	12,152	12,882
Outside services	10,523	3,441
Public information	4,566	2,152
Repairs and maintenance	5,525	6,837
Salaries and payroll taxes	38,146	33,483
Travel, training and meetings	3,165	1,794
Utilities	8,120	6,324
Total general and administrative expenses before depreciation and amortization	270,665	196,060
Amortization	19,879	19,879
Depreciation	22,258	22,673
Total general and administrative expenses	\$ 312,802	\$ 238,612

**PERRY PARK WATER AND SANITATION DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND FUNDS AVAILABLE  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
Year Ended December 31, 2008**

	<b>Original and Final Budgeted Amounts</b>	<b>Actual</b>	<b>Variance with Budget Positive (Negative)</b>
<b>REVENUES</b>			
Water service fees	\$ 403,000	\$ 493,302	\$ 90,302
Sewer service fees	355,000	405,663	50,663
Water and sewer availability fees	70,000	78,841	8,841
Administrative fees	17,000	13,080	(3,920)
Connection and inspection charges	35,750	14,000	(21,750)
Inclusion fees	-	162,000	162,000
Miscellaneous income	20,000	4,255	(15,745)
Property taxes	618,572	617,311	(1,261)
Reimbursed expenditures	15,000	159,382	144,382
Specific ownership taxes	73,878	52,259	(21,619)
Net investment income	200,000	111,172	(88,828)
Water and sewer tap fees	400,000	182,200	(217,800)
Water and sewer development fees	250,000	129,400	(120,600)
Contributions for capital outlay	-	904,000	904,000
Total revenues	<u>2,458,200</u>	<u>3,326,865</u>	<u>868,665</u>
<b>EXPENDITURES</b>			
Direct water and sewer expenses	1,001,940	1,122,843	(120,903)
General and administrative expenses	273,100	270,665	2,435
County Treasurer's fees	9,613	9,641	(28)
Capital outlay	3,255,000	1,808,880	1,446,120
Debt service	375,800	375,550	250
Total expenditures	<u>4,915,453</u>	<u>3,587,579</u>	<u>1,327,874</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	(2,457,253)	(260,714)	2,196,539
<b>FUNDS AVAILABLE - BEGINNING OF YEAR</b>	<u>4,447,718</u>	<u>4,673,720</u>	<u>226,002</u>
<b>FUNDS AVAILABLE - END OF YEAR</b>	<u>\$ 1,990,465</u>	<u>\$ 4,413,006</u>	<u>\$ 2,422,541</u>



**PERRY PARK WATER AND SANITATION DISTRICT  
RECONCILIATION OF BUDGETARY BASIS (ACTUAL)  
TO STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
Year Ended December 31, 2008**

	<b>Actual</b>
Funds available are defined as follows:	
Current assets	\$ 4,623,642
Restricted current assets	276,631
Less current liabilities	(751,915)
Plus current portion of long-term obligations	264,648
Funds available	\$ 4,413,006
Reconciliation of budgetary basis (actual) to Statement of Revenues, Expenses and Changes in Net Assets:	
Revenues (budgetary basis)	\$ 3,326,865
Total revenue per Statement of Revenues, Expenses and Changes in Net Assets	3,326,865
Expenditures (budgetary basis)	3,587,579
Depreciation	736,596
Amortization	19,879
Capital outlay	(1,808,880)
Bond principal payments	(360,000)
Total expenses per Statement of Revenues, Expenses and Changes in Net Assets	2,175,174
Change in net assets per Statement of Revenues, Expenses and Changes in Net Assets	\$ 1,151,691

**PERRY PARK WATER AND SANITATION DISTRICT  
SUMMARY OF ASSESSED VALUATION,  
MILL LEVY AND PROPERTY TAXES COLLECTED  
December 31, 2008**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy		Mills Levied		Total Property Taxes		Percentage Collected to Levied
	Water and Sanitation Service Area	Water Service Area	Water and Sanitation Service Area	Water Service Area	Levied	Collected	
2004	\$ 51,925,343	\$ 259,610	12.248	6.199	\$ 637,591	\$ 624,559	97.96%
2005	\$ 53,391,430	\$ 257,720	11.654	5.605	\$ 623,668	\$ 612,689	98.24%
2006	\$ 61,592,870	\$ 486,210	10.368	4.754	\$ 640,906	\$ 631,931	98.60%
2007	\$ 62,947,177	\$ 46,700	10.368	4.754	\$ 652,858	\$ 648,370	99.31%
2008	\$ 71,086,422	\$ 49,090	8.614	3.000	\$ 612,486	\$ 617,311	100.79%
Estimated for the year ending December 31, 2009	\$ 73,233,890	\$ 72,370	5.614	0.275	\$ 431,294		

Property taxes collected in any one year 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 if delinquent taxes are collected.