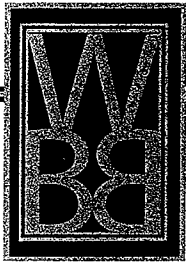


**PERRY PARK
WATER AND SANITATION DISTRICT
Douglas County, Colorado**

**FINANCIAL STATEMENTS
December 31, 2007 and 2006**

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

Independent Auditors' Report

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

We have audited the accompanying basic financial statements of Perry Park Water and Sanitation District, as of and for the year ended December 31, 2007, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions 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, 2007, and the changes in financial position and 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 that collectively comprise the District's basic financial statements. The accompanying financial information listed as supplemental information 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.

Golden, Colorado
June 24, 2008

Wagner, Burke & Barnes, LLP

I

Wagner, Burke & Barnes, LLP

BASIC FINANCIAL STATEMENTS

PERRY PARK WATER AND SANITATION DISTRICT
STATEMENTS OF NET ASSETS
December 31, 2007 and 2006

	2007	2006
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,926,432	\$ 3,776,764
Accounts receivable (net of allowance for uncollectibles)	155,844	70,989
Due from County Treasurer	4,705	3,798
Property taxes receivable	612,486	652,858
Prepaid expenses	9,725	-
Total current assets	4,709,192	4,504,409
RESTRICTED CURRENT ASSETS		
Cash and cash equivalents	670,366	303,484
Total restricted current assets	670,366	303,484
CAPITAL ASSETS, NET		
	18,557,071	17,466,016
OTHER ASSETS		
Debt issue costs (net of accumulated amortization)	13,760	22,934
Total other assets	13,760	22,934
TOTAL ASSETS	\$ 23,950,389	\$ 22,296,843
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 88,867	\$ 114,582
Accrued compensated absences	785	1,846
Deferred property tax revenue	612,486	652,858
Deposits	3,700	2,500
Current portion of long-term obligations	360,000	350,000
Total current liabilities	1,065,838	1,121,786
LONG-TERM OBLIGATIONS		
Bonds payable	253,943	603,238
NET ASSETS		
Invested in capital assets, net of related debt	17,956,888	16,535,712
Restricted for:		
Emergency reserves	11,600	15,000
Debt service	320,240	288,484
Unrestricted	4,341,880	3,732,623
Total net assets	22,630,608	20,571,819
TOTAL LIABILITIES AND NET ASSETS	\$ 23,950,389	\$ 22,296,843

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, 2007 and 2006

	<u>2007</u>	<u>2006</u>
WATER AND SEWER OPERATIONS		
Water and sewer income	\$ 892,333	\$ 864,639
Direct water and sewer expenses	<u>(1,522,314)</u>	<u>(1,565,853)</u>
TOTAL GROSS (LOSS) FROM OPERATIONS	<u>(629,981)</u>	<u>(701,214)</u>
GENERAL AND ADMINISTRATIVE EXPENSES	<u>196,060</u>	<u>292,804</u>
OPERATING (LOSS)	<u>(826,041)</u>	<u>(994,018)</u>
NONOPERATING REVENUES		
Property taxes	648,370	631,931
Specific ownership taxes	65,312	68,086
Water and sewer availability fees	67,063	65,437
Net investment income	200,088	150,681
Miscellaneous	<u>143,321</u>	<u>40,100</u>
Total nonoperating revenues	<u>1,124,154</u>	<u>956,235</u>
NONOPERATING EXPENSES		
County Treasurer's fees	10,364	11,195
Paying agent fees	250	250
Bond interest expense	26,400	57,374
Depreciation and amortization	<u>42,552</u>	<u>36,426</u>
Total nonoperating expenses	<u>79,566</u>	<u>105,245</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>218,547</u>	<u>(143,028)</u>
CAPITAL CONTRIBUTIONS		
Water and sewer tap and expansion fees	681,560	879,100
Contributed facilities from developers	<u>1,158,682</u>	<u>45,158</u>
Total capital contributions	<u>1,840,242</u>	<u>924,258</u>
CHANGE IN NET ASSETS	2,058,789	781,230
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>20,571,819</u>	<u>19,790,589</u>
TOTAL NET ASSETS - END OF YEAR	<u><u>\$ 22,630,608</u></u>	<u><u>\$ 20,571,819</u></u>

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, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 829,921	\$ 857,347
Payments to suppliers	(956,525)	(838,295)
Payments to employees and related expenses	(122,624)	(126,873)
Other receipts	49,780	18,273
Net cash provided (required) by operating activities	(199,448)	(89,548)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property tax collections	648,370	628,132
Specific ownership taxes	64,405	68,086
Water and sewer availability fees	62,348	65,437
Miscellaneous income	75,814	40,100
County Treasurer's fees	(10,364)	(11,195)
Net cash provided (required) by noncapital financing activities	840,573	790,560
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Water and sewer tap and expansion fees	681,560	879,100
Acquisition of property, plant and equipment (net of contributed lines of \$1,158,682)	(629,573)	(205,485)
Interest on debt	(26,400)	(57,374)
Bond principal reduction	(350,000)	(330,000)
Paying agent fees and other expenses	(250)	(250)
Net cash provided (required) by capital and related financing activities	(324,663)	285,991
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	200,088	150,681
Net cash provided (required) by investing activities	200,088	150,681

(Continued)

PERRY PARK WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2007 and 2006
(Continued)

	2007	2006
NET INCREASE IN CASH AND CASH EQUIVALENTS	516,550	1,137,684
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	4,080,248	2,942,564
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,596,798	\$ 4,080,248
Reconciliation of operating (loss) to net cash provided by operating activities		
Operating (loss)	\$ (826,041)	\$ (994,018)
Adjustments to reconcile operating (loss) to net cash provided by operating activities		
Depreciation	674,527	670,583
Abandonment of reservoir design plans	-	89,645
(Increase) decrease in		
Accounts receivable	(12,632)	7,181
Prepaid expenses	(9,725)	575
Inventories	-	132,999
Increase (decrease) in		
Accounts payable and accrued expenses	(26,777)	987
Deposits	1,200	2,500
Net cash provided (required) by operating activities	\$ (199,448)	\$ (89,548)
Non-Cash Transactions		
Assets contributed by Developers	\$ 1,158,682	\$ 1,684,144

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, 2007 and 2006

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, 2007 and 2006

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, 2007 and 2006

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 4% of the outstanding balance at December 31, 2007.

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 market 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, 2007 and 2006**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Deferred 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. The District has accrued \$785 and \$1,846 as of December 31, 2007 and 2006, respectively, for future payment of this earned leave.

Comparative Data

Comparative total data for the prior year has been presented in the accompanying fund 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, 2007 and 2006 are classified in the accompanying financial statements as follows:

	2007	2006
Statement of net assets:		
Cash and cash equivalents	\$ 3,926,432	\$ 3,776,764
Cash and cash equivalents - Restricted	670,366	303,484
Total cash and investments	\$ 4,596,798	\$ 4,080,248

**PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Cash and investments as of December 31, 2007 and 2006 consist of the following:

	2007	2006
Deposits with financial institutions	\$ 1,056,852	\$ 992,291
Investments	3,539,946	3,087,957
Total cash and investments	\$ 4,596,798	\$ 4,080,248

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, 2007 and 2006, the District's cash deposits had a bank balance of \$1,063,534 and \$1,011,104, respectively, and a carrying balance of \$1,056,852 and \$992,291, 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, 2007 and 2006**

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 (Colotrust) are both rated AAAM by Standard & Poor's.

As of December 31, 2007 and 2006, the District had the following investments:

Investment	Maturity	<u>2007</u>	<u>2006</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Less than one year	\$ 769,334	\$ 731,177
Colorado Liquid Asset Trust (Colotrust)	Less than one year	953,225	436,450
Wells Fargo Sweep Repo	Less than one year	<u>1,817,387</u>	<u>1,920,330</u>
		<u>\$ 3,539,946</u>	<u>\$ 3,087,957</u>

COLOTRUST

During 2007 and 2006, 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, 2007 and 2006

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, 2007 and 2006, the District had \$953,225 and \$436,450, respectively, invested in COLOTRUST PRIME.

CSAFE

During 2007 and 2006, 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, 2007 and 2006, the District had \$769,334 and \$731,177, respectively, invested in CSAFE.

Repurchase Agreement

At December 31, 2007 and 2006, the District had \$1,817,387 and \$1,920,330, respectively, invested in a repurchase agreement that matured on January 2, 2007 and 2008, 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 \$658,766 at December 31, 2007 is restricted for debt service.

Emergency Reserve

Cash and investments of \$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, 2007 (see Note 10).

PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the years ended December 31, 2007 and 2006 follows:

	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>

PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	2006			Balance at December 31, 2006
	Balance at December 31, 2005	Increases	Decreases	
Capital assets, not being depreciated:				
Land	\$ 295,352	\$ 1,904	\$ -	\$ 297,256
Water rights	491,398	2,937	87,747	406,588
Construction in progress	-	8,388	-	8,388
Total capital assets, not being depreciated	<u>786,750</u>	<u>13,229</u>	<u>87,747</u>	<u>712,232</u>
Capital assets, being depreciated:				
Water system	13,634,746	120,670	-	13,755,416
Sewer system	9,617,272	97,734	-	9,715,006
Office building	423,494	20,914	-	444,408
Equipment and vehicles	183,714	-	-	183,714
Total capital assets, being depreciated	<u>23,859,226</u>	<u>239,318</u>	<u>-</u>	<u>24,098,544</u>
Less accumulated depreciation for:				
Water system	3,410,810	393,012	-	3,803,822
Sewer system	3,007,416	277,571	-	3,284,987
Office building	64,679	12,521	-	77,200
Equipment and vehicles	182,113	3,637	6,999	178,751
Total accumulated depreciation	<u>6,665,018</u>	<u>686,741</u>	<u>6,999</u>	<u>7,344,760</u>
Total capital assets, being depreciated, net	<u>17,194,208</u>	<u>(447,423)</u>	<u>(6,999)</u>	<u>16,753,784</u>
Capital assets, net	<u>\$ 17,980,958</u>	<u>\$ (434,194)</u>	<u>\$ 80,748</u>	<u>\$ 17,466,016</u>

Depreciation expense for the years ended December 31, 2007 and 2006 were charged as follows:

	2007	2006
Water	\$ 395,809	\$ 393,012
Sewer	278,718	277,571
General and administrative	22,673	9,159
	<u>\$ 697,200</u>	<u>\$ 679,742</u>

PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

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, 2007 and 2006:

	<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>
	<u>Balance December 31, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2006</u>	<u>Amounts Due Within One Year</u>
2004 General Obligation					
Refunding Bonds	\$ 1,310,000	\$ -	\$ 330,000	\$ 980,000	\$ 350,000
Bond Premium	14,261	-	4,075	10,186	-
Cost of refunding	(59,118)	-	(22,170)	(36,948)	-
Total long-term obligations	<u>\$ 1,265,143</u>	<u>\$ -</u>	<u>\$ 311,905</u>	<u>\$ 953,238</u>	<u>\$ 350,000</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. At December 31, 2007, Ambac was rated Aaa by Moody's, AAA by Standard & Poor's and AAA by Fitch. Subsequent to December 31, 2007, Ambac was rated Aa3 by Moody's, AA by Standard & Poor's and AA by Fitch.

The District's debt will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 360,000	\$ 15,300	\$ 375,300
2009	270,000	4,725	274,725
Total payments	<u>\$ 630,000</u>	<u>\$ 20,025</u>	<u>\$ 650,025</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, 2007 and 2006

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, 2007 and 2006, the District had invested in capital assets, net of related debt calculated as follows:

	<u>2007</u>	<u>2006</u>
Invested in capital assets, net of related debt:		
Capital assets, net	\$ 18,557,071	\$ 17,466,016
Bond issuance and discount costs (net of accumulated amortization)	13,760	22,934
Current portion of long-term obligations	(360,000)	(350,000)
Noncurrent portion of long-term obligations	(270,000)	(630,000)
Bond premium (net of accumulated amortization)	(6,112)	(10,186)
Cost of refunding (net of accumulated amortization)	22,169	36,948
Invested in capital asset, net of related debt	<u>\$ 17,956,888</u>	<u>\$ 16,535,712</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, 2007 and 2006 as follows;

	<u>2007</u>	<u>2006</u>
Restricted net assets:		
Debt service reserve (see Note 5)	\$ 320,240	\$ 288,484
Emergencies (see Note 10)	<u>11,600</u>	<u>15,000</u>
Total restricted net assets	<u>\$ 331,840</u>	<u>\$ 303,484</u>

PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 7 - INTERGOVERNMENTAL AGREEMENTS

Sageport 2006

On December 12, 2006, the District entered into an intergovernmental agreement with the Board of County Commissioners of the County of Douglas (County) concerning Douglas County Local Improvement District No. 06-01 (Sageport LID) to provide for the design, construction, and maintenance of certain water and sanitary sewer improvements located within the Sageport LID (Utility Improvements). The District and the County agree to share the responsibilities of design, construction and maintenance as outlined in the agreement. Upon completion and preliminary acceptance of the Utility Improvements, the District shall accept the Utility Improvements subject to final approval. The County and the District agree that no water or sanitary sewer tap permits or building permits will be issued for lots within the Sageport 2006 LID until the District has approved a resolution accepting the Utility Improvements. On December 4, 2007, the District accepted the Sageport LID improvements in the amount of \$524,096.

Inca/Delaware 2006

On December 12, 2006, the District entered into an intergovernmental agreement with the Board of County Commissioners of the County of Douglas (County) concerning Douglas County Local Improvement District No. 06-02 (Inca/Delaware LID) to provide for the design, construction, and maintenance of certain water and sanitary sewer improvements located within the Inca/Delaware LID (Utility Improvements). The District and the County agree to share the responsibilities of design, construction and maintenance as outlined in the agreement. Upon completion and preliminary acceptance of the Utility Improvements, the District shall accept the Utility Improvements subject to final approval. The County and the District agree that no water or sanitary sewer tap permits or building permits will be issued for lots within the Inca/Delaware 2006 LID until the District has approved a resolution accepting the Utility Improvements. On December 4, 2007, the District accepted the Inca/Delaware LID improvements in the amount of \$326,586.

NOTE 8 - 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 year ended December 31, 2007 and 2006 were \$1,584 and \$828, respectively.

**PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006**

NOTE 9 - 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 is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2007. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

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 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.

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.

PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

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, 2007 and 2006

	2007	2006
DIRECT WATER AND SEWER EXPENSES		
Salaries and payroll taxes	\$ 72,184	\$ 66,710
Engineering/consultants	38,442	127,883
Miscellaneous	-	8,837
Outside operations labor	292,800	277,200
Repairs and maintenance	97,097	152,617
Sewage treatment	117,077	110,924
Utilities	170,222	30,426
Water services	59,965	120,673
Depreciation	674,527	670,583
Total direct water and sewer expenses	\$ 1,522,314	\$ 1,565,853
GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting and audit	\$ 32,686	\$ 35,128
Auto expenses	1,021	2,181
Contract labor	3,725	1,169
Directors' fees	5,500	5,700
Dues and subscriptions	5,852	8,057
Election costs	-	7,412
Employee benefits	15,718	28,016
Insurance	-	47,813
Investment expense/bank charges	8,884	8,807
Legal	36,947	60,269
Master plan update	17,012	26,576
Miscellaneous	1,802	7,650
Office supplies	12,882	10,164
Outside services	3,441	1,250
Public information	2,152	4,422
Repairs and maintenance	6,837	-
Salaries and payroll taxes	33,483	31,540
Travel, training and meetings	1,794	732
Utilities	6,324	5,918
Total general and administrative expenses before depreciation and amortization	196,060	292,804
Amortization	19,879	27,267
Depreciation	22,673	9,159
Total general and administrative expenses	\$ 238,612	\$ 329,230

PERRY PARK WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2007

	Original and Final Budgeted Amounts	Actual	Variance with Budget Positive (Negative)
REVENUES			
Water service fees	\$ 406,000	\$ 456,590	\$ 50,590
Sewer service fees	355,000	385,963	30,963
Water and sewer availability fees	70,000	67,063	(2,937)
Administrative fees	9,000	13,405	4,405
Connection and inspection charges	30,000	36,375	6,375
Miscellaneous income	61,750	143,321	81,571
Property taxes	659,459	648,370	(11,089)
Specific ownership taxes	70,500	65,312	(5,188)
Net investment income	150,000	200,088	50,088
Water and sewer tap fees	500,000	435,110	(64,890)
Water and sewer development fees	300,000	246,450	(53,550)
Contributions for capital outlay	-	1,158,682	1,158,682
Total revenues	<u>2,611,709</u>	<u>3,856,729</u>	<u>1,245,020</u>
EXPENDITURES			
Direct water and sewer expenses	909,200	847,787	61,413
General and administrative expenses	383,100	196,060	187,040
County Treasurer's fees	6,291	5,608	683
Capital outlay	4,426,750	1,788,255	2,638,495
Debt service	382,892	381,406	1,486
Total expenditures	<u>6,108,233</u>	<u>3,219,116</u>	<u>2,889,117</u>
EXCESS REVENUES OVER (UNDER)			
EXPENDITURES	(3,496,524)	637,613	4,134,137
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>3,756,321</u>	<u>4,036,107</u>	<u>279,786</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 259,797</u>	<u>\$ 4,673,720</u>	<u>\$ 4,413,923</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, 2007**

	Actual
Funds available are defined as follows:	
Current assets	\$ 4,709,192
Restricted current assets	670,366
Less current liabilities	(1,065,838)
Plus current portion of long-term obligations	360,000
Funds available	\$ 4,673,720
Reconciliation of budgetary basis (actual) to Statement of Revenues, Expenses and Changes in Net Assets:	
Revenues (budgetary basis)	\$ 3,856,729
Total revenue per Statement of Revenues, Expenses and Changes in Net Assets	3,856,729
Expenditures (budgetary basis)	3,219,116
Depreciation	697,200
Amortization	19,879
Capital outlay	(1,788,255)
Bond principal payments	(350,000)
Total expenses per Statement of Revenues, Expenses and Changes in Net Assets	1,797,940
Change in net assets per Statement of Revenues, Expenses and Changes in Net Assets	\$ 2,058,789

**PERRY PARK WATER AND SANITATION DISTRICT
SUMMARY OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
December 31, 2007**

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	
	2003	\$ 44,135,121	\$ 118,330	14.101	7.310	\$ 623,214	
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%
Estimated for the year ending December 31, 2008	\$ 71,086,422	\$ 49,090	8.614	3.000	\$ 612,486		

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.