

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

**FINANCIAL STATEMENTS
December 31, 2009 and 2008**

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**WAGNER
BARNES, PC**

Certified Public Accountants & Business Consultants

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 years ended December 31, 2009 and 2008, 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provides a reasonable basis for our opinions.

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, 2009 and 2008, and the results of its operations and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming opinions 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 audits 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 Barnes, PC

Golden, Colorado
June 18, 2010

I

Wagner Barnes, PC

BASIC FINANCIAL STATEMENTS

PERRY PARK WATER AND SANITATION DISTRICT
STATEMENTS OF NET ASSETS
December 31, 2009 and 2008

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,700,975	\$ 4,066,720
Accounts receivable, net	85,551	110,857
Receivable - County Treasurer	2,483	3,873
Property taxes receivable	421,325	431,294
Prepaid expenses	11,283	10,898
Total current assets	3,221,617	4,623,642
RESTRICTED CURRENT ASSETS		
Cash and cash equivalents	14,100	276,631
Total restricted current assets	14,100	276,631
 CAPITAL ASSETS, NET		
	21,537,621	19,629,354
OTHER ASSETS		
Bond issue costs, net	-	4,587
Total other assets	-	4,587
TOTAL ASSETS	\$ 24,773,338	\$ 24,534,214
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 32,521	\$ 49,060
Accrued compensated absences	3,876	1,413
Deferred property tax revenue	421,325	431,294
Deposits	3,600	5,500
Current portion of long-term obligations	-	264,648
Total current liabilities	461,322	751,915
 NET ASSETS		
Invested in capital assets, net of related debt	21,537,621	19,369,293
Restricted for:		
Emergency reserves	14,100	13,200
Debt service	-	263,431
Unrestricted	2,760,295	4,136,375
Total net assets	24,312,016	23,782,299
TOTAL LIABILITIES AND NET ASSETS	\$ 24,773,338	\$ 24,534,214

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, 2009 and 2008

	2009	2008
WATER AND SEWER OPERATIONS		
Water and sewer income	\$ 928,084	\$ 922,445
Direct water and sewer expenses	(1,714,986)	(1,837,182)
TOTAL GROSS (LOSS) FROM OPERATIONS	(786,902)	(914,737)
GENERAL AND ADMINISTRATIVE EXPENSES	310,623	270,665
OPERATING (LOSS)	(1,097,525)	(1,185,402)
NONOPERATING REVENUES		
Property taxes	428,167	617,311
Specific ownership taxes	32,300	52,259
Water and sewer availability fees	-	82,441
Net investment income	45,826	111,172
Inclusion fees	461,207	162,000
Miscellaneous	109,797	163,637
Total nonoperating revenues	1,077,297	1,188,820
NONOPERATING EXPENSES		
County Treasurer's fees	6,432	9,640
Paying agent fees	250	250
Bond interest expense	4,725	15,300
Depreciation and amortization	32,198	42,137
Total nonoperating expenses	43,605	67,327
INCOME (LOSS) BEFORE CONTRIBUTIONS	(63,833)	(63,909)
CAPITAL CONTRIBUTIONS		
Water and sewer tap and expansion fees	89,550	311,600
Contributed assets from Developers	504,000	904,000
Total capital contributions	593,550	1,215,600
CHANGE IN NET ASSETS	529,717	1,151,691
TOTAL NET ASSETS - BEGINNING OF YEAR	23,782,299	22,630,608
TOTAL NET ASSETS - END OF YEAR	\$ 24,312,016	\$ 23,782,299

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, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 902,876	\$ 884,698
Payments to suppliers	(1,149,723)	(1,291,635)
Payments to employees and related expenses	(143,448)	(140,424)
Other receipts	34,285	25,992
Net cash provided (required) by operating activities	(356,010)	(521,369)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property tax collections	428,167	617,311
Specific ownership taxes	33,690	53,091
Water and sewer availability fees	8,092	71,675
Inclusion fees	461,207	162,000
Reimbursed expenditures	85,635	226,889
Miscellaneous income	24,058	4,255
County Treasurer's fees	(6,432)	(9,641)
Net cash provided (required) by noncapital financing activities	1,034,417	1,125,580
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Water and sewer tap and expansion fees	89,550	311,600
Acquisition of property, plant and equipment (net of contributed assets of \$504,000 for 2009 and \$904,000 for 2008)	(2,167,084)	(904,880)
Interest on debt	(4,725)	(15,300)
Bond principal reduction	(270,000)	(360,000)
Paying agent fees and other expenses	(250)	(250)
Net cash provided (required) by capital and related financing activities	(2,352,509)	(968,830)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	45,826	111,172
Net cash provided (required) by investing activities	45,826	111,172

(Continued)

PERRY PARK WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2009 and 2008
(Continued)

	2009	2008
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,628,276)	(253,447)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	4,343,351	4,596,798
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,715,075	\$ 4,343,351
Reconciliation of operating (loss) to net cash provided by operating activities		
Operating (loss)	\$ (1,097,525)	\$ (1,185,402)
Adjustments to reconcile operating (loss) to net cash provided by operating activities		
Depreciation	740,558	714,339
(Increase) decrease in		
Accounts receivable	17,318	(11,754)
Prepaid expenses	(385)	(1,173)
Increase (decrease) in		
Accounts payable and accrued expenses	(14,076)	(39,179)
Deposits	(1,900)	1,800
Net cash provided (required) by operating activities	\$ (356,010)	\$ (521,369)
Non-Cash Transactions		
Assets contributed by Developers	\$ 504,000	\$ 904,000

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, 2009 and 2008

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, 2009 and 2008**

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.

During the year ended December 31, 2009, supplementary appropriations approved by the District modified the appropriation in the Debt Service portion of the budget which modified the total appropriations from \$4,634,614 to \$4,634,358.

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.

PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 are shown net of an allowance for uncollectibles. Accounts receivables are expensed as bad debts at the time they are determined to be uncollectible. Accounts receivable for unpaid availability fees comprises the majority of the accounts receivable allowance for uncollectibles.

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 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.

PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 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.

PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2009 and 2008 are classified in the accompanying financial statements as follows:

	2009	2008
Statement of net assets:		
Cash and cash equivalents	\$ 2,700,975	\$ 4,066,720
Cash and cash equivalents - Restricted	<u>14,100</u>	<u>276,631</u>
Total cash and investments	<u>\$ 2,715,075</u>	<u>\$ 4,343,351</u>

Cash and investments as of December 31, 2009 and 2008 consist of the following:

	2009	2008
Deposits with financial institutions	\$ 431,066	\$ 1,551,847
Investments	<u>2,284,009</u>	<u>2,791,504</u>
Total cash and investments	<u>\$ 2,715,075</u>	<u>\$ 4,343,351</u>

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 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, 2009 and 2008, the District's cash deposits had a bank balance of \$471,672 and \$1,603,285, respectively, and a carrying balance of \$431,066 and \$1,551,847, respectively.

PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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.

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
- . Certain certificates of participation
- . Certain securities lending agreements
- . 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

As of December 31, 2009 and 2008, the District had the following investments:

Investment	Maturity	<u>2009</u>	<u>2008</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	\$ 290,349	\$ 289,154
Colorado Liquid Asset Trust (Colotrust)	Less than one year	1,835,552	1,644,201
Wells Fargo Sweep Repo	Less than one year	<u>158,108</u>	<u>858,149</u>
		<u>\$ 2,284,009</u>	<u>\$ 2,791,504</u>

**PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

COLOTRUST

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 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. Colotrust is rated AAAM by Standard & Poor's.

CSAFE

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. CSAFE is rated AAAM by Standard & Poor's.

Repurchase Agreement

At December 31, 2009 and 2008, the District had \$158,108 and \$858,149, respectively, invested in a repurchase agreement that matured on January 2, 2010 and 2009, respectively, which were collateralized by Ginnie Mae Fund securities and Federal Home Loan Bank securities, respectively.

Cash and investments are restricted for the following purposes:

**PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Debt Service

Cash and investments in the amount of \$-0- and \$263,431 at December 31, 2009 and 2008, respectively, is restricted for debt service.

Emergency Reserve

Cash and investments of \$14,100 and \$13,200 are restricted as Emergency Reserves as required by Article X, Section 20 of the Constitution of the State of Colorado at December 31, 2009 and 2008, respectively (see Note 9).

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the years ended December 31, 2009 and 2008 follows:

	2009			Balance at December 31, 2009
	Balance at December 31, 2008	Increases	Decreases	
Capital assets, not being depreciated:				
Land	\$ 342,806	\$ -	\$ -	\$ 342,806
Water rights	1,310,349	2,139,000	-	3,449,349
Construction in progress	145,342	532,084	-	677,426
Total capital assets, not being depreciated	<u>1,798,497</u>	<u>2,671,084</u>	<u>-</u>	<u>4,469,581</u>
Capital assets, being depreciated:				
Water system	14,959,331	-	-	14,959,331
Sewer system	10,960,224	-	-	10,960,224
Buildings	469,033	-	-	469,033
Equipment and vehicles	220,826	-	-	220,826
Total capital assets, being depreciated	<u>26,609,414</u>	<u>-</u>	<u>-</u>	<u>26,609,414</u>
Less accumulated depreciation for:				
Water system	4,615,198	427,409	-	5,042,607
Sewer system	3,862,477	313,149	-	4,175,626
Buildings	103,062	9,035	-	112,097
Equipment and vehicles	197,820	13,224	-	211,044
Total accumulated depreciation	<u>8,778,557</u>	<u>762,817</u>	<u>-</u>	<u>9,541,374</u>
Total capital assets, being depreciated, net	<u>17,830,857</u>	<u>(762,817)</u>	<u>-</u>	<u>17,068,040</u>
Capital assets, net	<u>\$ 19,629,354</u>	<u>\$ 1,908,267</u>	<u>\$ -</u>	<u>\$ 21,537,621</u>

PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	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>

Depreciation expense for the years ended December 31, 2009 and 2008 were charged as follows:

	2009	2008
Water	\$ 427,409	\$ 415,567
Sewer	313,149	298,772
General and administrative	22,259	22,258
	<u>\$ 762,817</u>	<u>\$ 736,597</u>

**PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008**

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, 2009 and 2008:

	<u>Balance December 31, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2009</u>	<u>Amounts Due Within One Year</u>
2004 General Obligation					
Refunding Bonds	\$ 270,000	\$ -	\$ 270,000	\$ -	\$ -
Bond Premium	2,038	-	2,038	-	-
Cost of refunding	(7,390)	-	(7,390)	-	-
Total long-term obligations	<u>\$ 264,648</u>	<u>\$ -</u>	<u>\$ 264,648</u>	<u>\$ -</u>	<u>\$ -</u>
	<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>

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 bonds were paid in full on July 1, 2009.

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, 2009 and 2008**

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, 2009 and 2008, the District had invested in capital assets, net of related debt calculated as follows:

	2009	2008
Invested in capital assets, net of related debt:		
Capital assets, net	\$ 21,537,621	\$ 19,629,354
Bond issuance and discount costs (net of accumulated amortization)	-	4,587
Current portion of long-term obligations	-	(270,000)
Bond premium (net of accumulated amortization)	-	(2,038)
Cost of refunding (net of accumulated amortization)	-	7,390
Invested in capital asset, net of related debt	\$ 21,537,621	\$ 19,369,293

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, 2009 and 2008 as follows:

	2009	2008
Restricted net assets:		
Debt service reserve (see Note 5)	\$ -	\$ 263,431
Emergencies (see Note 9)	14,100	13,200
Total restricted net assets	\$ 14,100	\$ 276,631

The District's unrestricted net assets as of December 31, 2009 and 2008 are \$2,760,295 and \$4,136,375, respectively.

PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

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, 2009 and 2008 were \$4,368 and \$2,571, 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, 2009 and 2008**

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 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, 2009 and 2008

	2009	2008
DIRECT WATER AND SEWER EXPENSES		
Salaries and payroll taxes	\$ 79,939	\$ 81,775
Engineering/consultants	73,135	46,842
Outside operations labor	325,920	310,440
Repairs and maintenance	111,910	139,596
Sewage treatment	75,964	98,166
Utilities	163,196	163,984
Water services	110,756	47,980
Reimbursed services provided	33,608	234,060
Depreciation	740,558	714,339
Total direct water and sewer expenses	\$ 1,714,986	\$ 1,837,182
GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting and audit	\$ 27,137	\$ 21,395
Auto expenses	1,002	1,103
Contract labor	8,145	4,728
Directors' fees	6,450	7,650
Dues and subscriptions	7,529	9,798
Election costs	-	4,120
Employee benefits	28,781	20,953
Insurance	24,612	23,736
Investment expense/bank charges	11,234	10,252
Legal	92,533	69,198
Master plan update	24,521	8,643
Miscellaneous	1,126	6,892
Office expenses	20,605	12,152
Outside services	651	10,523
Public information	3,693	4,566
Repairs and maintenance	5,921	5,525
Salaries and payroll taxes	37,191	38,146
Travel, training and meetings	270	3,165
Utilities	9,222	8,120
Total general and administrative expenses before depreciation and amortization	310,623	270,665
Amortization	9,939	19,879
Depreciation	22,259	22,258
Total general and administrative expenses	\$ 342,821	\$ 312,802

PERRY PARK WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Water service fees	\$ 498,555	\$ 498,555	\$ 498,312	\$ (243)
Sewer service fees	400,000	400,000	415,397	15,397
Administrative fees	11,000	12,040	9,900	(2,140)
Connection and inspection charges	16,500	16,500	4,475	(12,025)
Inclusion fees	-	-	461,207	461,207
Miscellaneous income	20,000	19,065	24,162	5,097
Property taxes	431,294	430,864	428,167	(2,697)
Reimbursed expenditures	100,000	100,000	85,635	(14,365)
Specific ownership taxes	38,816	38,187	32,300	(5,887)
Net investment income	100,000	100,000	45,826	(54,174)
Water and sewer tap fees	160,000	160,000	56,300	(103,700)
Water and sewer development fees	130,000	130,000	33,250	(96,750)
Contributions for capital outlay	-	-	504,000	504,000
Total revenues	<u>1,906,165</u>	<u>1,905,211</u>	<u>2,598,931</u>	<u>693,720</u>
EXPENDITURES				
Direct water and sewer expenses	1,031,420	1,031,420	974,428	56,992
General and administrative expenses	351,500	351,500	310,623	40,877
County Treasurer's fees	6,469	6,463	6,432	31
Capital outlay	2,970,000	2,970,000	2,671,084	298,916
Debt service	275,225	274,975	274,975	-
Total expenditures	<u>4,634,614</u>	<u>4,634,358</u>	<u>4,237,542</u>	<u>396,816</u>
EXCESS REVENUES OVER (UNDER)				
EXPENDITURES	(2,728,449)	(2,729,147)	(1,638,611)	1,090,536
FUNDS AVAILABLE - BEGINNING				
OF YEAR	<u>4,203,909</u>	<u>4,220,745</u>	<u>4,413,006</u>	<u>192,261</u>
FUNDS AVAILABLE - END OF YEAR				
	<u>\$ 1,475,460</u>	<u>\$ 1,491,598</u>	<u>\$ 2,774,395</u>	<u>\$ 1,282,797</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, 2009**

	Actual
Funds available are defined as follows:	
Current assets	\$ 3,221,617
Restricted current assets	14,100
Less current liabilities	(461,322)
Funds available	\$ 2,774,395
Reconciliation of budgetary basis (actual) to Statement of Revenues, Expenses and Changes in Net Assets:	
Revenues (budgetary basis)	\$ 2,598,931
Total revenue per Statement of Revenues, Expenses and Changes in Net Assets	2,598,931
Expenditures (budgetary basis)	4,237,542
Depreciation	762,817
Amortization	9,939
Capital outlay	(2,671,084)
Bond principal payments	(270,000)
Total expenses per Statement of Revenues, Expenses and Changes in Net Assets	2,069,214
Change in net assets per Statement of Revenues, Expenses and Changes in Net Assets	\$ 529,717

**PERRY PARK WATER AND SANITATION DISTRICT
SUMMARY OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
December 31, 2009**

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	
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%
2009	\$ 73,233,890	\$ 72,370	5.614	0.275	\$ 431,294	\$ 428,167	99.27%
Estimated for the year ending December 31, 2010	\$ 75,049,000	\$ 268,690	5.614	0.000	\$ 421,325		

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.