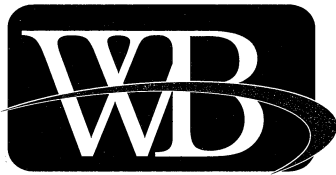


**PERRY PARK  
WATER AND SANITATION DISTRICT  
Douglas County, Colorado**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

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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, 2010 and 2009, 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 provide 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, 2010 and 2009, 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 21, 2011

I  
Wagner Barnes, PC

## **BASIC FINANCIAL STATEMENTS**

**PERRY PARK WATER AND SANITATION DISTRICT**  
**STATEMENTS OF NET ASSETS**  
**December 31, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents - Unrestricted	\$ 2,922,679	\$ 2,700,975
Cash and cash equivalents - Restricted	14,200	14,100
Accounts receivable, net	88,615	85,551
Receivable - County Treasurer	2,338	2,483
Property taxes receivable	424,682	421,325
Prepaid expenses	13,348	11,283
Total current assets	3,465,862	3,235,717
<b>CAPITAL ASSETS</b>		
Capital assets, not being depreciated	4,430,152	4,469,581
Capital assets, being depreciated	26,754,741	26,609,414
	31,184,893	31,078,995
Less accumulated depreciation	(10,302,749)	(9,541,374)
Total capital assets	20,882,144	21,537,621
<b>TOTAL ASSETS</b>	\$ 24,348,006	\$ 24,773,338
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 57,268	\$ 32,521
Accrued compensated absences	2,123	3,876
Deferred property tax revenue	424,682	421,325
Deposits	4,500	3,600
Total current liabilities	488,573	461,322
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	20,882,144	21,537,621
Restricted for emergencies	14,200	14,100
Unrestricted	2,963,089	2,760,295
Total net assets	23,859,433	24,312,016
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 24,348,006	\$ 24,773,338

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 FUND NET ASSETS  
Years Ended December 31, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
<b>WATER AND SEWER OPERATIONS</b>		
Water and sewer income	\$ 1,001,362	\$ 928,084
Direct water and sewer expenses	(1,758,747)	(1,714,986)
<b>TOTAL GROSS LOSS FROM OPERATIONS</b>	<b>(757,385)</b>	<b>(786,902)</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>(260,036)</b>	<b>(332,882)</b>
<b>OPERATING LOSS</b>	<b>(1,017,421)</b>	<b>(1,119,784)</b>
<b>NONOPERATING REVENUES</b>		
Property taxes	420,958	428,167
Specific ownership taxes	28,778	32,300
Net investment income	14,075	45,826
Inclusion fees	-	461,207
Miscellaneous	23,489	109,797
Total nonoperating revenues	<b>487,300</b>	<b>1,077,297</b>
<b>NONOPERATING EXPENSES</b>		
County Treasurer's fees	(6,330)	(6,432)
Loss on abandoned construction in progress	(26,332)	-
Paying agent fees	-	(250)
Bond interest expense	-	(4,725)
Amortization	-	(9,939)
Total nonoperating expenses	<b>(32,662)</b>	<b>(21,346)</b>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	<b>(562,783)</b>	<b>(63,833)</b>
<b>CAPITAL CONTRIBUTIONS</b>		
Water and sewer tap and expansion fees	110,200	89,550
Contributed assets from Developers	-	504,000
Total capital contributions	<b>110,200</b>	<b>593,550</b>
<b>CHANGE IN NET ASSETS</b>	<b>(452,583)</b>	<b>529,717</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>24,312,016</b>	<b>23,782,299</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 23,859,433</b>	<b>\$ 24,312,016</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, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 999,198	\$ 902,876
Payments to suppliers	(1,083,192)	(1,149,723)
Payments to employees and related expenses	(153,287)	(143,448)
Other receipts	-	34,285
Net cash provided (required) by operating activities	(237,281)	(356,010)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Property tax collections	421,103	428,167
Specific ownership taxes	28,778	33,690
Water and sewer availability fees	-	8,092
Inclusion fees	-	461,207
Reimbursed expenses	17,110	85,635
Miscellaneous income	6,379	24,058
County Treasurer's fees	(6,330)	(6,432)
Net cash provided by capital financing activities	467,040	1,034,417
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Water and sewer tap and expansion fees	110,200	89,550
Acquisition of property, plant and equipment (net of insurance recoveries of \$52,035 in 2010)	(132,230)	(2,167,084)
Interest paid on debt	-	(4,725)
Bond principal paid	-	(270,000)
Paying agent fees	-	(250)
Net cash required by capital financing activities	(22,030)	(2,352,509)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	14,075	45,826
Net cash provided by investing activities	14,075	45,826
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	221,804	(1,628,276)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	2,715,075	4,343,351
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,936,879	\$ 2,715,075
 <b>RECONCILIATION OF OPERATING LOSS TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>		
Operating (loss)	\$ (1,017,421)	\$ (1,119,784)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation	761,375	762,817
Effects of changes in operating assets and liabilities:		
Accounts receivable	(3,064)	17,318
Prepaid expenses	(2,065)	(385)
Accounts payable and accrued expenses	24,747	(14,076)
Accrued compensated absences	(1,753)	-
Deposits	900	(1,900)
Net cash provided (required) by operating activities	\$ (237,281)	\$ (356,010)
 <b>NONCASH CAPITAL FINANCING ACTIVITIES</b>		
Assets contributed by Developers	\$ -	\$ 504,000

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

**PERRY PARK WATER AND SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2010 and 2009**

**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 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 THE FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

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

**Operating Revenues and Expenses**

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

**Budgets**

In accordance with the 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 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 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 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.

**Accounts Receivable**

Accounts receivable are shown net of an allowance for uncollectible accounts. Accounts receivable 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 allowance for uncollectible accounts.

**PERRY PARK WATER AND SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

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

**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 capital 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 developer's 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 capital assets, as applicable. Depreciation and amortization 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 developer's 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 live, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed.

**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 THE FINANCIAL STATEMENTS  
December 31, 2010 and 2009**

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

**Restricted Resources**

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**Reclassifications**

For comparability, certain 2009 amounts have been reclassified where appropriate to conform with the 2010 financial statement presentation.

**NOTE 3 - CASH AND INVESTMENTS**

Cash and investments as of December 31, 2010 and 2009 are classified in the accompanying financial statements as follows:

	<u>2010</u>	<u>2009</u>
Cash and Cash Equivalents - Unrestricted	\$ 2,922,679	\$ 2,700,975
Cash and Cash Equivalents - Restricted	14,200	14,100
Total cash and investments	<u>\$ 2,936,879</u>	<u>\$ 2,715,075</u>

Cash and investments as of December 31, 2010 and 2009 consist of the following:

	<u>2010</u>	<u>2009</u>
Deposits with financial institutions	\$ 443,998	\$ 431,066
Investments	2,492,881	2,284,009
Total cash and investments	<u>\$ 2,936,879</u>	<u>\$ 2,715,075</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 at least equal to 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

**PERRY PARK WATER AND SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2010 and 2009**

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

At December 31, 2010 and 2009, the District's cash deposits had a bank balance of \$487,638 and \$471,672, respectively, and a carrying balance of \$443,998 and \$431,066, respectively.

**Investments**

The District has not adopted a formal investment policy, however, the District follows Colorado 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 and certain U.S. government agency securities and the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Certain reverse repurchase agreements
- . Certain securities lending agreements
- . Certain corporate bonds
- \* Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- \* Local government investment pools

As of December 31, 2010 and 2009, the District had the following investments:

<b>Investment</b>	<b>Maturity</b>	<b>2010</b>	<b>2009</b>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	\$ 310,633	\$ 290,349
Colorado Liquid Asset Trust (COLOTRUST)	Less than one year	2,182,248	1,835,552
Wells Fargo Sweep Repurchase Agreement	Less than one year	-	158,108
		<u>\$ 2,492,881</u>	<u>\$ 2,284,009</u>

**PERRY PARK WATER AND SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2010 and 2009**

**NOTE 3 - CASH DEPOSITS 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. CSAFEE 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 CSAFEE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFEE'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 CSAFEE. CSAFEE is rated AAAM by Standard & Poor's.

**Repurchase Agreement**

At December 31, 2009, the District had \$158,108 invested in a repurchase agreement that matured on January 2, 2010, which was collateralized by Ginnie Mae Fund securities.

Cash and investments are restricted for the following purposes:

**Emergency Reserve**

Cash and investments of \$14,200 and \$14,100 are restricted as Emergency Reserves as required by Article X, Section 20 of the Constitution of the State of Colorado at December 31, 2010 and 2009, respectively (see Note 9).

**PERRY PARK WATER AND SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 4 - CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2010 and 2009 follows:

	<u>Balance at December 31, 2009</u>	<u>Additions</u>	<u>Disposals/ Retirements</u>	<u>Balance at December 31, 2010</u>
Capital assets, not being depreciated:				
Land	\$ 342,806	\$ 479,386	\$ -	\$ 822,192
Water rights	3,449,349	-	-	3,449,349
Construction in progress	677,426	8,000	526,815	158,611
Total capital assets, not being depreciated	<u>4,469,581</u>	<u>487,386</u>	<u>526,815</u>	<u>4,430,152</u>
Capital assets, being depreciated:				
Water system	14,959,331	124,229	-	15,083,560
Sewer system	10,960,224	21,098	-	10,981,322
Buildings	469,033	-	-	469,033
Equipment and vehicles	220,826	-	-	220,826
Total capital assets being depreciated	<u>26,609,414</u>	<u>145,327</u>	<u>-</u>	<u>26,754,741</u>
Less accumulated depreciation for:				
Water system	5,042,607	427,850	-	5,470,457
Sewer system	4,175,626	313,752	-	4,489,378
Buildings	112,097	13,224	-	125,321
Equipment and vehicles	211,044	6,549	-	217,593
Total accumulated depreciation	<u>9,541,374</u>	<u>761,375</u>	<u>-</u>	<u>10,302,749</u>
Total capital assets being depreciated, net	<u>17,068,040</u>	<u>(616,048)</u>	<u>-</u>	<u>16,451,992</u>
Total capital assets, net	<u>\$ 21,537,621</u>	<u>\$ (128,662)</u>	<u>\$ 526,815</u>	<u>\$ 20,882,144</u>

**PERRY PARK WATER AND SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

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

	<u>Balance at December 31, 2008</u>	<u>Additions</u>	<u>Disposals/ Retirements</u>	<u>Balance at December 31, 2009</u>
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>
Total capital assets, net	<u>\$ 19,629,354</u>	<u>\$ 1,908,267</u>	<u>\$ -</u>	<u>\$ 21,537,621</u>

Depreciation expense for the years ended December 31, 2010 and 2009 were charges as follows:

	<u>2010</u>	<u>2009</u>
Water	\$ 427,850	\$ 427,409
Sewer	313,752	313,149
General and administration	19,773	22,259
	<u>\$ 761,375</u>	<u>\$ 762,817</u>

**PERRY PARK WATER AND SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2010 and 2009**

**NOTE 5 – LONG-TERM OBLIGATIONS**

The following is an analysis of the changes in the District’s long-term obligations for the year ended December 31, 2009:

	<b>Balance at December 31, 2008</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance at December 31, 2009</b>
2004 General Obligation				
Refunding Bonds	\$ 270,000	\$ -	\$ 270,000	\$ -
Bond Premium	2,038	-	2,038	
Cost of Refunding	(7,390)	-	(7,390)	-
	<u>\$ 264,648</u>	<u>\$ -</u>	<u>\$ 264,648</u>	<u>\$ -</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 of 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.

**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, consists of capital assets, net of accumulated depreciation and if applicable reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2010 and 2009 the District had invested in capital assets of \$20,882,144 and \$21,537,621, respectively.

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 net assets restricted for the Emergencies (see Note 9) of \$14,200 and \$14,100 as of December 31, 2010 and 2009, respectively.



**PERRY PARK WATER AND SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**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, 2010 and 2009 were \$5,365 and \$4,368, 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.

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.

**PERRY PARK WATER AND SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

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

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, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>DIRECT WATER AND SEWER EXPENSES</b>		
Salaries and payroll taxes	\$ 76,200	\$ 79,939
Engineering/consultants	38,564	73,135
Outside operations labor	325,920	325,920
Repairs and maintenance	149,434	111,910
Sewage treatment	134,582	75,964
Utilities	224,719	163,196
Water services	54,406	110,756
Reimbursed services provided	13,320	33,608
Depreciation	741,602	740,558
Total direct water and sewer expenses	<u>\$ 1,758,747</u>	<u>\$ 1,714,986</u>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Accounting and audit	\$ 17,112	\$ 27,137
Auto expenditures	1,579	1,002
Contract labor	-	8,145
Directors' fees	4,875	6,450
Dues and subscriptions	9,114	7,529
Election costs	430	-
Employee benefits	33,679	28,781
Insurance	27,586	24,612
Investment expense/bank charges	7,498	11,234
Legal	59,981	92,533
Master plan update	-	24,521
Miscellaneous	2,209	1,126
Office expenditures	18,661	20,605
Outside services	658	651
Public information	3,775	3,693
Repairs and maintenance	5,847	5,921
Salaries and payroll taxes	36,780	37,191
Travel, training and meetings	597	270
Utilities	9,882	9,222
Depreciation	19,773	22,259
Total general and administrative expenses	<u>\$ 260,036</u>	<u>\$ 332,882</u>
<b>NONOPERATING EXPENSES</b>		
County Treasurer's fees	\$ 6,330	\$ 6,432
Loss on abandoned construction in progress	26,332	-
Paying agent fees	-	250
Bond interest expense	-	4,725
Amortization	-	9,939
Total nonoperating expenses	<u>\$ 32,662</u>	<u>\$ 21,346</u>

**PERRY PARK WATER AND SANITATION DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)  
Year Ended December 31, 2010**

	<b>Original and Final Budgeted Amounts</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>REVENUES</b>			
Water service fees	\$ 463,000	\$ 570,788	\$ 107,788
Sewer service fees	400,000	409,897	9,897
Administrative fees	9,000	10,179	1,179
Connection and inspection charges	5,000	10,498	5,498
Miscellaneous income	15,000	6,379	(8,621)
Property taxes	421,325	420,958	(367)
Specific ownership taxes	29,493	28,778	(715)
Reimbursed expenditures	40,000	17,110	(22,890)
Net investment income	20,000	14,075	(5,925)
Insurance recoveries	-	52,035	52,035
Water and sewer tap fees	56,300	58,000	1,700
Water and sewer development fees	33,250	52,200	18,950
Total revenues	1,492,368	1,650,897	158,529
<b>EXPENDITURES</b>			
Direct water and sewer expenditures	1,041,920	1,017,145	24,775
General and administrative expenditures	319,999	240,263	79,736
County Treasurer's fees	6,320	6,330	(10)
Capital outlay	1,540,000	184,265	1,355,735
Total expenditures	2,908,239	1,448,003	1,460,236
<b>REVENUES OVER (UNDER)</b>			
<b>EXPENDITURES</b>	(1,415,871)	202,894	1,618,765
<b>FUNDS AVAILABLE - BEGINNING OF YEAR</b>	2,643,562	2,774,395	130,833
<b>FUNDS AVAILABLE - END OF YEAR</b>	\$ 1,227,691	\$ 2,977,289	\$ 1,749,598

Funds available at December 31, 2010 is computed as follows:

Current assets	\$ 3,465,862
Current liabilities	(488,573)
	\$ 2,977,289

**PERRY PARK WATER AND SANITATION DISTRICT  
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF  
REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
Year Ended December 31, 2010**

Revenue (budgetary basis)	\$ 1,650,897
Insurance recoveries	(52,035)
Revenues per Statement of Revenues, Expenses and Changes in Fund Net Assets	1,598,862
Expenditures (budgetary basis)	1,448,003
Depreciation	761,375
Loss on abandoned construction in progress	26,332
Capital outlay	(184,265)
Expenses per Statement of Revenues, Expenses and Changes in Fund Net Assets	2,051,445
Change in net assets per Statement of Revenues, Expenses and Changes in Fund Net Assets	\$ (452,583)

**PERRY PARK WATER AND SANITATION DISTRICT  
SUMMARY OF ASSESSED VALUATION,  
MILL LEVY AND PROPERTY TAXES COLLECTED  
Year Ended December 31, 2010**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy		Mills Levied		Total Property Taxes		Percent Collected to Levied
	Water and Sanitation Service Area	Water Service Area	Water and Sanitation Service Area	Water Service Area	Levied	Collected Currently	
	2005	\$ 53,391,430	\$ 257,720	11.654	5.605	\$ 623,668	
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%
2010	\$ 75,049,000	\$ 268,690	5.614	-	\$ 421,325	\$ 420,958	99.91%
Estimated for the year ending December 31, 2011	\$ 75,646,980	\$ 363,580	5.614	-	\$ 424,682		

**NOTES:**

Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years. Information received from the County Treasurer does not permit identification of specific