

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

**FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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Certified Public Accountants and Business Consultants

Independent Auditors' Report

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

We have audited the accompanying financial statements of Perry Park Water and Sanitation District (the District), as of and for the years ended December 31, 2011 and 2010, 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 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2011 and 2010, and the changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Management has not presented management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wagner Barnes, PC

Lakewood, Colorado
May 25, 2012

BASIC FINANCIAL STATEMENTS

PERRY PARK WATER AND SANITATION DISTRICT
STATEMENTS OF NET ASSETS
December 31, 2011 and 2010

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents - Unrestricted	\$ 3,118,019	\$ 2,922,679
Cash and cash equivalents - Restricted	14,000	14,200
Accounts receivable, net	81,705	88,615
Receivable - County Treasurer	1,917	2,338
Property taxes receivable	352,615	424,682
Prepaid expenses	10,869	13,348
Total current assets	3,579,125	3,465,862
CAPITAL ASSETS		
Capital assets, not being depreciated	4,457,175	4,430,152
Capital assets, being depreciated	26,955,665	26,754,741
	31,412,840	31,184,893
Less accumulated depreciation	(11,068,972)	(10,302,749)
Total capital assets	20,343,868	20,882,144
TOTAL ASSETS	\$ 23,922,993	\$ 24,348,006
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 46,988	\$ 57,268
Accrued compensated absences	3,041	2,123
Deferred property tax revenue	352,615	424,682
Deposits	5,100	4,500
Total current liabilities	407,744	488,573
NET ASSETS		
Invested in capital assets, net of related debt	20,343,868	20,882,144
Restricted for emergencies	14,000	14,200
Unrestricted	3,157,381	2,963,089
Total net assets	23,515,249	23,859,433
TOTAL LIABILITIES AND NET ASSETS	\$ 23,922,993	\$ 24,348,006

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, 2011 and 2010**

	2011	2010
WATER AND SEWER OPERATIONS		
Water and sewer income	\$ 968,208	\$ 1,001,362
Direct water and sewer expenses	(1,651,859)	(1,758,747)
	(683,651)	(757,385)
TOTAL GROSS LOSS FROM OPERATIONS		
	(247,095)	(260,036)
GENERAL AND ADMINISTRATIVE EXPENSES		
	(930,746)	(1,017,421)
OPERATING LOSS		
	(930,746)	(1,017,421)
NONOPERATING REVENUES		
Property taxes	420,516	420,958
Specific ownership taxes	28,086	28,778
Net investment income	3,922	14,075
Miscellaneous	14,554	23,489
Total nonoperating revenues	467,078	487,300
NONOPERATING EXPENSES		
County Treasurer's fees	(6,316)	(6,330)
Loss on abandoned construction in progress	-	(26,332)
Total nonoperating expenses	(6,316)	(32,662)
INCOME BEFORE CAPITAL CONTRIBUTIONS	(469,984)	(562,783)
CAPITAL CONTRIBUTIONS		
Water and sewer tap and expansion fees	125,800	110,200
Total capital contributions	125,800	110,200
CHANGE IN NET ASSETS	(344,184)	(452,583)
NET ASSETS - BEGINNING OF YEAR	23,859,433	24,312,016
NET ASSETS - END OF YEAR	\$ 23,515,249	\$ 23,859,433

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, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 975,718	\$ 999,198
Payments to suppliers	(983,565)	(1,083,192)
Payments to employees and related expenses	(156,049)	(153,287)
Net cash provided (required) by operating activities	(163,896)	(237,281)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property tax collections	420,937	421,103
Specific ownership taxes	28,086	28,778
Reimbursed expenses	1,876	17,110
Miscellaneous income	12,678	6,379
County Treasurer's fees	(6,316)	(6,330)
Net cash provided by capital financing activities	457,261	467,040
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Water and sewer tap and expansion fees	125,800	110,200
Acquisition of property, plant and equipment (net of insurance recoveries of \$52,035 in 2010)	(227,947)	(132,230)
Net cash required by capital financing activities	(102,147)	(22,030)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	3,922	14,075
Net cash provided by investing activities	3,922	14,075
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	195,140	221,804
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,936,879	2,715,075
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,132,019	\$ 2,936,879
 RECONCILIATION OF OPERATING LOSS TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Operating (loss)	\$ (930,746)	\$ (1,017,421)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation	766,223	761,375
Effects of changes in operating assets and liabilities:		
Accounts receivable	6,910	(3,064)
Prepaid expenses	2,479	(2,065)
Accounts payable and accrued expenses	(10,280)	24,747
Accrued compensated absences	918	(1,753)
Deposits	600	900
Net cash provided (required) by operating activities	\$ (163,896)	\$ (237,281)

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, 2011 and 2010

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.

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

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, 2011 and 2010

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.

PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Due to the District's powers of collection, no allowance for uncollectible accounts has been deemed necessary.

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.

**PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2011 and 2010 are classified in the accompanying financial statements as follows:

	2011	2010
Cash and Cash Equivalents - Unrestricted	\$ 3,118,019	\$ 2,922,679
Cash and Cash Equivalents - Restricted	14,000	14,200
Total cash and investments	\$ 3,132,019	\$ 2,936,879

Cash and investments as of December 31, 2011 and 2010 consist of the following:

	2011	2010
Deposits with financial institutions	\$ 344,160	\$ 443,998
Investments	2,787,859	2,492,881
Total cash and investments	\$ 3,132,019	\$ 2,936,879

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.

PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 3 - CASH DEPOSITS AND INVESTMENTS (continued)

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, 2011 and 2010, the District's cash deposits had a bank balance of \$369,153 and \$487,638, respectively, and a carrying balance of \$344,160 and \$443,998, 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

**PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 3 - CASH DEPOSITS AND INVESTMENTS (continued)

As of December 31, 2011 and 2010, the District had the following investments:

Investment	Maturity	<u>2011</u>	<u>2010</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	\$ 160,892	\$ 310,633
Colorado Liquid Asset Trust (COLOTRUST)	Less than one year	<u>2,626,967</u>	<u>2,182,248</u>
		<u><u>\$ 2,787,859</u></u>	<u><u>\$ 2,492,881</u></u>

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.

Cash and investments are restricted for the following purposes:

Emergency Reserve

Cash and investments of \$14,000 and \$14,200 are restricted as Emergency Reserves as required by Article X, Section 20 of the Constitution of the State of Colorado at December 31, 2011 and 2010, respectively (see Note 8).

PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2011 follows:

	<u>Balance at December 31, 2010</u>	<u>Additions</u>	<u>Disposals/ Retirements</u>	<u>Balance at December 31, 2011</u>
Capital assets, not being depreciated:				
Land	\$ 822,192	\$ -	\$ -	\$ 822,192
Water rights	3,449,349	-	-	3,449,349
Construction in progress	158,611	227,947	200,924	185,634
Total capital assets, not being depreciated	<u>4,430,152</u>	<u>227,947</u>	<u>200,924</u>	<u>4,457,175</u>
Capital assets, being depreciated:				
Water system	15,083,560	200,924	-	15,284,484
Sewer system	10,981,322	-	-	10,981,322
Buildings	469,033	-	-	469,033
Equipment and vehicles	220,826	-	-	220,826
Total capital assets being depreciated	<u>26,754,741</u>	<u>200,924</u>	<u>-</u>	<u>26,955,665</u>
Less accumulated depreciation for:				
Water system	5,470,457	431,825	-	5,902,282
Sewer system	4,489,378	313,752	-	4,803,130
Buildings	125,321	13,224	-	138,545
Equipment and vehicles	217,593	7,422	-	225,015
Total accumulated depreciation	<u>10,302,749</u>	<u>766,223</u>	<u>-</u>	<u>11,068,972</u>
Total capital assets being depreciated, net	<u>16,451,992</u>	<u>(565,299)</u>	<u>-</u>	<u>15,886,693</u>
Total capital assets, net	<u>\$ 20,882,144</u>	<u>\$ (337,352)</u>	<u>\$ 200,924</u>	<u>\$ 20,343,868</u>

PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 4 - CAPITAL ASSETS (continued)

An analysis of the changes in capital assets for the year ended December 31, 2010 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>

Depreciation expense for the years ended December 31, 2011 and 2010 were charges as follows:

	<u>2011</u>	<u>2010</u>
Water	\$ 431,825	\$ 427,850
Sewer	313,752	313,752
General and administration	20,646	19,773
	<u>\$ 766,223</u>	<u>\$ 761,375</u>

**PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 5 - 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, 2011 and 2010 the District had invested in capital assets of \$20,343,868 and \$20,882,144, 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 8) of \$14,000 and \$14,200 as of December 31, 2011 and 2010, respectively.

NOTE 6 - 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, 2011 and 2010 were \$5,365 and \$5,365, respectively.

NOTE 7 - 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.

NOTE 8 - 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.

PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 8 - TAX, SPENDING AND DEBT LIMITATIONS (continued)

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.

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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
DIRECT WATER AND SEWER EXPENSES		
Salaries and payroll taxes	\$ 77,844	\$ 76,200
Engineering/consultants	25,168	38,564
Outside operations labor	325,920	325,920
Repairs and maintenance	78,447	149,434
Sewage treatment	142,673	134,582
Utilities	199,659	224,719
Water services	53,053	54,406
Reimbursed services provided	3,518	13,320
Depreciation	745,577	741,602
Total direct water and sewer expenses	<u>\$ 1,651,859</u>	<u>\$ 1,758,747</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting and audit	\$ 8,446	\$ 17,112
Auto expenditures	2,927	1,579
Directors' fees	5,800	4,875
Dues and subscriptions	6,347	9,114
Election costs	-	430
Employee benefits	35,516	33,679
Insurance	27,040	27,586
Bank charges	7,328	7,498
Legal	54,638	59,981
Miscellaneous	839	2,209
Office expenses	18,022	18,661
Outside services	810	658
Public information	1,618	3,775
Repairs and maintenance	8,813	5,847
Salaries and payroll taxes	37,807	36,780
Travel, training and meetings	493	597
Utilities	10,005	9,882
Depreciation	20,646	19,773
Total general and administrative expenses	<u>\$ 247,095</u>	<u>\$ 260,036</u>
NONOPERATING EXPENSES		
County Treasurer's fees	\$ 6,316	\$ 6,330
Loss on abandoned construction in progress	-	26,332
Total nonoperating expenses	<u>\$ 6,316</u>	<u>\$ 32,662</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, 2011

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Water service fees	\$ 528,000	\$ 544,524	\$ 16,524
Sewer service fees	400,000	409,219	9,219
Administrative fees	8,800	9,965	1,165
Connection and inspection charges	10,000	4,500	(5,500)
Miscellaneous income	1,500	12,678	11,178
Property taxes	424,682	420,516	(4,166)
Specific ownership taxes	38,221	28,086	(10,135)
Reimbursements	10,000	1,876	(8,124)
Net investment income	10,000	3,922	(6,078)
Water and sewer tap fees	46,400	68,100	21,700
Water and sewer development fees	44,500	57,700	13,200
Total revenues	<u>1,522,103</u>	<u>1,561,086</u>	<u>38,983</u>
EXPENDITURES			
Direct water and sewer expenditures	1,099,920	906,282	193,638
General and administrative expenditures	257,400	226,449	30,951
County Treasurer's fees	6,370	6,316	54
Capital outlay	1,620,000	227,947	1,392,053
Total expenditures	<u>2,983,690</u>	<u>1,366,994</u>	<u>1,616,696</u>
REVENUES OVER (UNDER)			
EXPENDITURES	(1,461,587)	194,092	1,655,679
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>2,942,106</u>	<u>2,977,289</u>	<u>35,183</u>
FUNDS AVAILABLE - END OF YEAR	<u><u>\$ 1,480,519</u></u>	<u><u>\$ 3,171,381</u></u>	<u><u>\$ 1,690,862</u></u>

Funds available at is computed as follows:

Current assets	\$ 3,579,125
Current liabilities	(407,744)
	<u><u>\$ 3,171,381</u></u>

**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, 2011**

Revenue (budgetary basis)	\$ 1,561,086
Revenues per Statement of Revenues, Expenses and Changes in Fund Net Assets	1,561,086
Expenditures (budgetary basis)	1,366,994
Depreciation	766,223
Capital outlay	(227,947)
Expenses per Statement of Revenues, Expenses and Changes in Fund Net Assets	1,905,270
Change in net assets per Statement of Revenues, Expenses and Changes in Fund Net Assets	\$ (344,184)

**PERRY PARK WATER AND SANITATION DISTRICT
SUMMARY OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
Year Ended December 31, 2011**

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%
2011	\$ 75,646,980	\$ 363,580	5.614	-	\$ 424,682	\$ 420,516	99.02%
Estimated for the year ending December 31, 2012	\$ 62,809,860	\$ 389,580	5.614	-	\$ 352,615		

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