

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

**FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

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Certified Public Accountants and Business Consultants

Independent Auditors' Report

To the 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, 2012 and 2011, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2012 and 2011, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted management's discussion and analysis that 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 basic financial statements. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and legal requirements, and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Wagner Barnett & Griggs, PC

Lakewood, Colorado
July 12, 2013

BASIC FINANCIAL STATEMENTS

PERRY PARK WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
December 31, 2012 and 2011

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents - Unrestricted	\$ 3,107,227	\$ 3,118,019
Cash and cash equivalents - Restricted	11,800	14,000
Accounts receivable, net	95,992	81,705
Receivable - County Treasurer	1,985	1,917
Property taxes receivable	354,467	352,615
Prepaid expenses	12,658	10,869
Total current assets	3,584,129	3,579,125
CAPITAL ASSETS		
Capital assets, not being depreciated	4,732,402	4,457,175
Capital assets, being depreciated	27,189,705	26,955,665
	31,922,107	31,412,840
Less accumulated depreciation	(11,840,127)	(11,068,972)
Total capital assets	20,081,980	20,343,868
TOTAL ASSETS	\$ 23,666,109	\$ 23,922,993
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 61,698	\$ 46,988
Accrued compensated absences	2,628	3,041
Deposits	6,000	5,100
Total current liabilities	70,326	55,129
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue	354,467	352,615
Total deferred inflows of resources	354,467	352,615
NET POSITION		
Investment in capital assets	20,081,980	20,343,868
Restricted for emergencies	11,800	14,000
Unrestricted	3,147,536	3,157,381
Total net position	23,241,316	23,515,249
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 23,666,109	\$ 23,922,993

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 POSITION
Years Ended December 31, 2012 and 2011

	2012	2011
WATER AND SEWER OPERATIONS		
Water and sewer income	\$ 1,132,661	\$ 968,208
Direct water and sewer expenses	(1,704,137)	(1,651,859)
GROSS LOSS FROM OPERATIONS	(571,476)	(683,651)
GENERAL AND ADMINISTRATIVE EXPENSES	(283,616)	(247,095)
OPERATING LOSS	(855,092)	(930,746)
NONOPERATING REVENUES		
Property taxes	352,195	420,516
Specific ownership taxes	27,093	28,086
Net investment income	2,415	3,922
Miscellaneous	9,189	14,554
Total nonoperating revenues	390,892	467,078
NONOPERATING EXPENSES		
County Treasurer's fees	(5,292)	(6,316)
Loss on abandoned construction in progress	-	-
Total nonoperating expenses	(5,292)	(6,316)
INCOME BEFORE CAPITAL CONTRIBUTIONS	(469,492)	(469,984)
CAPITAL CONTRIBUTIONS		
Water and sewer tap and expansion fees	121,250	125,800
Capital improvement fees	74,309	-
Total capital contributions	195,559	125,800
CHANGE IN NET POSITION	(273,933)	(344,184)
NET POSITION - BEGINNING OF YEAR	23,515,249	23,859,433
NET POSITION - END OF YEAR	\$ 23,241,316	\$ 23,515,249

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, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 1,119,274	\$ 975,718
Payments to suppliers	(1,041,013)	(983,565)
Payments to employees and related expenses	(163,077)	(156,049)
Net cash required by operating activities	(84,816)	(163,896)
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property tax collections	352,127	420,937
Specific ownership taxes	27,093	28,086
Reimbursed expenses	-	1,876
Miscellaneous income	9,189	12,678
County Treasurer's fees	(5,292)	(6,316)
Net cash provided by capital financing activities	383,117	457,261
 CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Water and sewer tap and expansion fees	121,250	125,800
Capital improvement fees	74,309	
Acquisition of property, plant and equipment	(509,267)	(227,947)
Net cash required by capital financing activities	(313,708)	(102,147)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	2,415	3,922
Net cash provided by investing activities	2,415	3,922
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(12,992)	195,140
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	3,132,019	2,936,879
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,119,027	\$ 3,132,019
 RECONCILIATION OF OPERATING LOSS TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ (855,092)	\$ (930,746)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	771,155	766,223
Effects of changes in operating assets and liabilities:		
Accounts receivable	(14,287)	6,910
Prepaid expenses	(1,789)	2,479
Accounts payable and accrued expenses	14,710	(10,280)
Accrued compensated absences	(413)	918
Deposits	900	600
Net cash required by operating activities	\$ (84,816)	\$ (163,896)

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, 2012 and 2011

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.

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 and expansion fees, capital improvement fees and contributed assets from developers are recorded as capital contributions when received.

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

PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 30 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. 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

PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and Expansion Fees, Capital Improvement Fees and Capital Contributions

Tap and expansion fees and capital improvement 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.

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, 2012 and 2011 are classified in the accompanying financial statements as follows:

**PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011**

NOTE 3 - CASH DEPOSITS AND INVESTMENTS (continued)

	<u>2012</u>	<u>2011</u>
Cash and Cash Equivalents - Unrestricted	\$ 3,107,227	\$ 3,118,019
Cash and Cash Equivalents - Restricted	11,800	14,000
Total cash and investments	<u>\$ 3,119,027</u>	<u>\$ 3,132,019</u>

Cash and investments as of December 31, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
Deposits with financial institutions	\$ 405,442	\$ 344,160
Investments	<u>2,713,585</u>	<u>2,787,859</u>
Total cash and investments	<u>\$ 3,119,027</u>	<u>\$ 3,132,019</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.

At December 31, 2012 and 2011, the District's cash deposits had a bank balance of \$418,013 and \$369,153, respectively, and a carrying balance of \$405,442 and \$344,160, 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.

**PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011**

NOTE 3 - CASH DEPOSITS AND INVESTMENTS (continued)

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

- . Obligations of the United States 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, 2012 and 2011, the District had the following investments:

Investment	Maturity	<u>2012</u>	<u>2011</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	\$ 111,134	\$ 160,892
Colorado Liquid Asset Trust (COLOTRUST)	Less than one year	<u>2,602,451</u>	<u>2,626,967</u>
		<u><u>\$ 2,713,585</u></u>	<u><u>\$ 2,787,859</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

PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 3 - CASH DEPOSITS AND INVESTMENTS (continued)

assets. The State Securities Commissioner administers and enforces all State statute 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 \$11,800 and \$14,000 are restricted as Emergency Reserves as required by Article X, Section 20 of the Constitution of the State of Colorado at December 31, 2012 and 2011, respectively (see Note 8).

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2012 follows:

	<u>Balance at December 31, 2011</u>	<u>Additions</u>	<u>Disposals/ Retirements</u>	<u>Balance at December 31, 2012</u>
Capital assets, not being depreciated:				
Land	\$ 822,192	\$ -	\$ -	\$ 822,192
Water rights	3,449,349	-	-	3,449,349
Construction in progress	185,634	509,267	234,040	460,861
Total capital assets, not being depreciated	<u>4,457,175</u>	<u>509,267</u>	<u>234,040</u>	<u>4,732,402</u>
Capital assets, being depreciated:				
Water system	15,284,484	7,111	-	15,291,595
Sewer system	10,981,322	226,929	-	11,208,251
Buildings	469,033	-	-	469,033
Equipment and vehicles	220,826	-	-	220,826
Total capital assets being depreciated	<u>26,955,665</u>	<u>234,040</u>	<u>-</u>	<u>27,189,705</u>
Less accumulated depreciation for:				
Water system	5,902,282	437,371	-	6,339,653
Sewer system	4,803,130	320,560	-	5,123,690
Buildings	138,545	13,224	-	151,769
Equipment and vehicles	225,015	-	-	225,015
Total accumulated depreciation	<u>11,068,972</u>	<u>771,155</u>	<u>-</u>	<u>11,840,127</u>
Total capital assets being depreciated, net	<u>15,886,693</u>	<u>(537,115)</u>	<u>-</u>	<u>15,349,578</u>
Total capital assets, net	<u>\$ 20,343,868</u>	<u>\$ (27,848)</u>	<u>\$ 234,040</u>	<u>\$ 20,081,980</u>

**PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011**

NOTE 4 - CAPITAL ASSETS (continued)

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><u>\$ 20,882,144</u></u>	<u><u>\$ (337,352)</u></u>	<u><u>\$ 200,924</u></u>	<u><u>\$ 20,343,868</u></u>

Depreciation expense for the years ended December 31, 2012 and 2011 were charges as follows:

	<u>2012</u>	<u>2011</u>
Water	\$ 437,371	\$ 431,825
Sewer	320,560	313,752
General and administration	13,224	20,646
	<u><u>\$ 771,155</u></u>	<u><u>\$ 766,223</u></u>

NOTE 5 - NET POSITION

The District has net position consisting of three components – net investment in capital assets, restricted and unrestricted.

Net investment 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.

**PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011**

NOTE 5 - NET POSITION (continued)

As of December 31, 2012 and 2011 the District had a net investment in capital assets of \$20,081,980 and \$20,343,868, respectively.

Restricted net position includes amounts 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 position restricted for the Emergencies (see Note 8) of \$11,800 and \$14,000 as of December 31, 2012 and 2011, 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, 2012 and 2011 were \$5,646 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.

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

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

PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011

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

On November 7, 2006, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all revenues it has received in the past and expects to receive 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?

NOTE 9 - NEW GASB STANDARDS

For the year ended December 31, 2012, the District implemented the following GASB Statements:

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* - GASBS No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* - GASBS No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* – GASBS No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Although this Statement is effective for periods beginning after December 15, 2012, the District elected to early implement it in fiscal year 2012 in conjunction with the implementation of GASBS No. 63.

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, 2012 and 2011

	2012	2011
DIRECT WATER AND SEWER EXPENSES		
Salaries and payroll taxes	\$ 81,409	\$ 77,844
Engineering/consultants	31,806	25,168
Outside operations labor	337,992	325,920
Repairs and maintenance	90,582	78,447
Sewage treatment	138,773	142,673
Utilities	205,483	199,659
Water services	59,056	53,053
Reimbursed services provided	1,105	3,518
Depreciation	757,931	745,577
Total direct water and sewer expenses	\$ 1,704,137	\$ 1,651,859
 GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting and audit	\$ 7,945	\$ 8,446
Auto expenditures	4,793	2,927
Directors' fees	5,606	5,800
Dues and subscriptions	10,302	6,347
Election costs	831	-
Employee benefits	36,740	35,516
Insurance	18,666	27,040
Bank charges	5,434	7,328
Legal	92,292	54,638
Miscellaneous	4,865	839
Office expenses	25,446	18,022
Outside services	592	810
Public information	1,639	1,618
Repairs and maintenance	5,318	8,813
Salaries and payroll taxes	38,909	37,807
Travel, training and meetings	707	493
Utilities	10,307	10,005
Depreciation	13,224	20,646
Total general and administrative expenses	\$ 283,616	\$ 247,095
 NONOPERATING EXPENSES		
County Treasurer's fees	\$ 5,292	\$ 6,316
Loss on abandoned construction in progress	-	-
Total nonoperating expenses	\$ 5,292	\$ 6,316

**PERRY PARK WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2012**

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Water service fees	\$ 601,000	\$ 699,319	\$ 98,319
Sewer service fees	400,000	411,309	11,309
Administrative fees	10,000	13,033	3,033
Connection and inspection charges	11,000	9,000	(2,000)
Miscellaneous income	1,500	9,189	7,689
Property taxes	352,615	352,195	(420)
Specific ownership taxes	21,157	27,093	5,936
Reimbursements	10,000	-	(10,000)
Net investment income	5,000	2,415	(2,585)
Water and sewer tap fees	46,400	54,600	8,200
Water and sewer development fees	44,500	66,650	22,150
Capital improvement fees	78,790	74,309	(4,481)
Total revenues	<u>1,581,962</u>	<u>1,719,112</u>	<u>137,150</u>
EXPENDITURES			
Direct water and sewer expenditures	1,101,328	946,206	155,122
General and administrative expenditures	262,500	270,392	(7,892)
County Treasurer's fees	5,289	5,292	(3)
Capital outlay	1,560,000	509,267	1,050,733
Total expenditures	<u>2,929,117</u>	<u>1,731,157</u>	<u>1,197,960</u>
REVENUES OVER (UNDER) EXPENDITURES	(1,347,155)	(12,045)	1,335,110
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>2,799,016</u>	<u>3,171,381</u>	<u>372,365</u>
FUNDS AVAILABLE - END OF YEAR	<u><u>\$ 1,451,861</u></u>	<u><u>\$ 3,159,336</u></u>	<u><u>\$ 1,707,475</u></u>

Funds available at is computed as follows:

Current assets	\$ 3,584,129
Current liabilities	(70,326)
Deferred inflows of resources	(354,467)
	<u><u>\$ 3,159,336</u></u>

**PERRY PARK WATER AND SANITATION DISTRICT
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Year Ended December 31, 2012**

Revenue (budgetary basis)	<u>\$ 1,719,112</u>
Revenues per Statement of Revenues, Expenses and Changes in Fund Net Position	<u>1,719,112</u>
 Expenditures (budgetary basis)	 1,731,157
Depreciation	771,155
Capital outlay	<u>(509,267)</u>
Expenses per Statement of Revenues, Expenses and Changes in Fund Net Position	<u>1,993,045</u>
 Change in net assets per Statement of Revenues, Expenses and Changes in Fund Net Position	 <u><u>\$ (273,933)</u></u>

**PERRY PARK WATER AND SANITATION DISTRICT
SUMMARY OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
Year Ended December 31, 2012**

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	\$ 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%
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%
2012	\$ 62,809,860	\$ 389,580	5.614	-	\$ 352,615	\$ 352,195	99.88%

Estimated for
the year ending
December 31,

2012	\$ 63,139,770	\$ 361,230	5.614	-	\$ 354,467		
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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 year of assessment.