

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

**FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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Certified Public Accountants and Business Consultants

INDEPENDENT AUDITOR'S 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, as of and for the year ended December 31, 2013 and 2012, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, 2013 and 2012, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

I

Wagner Barnes & Griggs, PC

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages III through VII be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information on pages III through VII in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 16, 2014

**PERRY PARK WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2013 and 2012**

Our discussion and analysis of Perry Park Water and Sanitation District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2013 and 2012. Please read it in conjunction with the District's basic financial statements which begin on page 1.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Required statements for proprietary funds are: 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Fund Net Position, and 3) Statement of Cash Flows. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position are prepared using the economic resource measurement focus and the accrual basis of accounting.

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. This statement provides useful information regarding the financial position of the District. Over time, increases and decreases in net position can serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Nonfinancial factors should also be considered to assess the overall financial position of the District.

The *Statement of Revenues, Expenses and Changes in Fund Net Position* reports the changes that have occurred during the year to the District's net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Revenues and expenses are reported for some items that will only result in cash flows in the subsequent years.

The *Statement of Cash Flows*, as its name implies, is concerned solely with flows of cash and cash equivalents. Only transactions that affect the District's cash position are reflected in this statement. Transactions are segregated into four sections on the statement: 1) cash flows from operating activities, 2) cash flows from capital financing activities, 3) cash flows from noncapital financing activities, and 4) cash flows from investing activities.

FINANCIAL SUMMARY AND ANALYSIS

Net Position

2013

As noted earlier, net position may serve as a useful indicator of the District's financial position. As noted in the table below, in 2013 the District's assets exceeded its liabilities and deferred inflows of resources by \$22,895,682. By far the largest component of net position is the District's investment in capital assets of \$19,952,707, which represents 87.2% of total net position. Current assets decreased by \$161,194 or 4.5%, net capital assets decreased by \$129,273 or .6%, and overall assets decreased by \$290,467 or 1.2%. The decrease in current

assets was primarily due to a net operating loss in 2013. Capital assets, net, decreased due to current depreciation exceeding current capital asset additions. See the Capital Asset Administration section below for more information on capital assets. Current liabilities increased from 2012 to 2013 by \$81,544 or 116%, primarily due to ongoing capital projects resulting in higher accounts payable at the end of 2013.

2012

As noted in the table below, in 2012 the District's assets exceeded its liabilities and deferred inflows of resources by \$23,241,316. By far the largest component of net position is the District's investment in capital assets of \$20,081,980, which represents 86.4% of total net position. Current assets remained consistent from 2011 to 2012 increasing by only \$5,004 or .1%, capital assets decreased by \$261,888 or 1.3%, and overall assets decreased by \$256,884 or 1.1%. Capital assets, net, decreased due to current depreciation exceeding current capital asset additions. See the Capital Asset Administration section below for more information on capital assets. Current liabilities remained consistent from 2011 to 2012, increasing by only \$1,852 or .5%.

	NET POSITION		
	December 31,		
	2013	2012	2011
ASSETS			
Current assets	\$ 3,422,935	\$ 3,584,129	\$ 3,579,125
Capital assets, net	19,952,707	20,081,980	20,343,868
Total assets	<u>23,375,642</u>	<u>23,666,109</u>	<u>23,922,993</u>
LIABILITIES			
Current liabilities	151,870	70,326	55,129
Total liabilities	<u>151,870</u>	<u>70,326</u>	<u>55,129</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources	328,090	354,467	352,615
Total deferred inflows of resources	<u>328,090</u>	<u>354,467</u>	<u>352,615</u>
NET POSITION			
Net investment in capital assets	19,952,707	20,081,980	20,343,868
Restricted	11,800	11,800	14,000
Unrestricted	2,931,175	3,147,536	3,157,381
Total net position	<u>\$ 22,895,682</u>	<u>\$ 23,241,316</u>	<u>\$ 23,515,249</u>

Changes in Net Position

2013

As noted in the table below, the District's net position for 2013 decreased by \$345,634. Overall revenue increased by \$103,474, or 6%. Charges for services decreased by \$62,238, or 5.5%, due primarily water service charges which decreased by \$68,534 due to lower water usage in 2013 when compared to 2012. Treated water by the District decreased from 473.20 acre feet in 2012 to 440.58 acre feet in 2013. Capital grants and contributions increased by \$165,251 or 84.5% from 2012 to 2013. This increase was due to an overall increase in water and sewer tap and expansion fees and capital improvement fees. The total number of taps in service at the

end of 2012 was 1348 and at the end of 2013 was 1366. Property taxes, specific ownership taxes, net investment income and miscellaneous income remained consistent from 2012 to 2013.

Direct water and sewer expenses increased by \$187,074, or 11%. An increase in engineering and consultants of \$80,989 made up the largest portion of this increase. Engineering and consultants increased due to additional charges as a result of the changing engineering firms and incurring additional charges during the transition and increased engineering charges due to regulation changes by the Colorado Department of Public Health and Environment. Additionally, water services increased by \$73,985 due to higher repairs and maintenance related to the District's infrastructure. General and administrative expenses and nonoperating expenses remained relatively consistent from 2012 to 2013.

2012

As noted in the table below, the District's net position for 2012 decreased by \$273,933. Overall revenue increased by \$158,026, or 10.1%. Charges for services increased by \$164,453, or 17%, due primarily water service charges which increased by \$154,328 due to higher water usage in 2012 when compared to 2011. Treated water by the District increased from 420.91 acre feet in 2011 to 473.20 acre feet in 2012. Capital grants and contributions increased by \$69,759 or 55.5% from 2011 to 2012. This increase was primarily due to the District implementing a capital improvement fee for 2012, which generated \$74,309 of fees. Water and sewer tap and expansion fees remained relatively consistent from 2011 to 2012. The District did receive \$121,250 of such fees in 2012, which correlates with the increase in the total number of taps in service from 1339 at the end of 2011 to 1348 at the end of 2012. Property and specific ownership taxes decreased by \$69,314 or 15.5%. Property taxes comprised \$68,322 of the decrease due to a decrease in the Districts assessed valuation on which property taxes are levied. The District's mill levy of 5.614 mills was the same for both 2011 and 2012.

Direct water and sewer expenses remained relatively consistent and increased by only \$52,278 or 3.2% from 2011 to 2012. General and administrative expenses increased by \$36,521 or 14.9% from 2011 to 2012. During 2012 legal expenses increased by \$37,654 primarily due to the Pleasant Park Ditch water rights transfer. Nonoperating expenses remained relatively consistent from 2011 to 2012.

CHANGES IN NET POSITION

	Years Ended December 31,		
	2013	2012	2011
REVENUES			
Program revenues:			
Charges for services	\$ 1,070,423	\$ 1,132,661	\$ 968,208
Capital grants and contributions	360,810	195,559	125,800
General revenues:			
Property and specific ownership taxes	382,451	379,288	448,602
Net investment income	1,932	2,415	3,922
Miscellaneous	6,970	9,189	14,554
Total revenues	1,822,586	1,719,112	1,561,086
EXPENSES			
Direct water and sewer	1,891,211	1,704,137	1,651,859
General and administrative	271,708	283,616	247,095
Nonoperating	5,301	5,292	6,316
Total expenses	2,168,220	1,993,045	1,905,270
CHANGE IN NET POSITION	(345,634)	(273,933)	(344,184)
NET POSITION - BEGINNING OF YEAR	23,241,316	23,515,249	23,859,433
NET POSITION - END OF YEAR	\$ 22,895,682	\$ 23,241,316	\$ 23,515,249

BUDGETARY HIGHLIGHTS

During 2013 the District's budget was not amended. The appropriated expenditures were \$2,900,340 and actual expenditures were \$2,038,947, or \$861,393 under budget. This positive variance was primarily due to capital expenditures being budgeted at \$1,505,000 and actual capital expenditures were \$655,886. Budgeted revenue was \$1,671,523 and actual revenue was \$1,822,586, or \$151,063 more than budgeted. This positive variance was due to water and sewer tap fees and water and sewer development fees were \$81,745 and \$76,505, respectively, more than anticipated.

CAPITAL ASSET ADMINISTRATION

Capital Assets

The District's changes in capital assets for the years ended December 31, 2013 and 2012 are as follows:

CAPITAL ASSETS (net of accumulated depreciation)

	<u>2011</u>	<u>Change</u>	<u>2012</u>	<u>Change</u>	<u>2013</u>
Land	\$ 822,192	\$ -	\$ 822,192	\$ -	\$ 822,192
Water rights	3,449,349	-	3,449,349	343,372	3,792,721
Water system	9,382,202	(430,260)	8,951,942	(437,372)	8,514,570
Sewer system	6,178,192	(93,631)	6,084,561	257,762	6,342,323
Buildings	326,299	(13,224)	313,075	(13,226)	299,849
Equipment and vehicles	-	-	-	-	-
Construction in progress	185,634	275,227	460,861	(279,809)	181,052
Total	<u>\$ 20,343,868</u>	<u>\$ (261,888)</u>	<u>\$ 20,081,980</u>	<u>\$ (129,273)</u>	<u>\$ 19,952,707</u>

2013

During 2013 the District spent \$655,886 on capital asset additions. The projects included the finalization of the Red Rock Drive lift station replacement, the Wauconda influent screen, the Country Club sewer main replacement and work was begun on the Glen Grove water treatment plant clear well and Bear Creek weir replacement.

2012

During 2012 the District spent \$509,267, on capital asset additions. The projects included beginning work on the Red Rock Drive lift station, the completion of the Wauconda Rotating Biological Contactor replacement.

Additional information on the District’s capital assets can be found in Note 4 of this report.

ECONOMIC FACTORS NEXT YEAR’S BUDGET AND RATES

For 2014 the District’s water and sewer rates remain the same as 2013. The District levied property taxes at rate of 5.614 mills. Although the mill levy rate remained consistent with 2013, the property tax revenue is expected to decrease by approximately \$24,600 as a result of a 7.4% decrease in the District’s assessed valuation. The District has no outstanding bonds or debt. For 2014, revenues are budgeted at \$1,686,836, expenditures are budgeted at \$2,864,336, including \$1,450,000 of capital expenditures, with the net result being a budgeted decrease in funds available of \$1,177,500. Ending funds available is budgeted to be \$1,842,288 at December 31, 2014.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of Perry Park Water and Sanitation District’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District Manager, 5676 West Red Rock Drive, Larkspur, CO 80118.

BASIC FINANCIAL STATEMENTS

PERRY PARK WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
December 31, 2013 and 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents - Unrestricted	\$ 2,974,415	\$ 3,107,227
Cash and cash equivalents - Restricted	11,800	11,800
Accounts receivable, net	97,597	95,992
Receivable - County Treasurer	2,535	1,985
Property taxes receivable	328,090	354,467
Prepaid expenses	8,498	12,658
Total current assets	3,422,935	3,584,129
CAPITAL ASSETS		
Capital assets, not being depreciated	4,795,965	4,732,402
Capital assets, being depreciated	27,782,028	27,189,705
	32,577,993	31,922,107
Less accumulated depreciation	(12,625,286)	(11,840,127)
Total capital assets	19,952,707	20,081,980
TOTAL ASSETS	\$ 23,375,642	\$ 23,666,109
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 140,596	\$ 61,698
Accrued compensated absences	4,674	2,628
Deposits	6,600	6,000
Total current liabilities	151,870	70,326
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue	328,090	354,467
Total deferred inflows of resources	328,090	354,467
NET POSITION		
Investment in capital assets	19,952,707	20,081,980
Restricted for emergencies	11,800	11,800
Unrestricted	2,931,175	3,147,536
Total net position	22,895,682	23,241,316
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 23,375,642	\$ 23,666,109

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, 2013 and 2012**

	2013	2012
WATER AND SEWER OPERATIONS		
Water and sewer income	\$ 1,070,423	\$ 1,132,661
Direct water and sewer expenses	(1,891,211)	(1,704,137)
GROSS LOSS FROM OPERATIONS	(820,788)	(571,476)
GENERAL AND ADMINISTRATIVE EXPENSES	(271,708)	(283,616)
OPERATING LOSS	(1,092,496)	(855,092)
NONOPERATING REVENUES		
Property taxes	352,742	352,195
Specific ownership taxes	29,709	27,093
Net investment income	1,932	2,415
Miscellaneous	6,970	9,189
Total nonoperating revenues	391,353	390,892
NONOPERATING EXPENSES		
County Treasurer's fees	(5,301)	(5,292)
Total nonoperating expenses	(5,301)	(5,292)
INCOME BEFORE CAPITAL CONTRIBUTIONS	(706,444)	(469,492)
CAPITAL CONTRIBUTIONS		
Water and sewer tap and expansion fees	279,500	121,250
Capital improvement fees	81,310	74,309
Total capital contributions	360,810	195,559
CHANGE IN NET POSITION	(345,634)	(273,933)
NET POSITION - BEGINNING OF YEAR	23,241,316	23,515,249
NET POSITION - END OF YEAR	\$ 22,895,682	\$ 23,241,316

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, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 1,069,418	\$ 1,119,274
Payments to suppliers	(1,194,176)	(1,041,013)
Payments to employees and related expenses	(163,557)	(163,077)
Net cash required by operating activities	(288,315)	(84,816)
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property tax collections	352,192	352,127
Specific ownership taxes	29,709	27,093
Miscellaneous income	6,970	9,189
County Treasurer's fees	(5,301)	(5,292)
Net cash provided by capital financing activities	383,570	383,117
 CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Water and sewer tap and expansion fees	279,500	121,250
Capital improvement fees	81,310	74,309
Acquisition of property, plant and equipment	(590,809)	(509,267)
Net cash required by capital financing activities	(229,999)	(313,708)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,932	2,415
Net cash provided by investing activities	1,932	2,415
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(132,812)	(12,992)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	3,119,027	3,132,019
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,986,215	\$ 3,119,027
 RECONCILIATION OF OPERATING LOSS TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ (1,092,496)	\$ (855,092)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	785,159	771,155
Effects of changes in operating assets and liabilities:		
Accounts receivable	(1,605)	(14,287)
Prepaid expenses	4,160	(1,789)
Accounts payable and accrued expenses	13,821	14,710
Accrued compensated absences	2,046	(413)
Deposits	600	900
Net cash required by operating activities	\$ (288,315)	\$ (84,816)

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, 2013 and 2012

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.

PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

**PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012**

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 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.

**PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications

For comparability, certain 2012 amounts have been reclassified where appropriate to conform with the 2013 financial statement presentation.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2013 and 2012 are classified in the accompanying financial statements as follows:

	<u>2013</u>	<u>2012</u>
Cash and Cash Equivalents - Unrestricted	\$ 2,974,415	\$ 3,107,227
Cash and Cash Equivalents - Restricted	11,800	11,800
Total cash and investments	<u>\$ 2,986,215</u>	<u>\$ 3,119,027</u>

Cash and investments as of December 31, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Deposits with financial institutions	\$ 594,419	\$ 405,442
Investments	2,391,796	2,713,585
Total cash and investments	<u>\$ 2,986,215</u>	<u>\$ 3,119,027</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, 2013 and 2012, the District's cash deposits had a bank balance of \$686,371 and \$418,013, respectively, and a carrying balance of \$594,419 and \$405,442, respectively.

Investments

The District has not adopted a formal investment policy, however, the District follows Colorado State statutes regarding investments.

**PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 3 - CASH DEPOSITS AND INVESTMENTS (continued)

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, 2013 and 2012, the District had the following investments:

Investment	Maturity	2013	2012
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	\$ 111,280	\$ 111,134
Colorado Liquid Asset Trust (COLOTRUST)	Less than one year	2,280,516	2,602,451
		<u>\$ 2,391,796</u>	<u>\$ 2,713,585</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

PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 3 - CASH DEPOSITS AND INVESTMENTS (continued)

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 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 \$11,800 are restricted as Emergency Reserves as required by Article X, Section 20 of the Constitution of the State of Colorado at December 31, 2013 and 2012, respectively (see Note 8).

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**PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2013 follows:

	<u>Balance at December 31, 2012</u>	<u>Additions</u>	<u>Disposals/ Retirements</u>	<u>Balance at December 31, 2013</u>
Capital assets, not being depreciated:				
Land	\$ 822,192	\$ -	\$ -	\$ 822,192
Water rights	3,449,349	343,372	-	3,792,721
Construction in progress	460,861	312,514	592,323	181,052
Total capital assets, not being depreciated	<u>4,732,402</u>	<u>655,886</u>	<u>592,323</u>	<u>4,795,965</u>
Capital assets, being depreciated:				
Water system	15,291,595	-	-	15,291,595
Sewer system	11,208,251	592,323	-	11,800,574
Buildings	469,033	-	-	469,033
Equipment and vehicles	220,826	-	-	220,826
Total capital assets being depreciated	<u>27,189,705</u>	<u>592,323</u>	<u>-</u>	<u>27,782,028</u>
Less accumulated depreciation for:				
Water system	6,339,653	437,372	-	6,777,025
Sewer system	5,123,690	334,561	-	5,458,251
Buildings	155,958	13,226	-	169,184
Equipment and vehicles	220,826	-	-	220,826
Total accumulated depreciation	<u>11,840,127</u>	<u>785,159</u>	<u>-</u>	<u>12,625,286</u>
Total capital assets being depreciated, net	<u>15,349,578</u>	<u>(192,836)</u>	<u>-</u>	<u>15,156,742</u>
Total capital assets, net	<u>\$ 20,081,980</u>	<u>\$ 463,050</u>	<u>\$ 592,323</u>	<u>\$ 19,952,707</u>

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**PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 4 - CAPITAL ASSETS (continued)

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	142,734	13,224	-	155,958
Equipment and vehicles	220,826	-	-	220,826
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>

Depreciation expense for the years ended December 31, 2013 and 2012 were charges as follows:

	<u>2013</u>	<u>2012</u>
Water	\$ 437,372	\$ 437,371
Sewer	334,561	320,560
General and administration	13,226	13,224
	<u>\$ 785,159</u>	<u>\$ 771,155</u>

**PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012**

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. As of December 31, 2013 and 2012 the District had a net investment in capital assets of \$19,952,707 and \$20,081,980, 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 as of both December 31, 2013 and 2012, 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, 2013 and 2012 were \$5,652 and \$5,646, 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, 2013 and 2012**

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, 2013 and 2012

	2013	2012
DIRECT WATER AND SEWER EXPENSES		
Salaries and payroll taxes	\$ 83,207	\$ 81,409
Engineering/consultants	112,795	31,806
Outside operations labor	338,037	337,992
Repairs and maintenance	106,738	90,582
Sewage treatment	134,879	138,773
Utilities	210,581	205,483
Water services	133,041	59,056
Reimbursed services provided	-	1,105
Depreciation	771,933	757,931
Total direct water and sewer expenses	\$ 1,891,211	\$ 1,704,137
 GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting and audit	\$ 9,108	\$ 7,945
Auto expenditures	2,685	4,793
Directors' fees	5,794	5,606
Dues and subscriptions	6,520	10,302
Election costs	-	831
Employee benefits	36,915	36,740
Insurance	19,905	18,666
Bank charges	2,785	5,434
Legal	91,438	92,292
Miscellaneous	1,450	4,865
Office expenses	22,967	25,446
Outside services	936	592
Public information	1,630	1,639
Repairs and maintenance	5,430	5,318
Salaries and payroll taxes	39,687	38,909
Travel, training and meetings	1,063	707
Utilities	10,169	10,307
Depreciation	13,226	13,224
Total general and administrative expenses	\$ 271,708	\$ 283,616
 NONOPERATING EXPENSES		
County Treasurer's fees	\$ 5,301	\$ 5,292
Total nonoperating expenses	\$ 5,301	\$ 5,292

**PERRY PARK WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2013**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES			
Water service fees	\$ 659,700	\$ 630,233	\$ (29,467)
Sewer service fees	404,295	415,526	11,231
Administrative fees	14,243	10,864	(3,379)
Connection and inspection charges	9,000	13,800	4,800
Miscellaneous income	7,000	6,970	(30)
Property taxes	354,467	352,742	(1,725)
Specific ownership taxes	21,268	29,709	8,441
Reimbursements	5,000	-	(5,000)
Net investment income	2,300	1,932	(368)
Water and sewer tap fees	54,600	136,345	81,745
Water and sewer development fees	66,650	143,155	76,505
Capital improvement fees	73,000	81,310	8,310
Total revenues	<u>1,671,523</u>	<u>1,822,586</u>	<u>151,063</u>
EXPENDITURES			
Direct water and sewer expenditures	1,142,828	1,119,278	23,550
General and administrative expenditures	247,195	258,482	(11,287)
County Treasurer's fees	5,317	5,301	16
Capital outlay	1,505,000	655,886	849,114
Total expenditures	<u>2,900,340</u>	<u>2,038,947</u>	<u>861,393</u>
REVENUES OVER (UNDER) EXPENDITURES	(1,228,817)	(216,361)	1,012,456
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>3,024,169</u>	<u>3,159,336</u>	<u>135,167</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 1,795,352</u>	<u>\$ 2,942,975</u>	<u>\$ 1,147,623</u>

Funds available at is computed as follows:

Current assets	\$ 3,422,935
Current liabilities	(151,870)
Deferred inflows of resources	(328,090)
	<u>\$ 2,942,975</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, 2013**

Revenue (budgetary basis)	\$ 1,822,586
Revenues per Statement of Revenues, Expenses and Changes in Fund Net Position	1,822,586
Expenditures (budgetary basis)	2,038,947
Depreciation	785,159
Capital outlay	(655,886)
Expenses per Statement of Revenues, Expenses and Changes in Fund Net Position	2,168,220
Change in net assets per Statement of Revenues, Expenses and Changes in Fund Net Position	\$ (345,634)

**PERRY PARK WATER AND SANITATION DISTRICT
SUMMARY OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
Year Ended December 31, 2013**

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%
2013	\$ 63,139,770	\$ 361,230	5.614	-	\$ 354,467	\$ 352,742	99.51%
Estimated for the year ending December 31, 2014	\$ 58,441,420	\$ 370,760	5.614	-	\$ 328,090		

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.