

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

**FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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Certified Public Accountants and Business Consultants

INDEPENDENT AUDITOR'S 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, 2014 and 2013, 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 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 respective financial position of Perry Park Water and Sanitation District, as of December 31, 2014 and 2013, 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.

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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 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.

Other 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.



Lakewood, Colorado
July 26, 2015

**PERRY PARK WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2014 and 2013**

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, 2014 and 2013. 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

2014

As noted earlier, net position may serve as a useful indicator of the District's financial position. As noted in the table below, in 2014 the District's assets exceeded its liabilities and deferred inflows of resources by \$22,543,407. By far the largest component of net position is the District's investment in capital assets of \$19,754,625, which represents 87.6% of total net position. Current assets decreased by \$103,608 or 3.0%, net capital assets decreased by \$198,802 or 1.0%, and overall assets decreased by \$301,690 or 1.3%. The decrease in current assets was primarily due to a net operating loss in 2014. Capital assets, net, decreased due to

**PERRY PARK WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2014 and 2013**

current depreciation exceeding current capital asset additions. See the Capital Asset Administration section below for more information on capital assets. Current liabilities increased from 2013 to 2014 by \$51,344 or 33.8%, primarily due to ongoing capital projects resulting in higher accounts payable at the end of 2014.

2013

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.

NET POSITION			
December 31,			
	2014	2013	2012
ASSETS			
Current assets	\$ 3,319,327	\$ 3,422,935	\$ 3,584,129
Capital assets, net	19,754,625	19,952,707	20,081,980
Total assets	23,073,952	23,375,642	23,666,109
LIABILITIES			
Current liabilities	203,214	151,870	70,326
Total liabilities	203,214	151,870	70,326
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources	327,331	328,090	354,467
Total deferred inflows of resources	327,331	328,090	354,467
NET POSITION			
Net investment in capital assets	19,754,625	19,952,707	20,081,980
Restricted	11,200	11,800	11,800
Unrestricted	2,777,582	2,931,175	3,147,536
Total net position	\$ 22,543,407	\$ 22,895,682	\$ 23,241,316

Changes in Net Position

2014

As noted in the table below, the District's net position for 2014 decreased by \$352,275. Overall revenue decreased by \$167,735, or 9.2%. Charges for services decreased by \$35,795, or 3.3%, due primarily water service charges which decreased by \$41,290 due to lower water usage in 2014 when compared to 2013. Treated water by the District decreased from 440.58

**PERRY PARK WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2014 and 2013**

acre feet in 2013 to 403.43 acre feet in 2014. Capital grants and contributions decreased by \$125,812 or 34.9% from 2013 to 2014. This decrease was due to an overall decrease in water and sewer tap and expansion fees and capital improvement fees. The total number of taps in service at the end of 2013 was 1366 and at the end of 2014 was 1380. Property taxes decreased from 2013 to 2014, due a 7.4% decrease in the assessed valuation. Miscellaneous income increased by \$21,264 due to the sale of a skid loader owned by the District for \$13,000 and the collection of a capital credit refund of \$11,050 from IREA, the District's electricity provider.

Direct water and sewer expenses decreased by \$123,031, or 6.5%, from 2013 to 2014. A decrease in unscheduled emergency repairs of \$99,227 made up the largest portion of this decrease. General and administrative expenses decreased by \$37,668, or 13.7%, from 2013 to 2014. This decrease was primarily due to a decrease in legal fees by \$46,447. Nonoperating expenses remained relatively consistent from 2013 to 2014.

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.

**PERRY PARK WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2014 and 2013**

CHANGES IN NET POSITION

	Years Ended December 31,		
	2014	2013	2012
REVENUES			
Program revenues:			
Charges for services	\$ 1,034,628	\$ 1,070,423	\$ 1,132,661
Capital grants and contributions	234,998	360,810	195,559
General revenues:			
Property and specific ownership taxes	356,045	382,451	379,288
Net investment income	946	1,932	2,415
Miscellaneous	28,234	6,970	9,189
Total revenues	<u>1,654,851</u>	<u>1,822,586</u>	<u>1,719,112</u>
EXPENSES			
Direct water and sewer	1,768,180	1,891,211	1,704,137
General and administrative	234,040	271,708	283,616
Nonoperating	4,906	5,301	5,292
Total expenses	<u>2,007,126</u>	<u>2,168,220</u>	<u>1,993,045</u>
CHANGE IN NET POSITION	<u>(352,275)</u>	<u>(345,634)</u>	<u>(273,933)</u>
NET POSITION - BEGINNING OF YEAR	<u>22,895,682</u>	<u>23,241,316</u>	<u>23,515,249</u>
NET POSITION - END OF YEAR	<u><u>\$ 22,543,407</u></u>	<u><u>\$ 22,895,682</u></u>	<u><u>\$ 23,241,316</u></u>

BUDGETARY HIGHLIGHTS

During 2014 the District's budget was not amended. The appropriated expenditures were \$2,864,336 and actual expenditures were \$1,809,044, or \$1,055,292 under budget. This positive variance was primarily due to capital expenditures being budgeted at \$1,450,000 and actual capital expenditures were \$549,331. Budgeted revenue was \$1,686,836 and actual revenue was \$1,654,851, or \$31,985 less than budgeted. This negative variance was due to various individual variances as noted in more detail on page 15 of the financial statements.

CAPITAL ASSET ADMINISTRATION

Capital Assets

The District's changes in capital assets for the years ended December 31, 2014 and 2013 are as follows:

**PERRY PARK WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2014 and 2013**

CAPITAL ASSETS (net of accumulated depreciation)

	<u>2012</u>	<u>Change</u>	<u>2013</u>	<u>Change</u>	<u>2014</u>
Land	\$ 822,192	\$ -	\$ 822,192	\$ 10,675	\$ 832,867
Water rights	3,449,349	343,372	3,792,721	-	3,792,721
Water system	8,951,942	(437,372)	8,514,570	107,249	8,621,819
Sewer system	6,084,561	257,762	6,342,323	(284,291)	6,058,032
Buildings	313,075	(13,226)	299,849	(13,224)	286,625
Equipment and vehicles	-	-	-	-	-
Construction in progress	460,861	(279,809)	181,052	(18,491)	162,561
Total	<u>\$ 20,081,980</u>	<u>\$ (129,273)</u>	<u>\$ 19,952,707</u>	<u>\$ (198,082)</u>	<u>\$ 19,754,625</u>

2014

During 2014 the District spent \$549,331 on capital asset additions. The projects included the Wauconda Mechanical Influent screen addition, D-4 Well rehabilitation, A-2 Well rehabilitation, Glen Grove Renewable Water Treatment Plant Clear Well Installation, and the Bear Creek weir replacement.

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.

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 2015 the District's water and sewer rates currently remain the same as 2014, however consideration is currently underway to increase the rates in 2015. The District levied property taxes at rate of 5.614 mills. Although the mill levy rate remained consistent with 2014, the property tax revenue is expected to decrease slightly as a result of a decrease in the District's assessed valuation. The District has no outstanding bonds or debt. For 2015, revenues are budgeted at \$1,690,031, expenditures are budgeted at \$3,587,431, including \$2,110,000 of capital expenditures, with the net result being a budgeted decrease in funds available of \$1,897,400. Ending funds available is budgeted to be \$729,065 at December 31, 2015.

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, 2014 and 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents - Unrestricted	\$ 2,877,801	\$ 2,974,415
Cash and cash equivalents - Restricted	11,200	11,800
Accounts receivable, net	93,534	97,597
Receivable - County Treasurer	2,633	2,535
Property taxes receivable	327,331	328,090
Prepaid expenses	6,828	8,498
Total current assets	3,319,327	3,422,935
CAPITAL ASSETS		
Capital assets, not being depreciated	4,788,149	4,795,965
Capital assets, being depreciated	28,339,175	27,782,028
	33,127,324	32,577,993
Less accumulated depreciation	(13,372,699)	(12,625,286)
Total capital assets	19,754,625	19,952,707
TOTAL ASSETS	\$ 23,073,952	\$ 23,375,642
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 188,880	\$ 140,596
Accrued compensated absences	5,384	4,674
Deposits	8,950	6,600
Total current liabilities	203,214	151,870
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue	327,331	328,090
Total deferred inflows of resources	327,331	328,090
NET POSITION		
Investment in capital assets	19,754,625	19,952,707
Restricted for emergencies	11,200	11,800
Unrestricted	2,777,582	2,931,175
Total net position	22,543,407	22,895,682
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 23,073,952	\$ 23,375,642

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, 2014 and 2013**

	2014	2013
WATER AND SEWER OPERATIONS		
Water and sewer income	\$ 1,034,628	\$ 1,070,423
Direct water and sewer expenses	(1,768,180)	(1,891,211)
GROSS LOSS FROM OPERATIONS	(733,552)	(820,788)
GENERAL AND ADMINISTRATIVE EXPENSES	(234,040)	(271,708)
OPERATING LOSS	(967,592)	(1,092,496)
NONOPERATING REVENUES		
Property taxes	326,653	352,742
Specific ownership taxes	29,392	29,709
Net investment income	946	1,932
Miscellaneous	28,234	6,970
Total nonoperating revenues	385,225	391,353
NONOPERATING EXPENSES		
County Treasurer's fees	(4,906)	(5,301)
Total nonoperating expenses	(4,906)	(5,301)
INCOME BEFORE CAPITAL CONTRIBUTIONS	(587,273)	(706,444)
CAPITAL CONTRIBUTIONS		
Water and sewer tap and expansion fees	152,600	279,500
Capital improvement fees	82,398	81,310
Total capital contributions	234,998	360,810
CHANGE IN NET POSITION	(352,275)	(345,634)
NET POSITION - BEGINNING OF YEAR	22,895,682	23,241,316
NET POSITION - END OF YEAR	\$ 22,543,407	\$ 22,895,682

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, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 1,041,041	\$ 1,069,418
Payments to suppliers	(1,063,419)	(1,194,176)
Payments to employees and related expenses	(179,712)	(163,557)
Net cash required by operating activities	(202,090)	(288,315)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property tax collections	326,653	352,192
Specific ownership taxes	29,294	29,709
Miscellaneous income	28,234	6,970
County Treasurer's fees	(4,906)	(5,301)
Net cash provided by capital financing activities	379,275	383,570
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Water and sewer tap and expansion fees	152,600	279,500
Capital improvement fees	82,398	81,310
Acquisition of property, plant and equipment	(510,343)	(590,809)
Net cash required by capital financing activities	(275,345)	(229,999)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	946	1,932
Net cash provided by investing activities	946	1,932
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(97,214)	(132,812)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,986,215	3,119,027
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,889,001	\$ 2,986,215
RECONCILIATION OF OPERATING LOSS TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ (967,592)	\$ (1,092,496)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	747,413	785,159
Effects of changes in operating assets and liabilities:		
Accounts receivable	4,063	(1,605)
Prepaid expenses	1,670	4,160
Accounts payable and accrued expenses	9,296	13,821
Accrued compensated absences	710	2,046
Deposits	2,350	600
Net cash required by operating activities	\$ (202,090)	\$ (288,315)

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, 2014 and 2013

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, 2014 and 2013

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 inflows of resources 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, 2014 and 2013**

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, 2014 and 2013**

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2014 and 2013 are classified in the accompanying financial statements as follows:

	<u>2014</u>	<u>2013</u>
Cash and Cash Equivalents - Unrestricted	\$ 2,877,801	\$ 2,974,415
Cash and Cash Equivalents - Restricted	11,200	11,800
Total cash and investments	<u>\$ 2,889,001</u>	<u>\$ 2,986,215</u>

Cash and investments as of December 31, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
Deposits with financial institutions	\$ 395,484	\$ 594,419
Investments	2,493,517	2,391,796
Total cash and investments	<u>\$ 2,889,001</u>	<u>\$ 2,986,215</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, 2014 and 2013, the District's cash deposits had a bank balance of \$410,743 and \$686,371, respectively, and a carrying balance of \$395,484 and \$594,419, 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.

**PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 3 - CASH DEPOSITS AND INVESTMENTS (continued)

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, 2014 and 2013, the District had the following investments:

Investment	Maturity	2014	2013
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	\$ 111,406	\$ 111,280
Colorado Liquid Asset Trust (COLOTRUST)	Less than one year	2,382,111	2,280,516
		<u>\$ 2,493,517</u>	<u>\$ 2,391,796</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 designate 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.

PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 3 - CASH DEPOSITS AND INVESTMENTS (continued)

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 \$11,200 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, 2014 and 2013, respectively (see Note 8).

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**PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2014 follows:

	<u>Balance at December 31, 2013</u>	<u>Additions</u>	<u>Disposals/ Retirements</u>	<u>Balance at December 31, 2014</u>
Capital assets, not being depreciated:				
Land	\$ 822,192	\$ 10,675	\$ -	\$ 832,867
Water rights	3,792,721	-	-	3,792,721
Construction in progress	181,052	549,331	567,822	162,561
Total capital assets, not being depreciated	<u>4,795,965</u>	<u>560,006</u>	<u>567,822</u>	<u>4,788,149</u>
Capital assets, being depreciated:				
Water system	15,291,595	545,357	-	15,836,952
Sewer system	11,800,574	11,790	-	11,812,364
Buildings	469,033	-	-	469,033
Equipment and vehicles	220,826	-	-	220,826
Total capital assets being depreciated	<u>27,782,028</u>	<u>557,147</u>	<u>-</u>	<u>28,339,175</u>
Less accumulated depreciation for:				
Water system	6,777,025	438,108	-	7,215,133
Sewer system	5,458,251	296,081	-	5,754,332
Buildings	169,184	13,224	-	182,408
Equipment and vehicles	220,826	-	-	220,826
Total accumulated depreciation	<u>12,625,286</u>	<u>747,413</u>	<u>-</u>	<u>13,372,699</u>
Total capital assets being depreciated, net	<u>15,156,742</u>	<u>(190,266)</u>	<u>-</u>	<u>14,966,476</u>
Total capital assets, net	<u><u>\$ 19,952,707</u></u>	<u><u>\$ 369,740</u></u>	<u><u>\$ 567,822</u></u>	<u><u>\$ 19,754,625</u></u>

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**PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 4 - CAPITAL ASSETS (continued)

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>

Depreciation expense for the years ended December 31, 2014 and 2013 were charges as follows:

	<u>2014</u>	<u>2013</u>
Water	\$ 438,108	\$ 437,372
Sewer	296,081	334,561
General and administration	13,224	13,226
	<u>\$ 747,413</u>	<u>\$ 785,159</u>

**PERRY PARK WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014 and 2013**

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, 2014 and 2013 the District had a net investment in capital assets of \$19,754,625 and \$19,952,707, 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 \$11,200 and \$11,800 as of December 31, 2014 and 2013, 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, 2014 and 2013 were \$6,185 and \$5,652, 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. There were no significant changes in insurance coverage from the prior year and the amount of claims have not exceeded coverage for the last three years.

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, 2014 and 2013

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, 2014 and 2013

	2014	2013
DIRECT WATER AND SEWER EXPENSES		
Salaries and payroll taxes	\$ 93,638	\$ 83,207
Engineering/consultants	92,766	112,795
Outside operations labor	354,204	338,037
Repairs and maintenance	7,511	106,738
Sewage treatment	127,180	134,879
Utilities	202,609	210,581
Water services	156,083	133,041
Depreciation	734,189	771,933
Total direct water and sewer expenses	\$ 1,768,180	\$ 1,891,211
GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting and audit	\$ 8,527	\$ 9,108
Auto expenditures	2,534	2,685
Contract labor	4,078	-
Directors' fees	6,200	5,794
Dues and subscriptions	5,796	6,520
Election costs	556	-
Employee benefits	37,861	36,915
Insurance	21,160	19,905
Bank charges	2,868	2,785
Legal	44,991	91,438
Miscellaneous	2,623	1,450
Office expenses	19,481	22,967
Outside services	768	936
Public information	1,976	1,630
Repairs and maintenance	7,423	5,430
Salaries and payroll taxes	42,723	39,687
Travel, training and meetings	77	1,063
Utilities	11,174	10,169
Depreciation	13,224	13,226
Total general and administrative expenses	\$ 234,040	\$ 271,708
NONOPERATING EXPENSES		
County Treasurer's fees	\$ 4,906	\$ 5,301
Total nonoperating expenses	\$ 4,906	\$ 5,301

**PERRY PARK WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2014**

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Water service fees	\$ 657,000	\$ 588,943	\$ (68,057)
Sewer service fees	400,000	421,440	21,440
Administrative fees	11,500	10,895	(605)
Connection and inspection charges	10,000	13,350	3,350
Miscellaneous income	7,000	28,234	21,234
Property taxes	328,100	326,653	(1,447)
Specific ownership taxes	19,686	29,392	9,706
Reimbursements	5,000	-	(5,000)
Net investment income	3,000	946	(2,054)
Water and sewer tap fees	104,400	66,236	(38,164)
Water and sewer development fees	66,650	86,364	19,714
Capital improvement fees	74,500	82,398	7,898
Total revenues	<u>1,686,836</u>	<u>1,654,851</u>	<u>(31,985)</u>
EXPENDITURES			
Direct water and sewer expenditures	1,118,714	1,033,991	84,723
General and administrative expenditures	290,700	220,816	69,884
County Treasurer's fees	4,922	4,906	16
Capital outlay	1,450,000	549,331	900,669
Total expenditures	<u>2,864,336</u>	<u>1,809,044</u>	<u>1,055,292</u>
REVENUES OVER (UNDER) EXPENDITURES	(1,177,500)	(154,193)	1,023,307
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>3,019,788</u>	<u>2,942,975</u>	<u>(76,813)</u>
FUNDS AVAILABLE - END OF YEAR	<u><u>\$ 1,842,288</u></u>	<u><u>\$ 2,788,782</u></u>	<u><u>\$ 946,494</u></u>

Funds available at is computed as follows:

Current assets	\$ 3,319,327
Current liabilities	(203,214)
Deferred inflows of resources	(327,331)
	<u><u>\$ 2,788,782</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, 2014**

Revenue (budgetary basis)	\$ 1,654,851
Revenues per Statement of Revenues, Expenses and Changes in Fund Net Position	1,654,851
Expenditures (budgetary basis)	1,809,044
Depreciation	747,413
Capital outlay	(549,331)
Expenses per Statement of Revenues, Expenses and Changes in Fund Net Position	2,007,126
Change in net assets per Statement of Revenues, Expenses and Changes in Fund Net Position	\$ (352,275)

**PERRY PARK WATER AND SANITATION DISTRICT
SUMMARY OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
Year Ended December 31, 2014**

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%
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%
2014	\$ 58,441,420	\$ 370,760	5.614	-	\$ 328,090	\$ 326,653	99.56%
Estimated for the year ending December 31, 2015	\$ 58,306,220	\$ 349,830	5.614	-	\$ 327,331		

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.

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