

**ROXBOROUGH WATER AND
SANITATION DISTRICT
FINANCIAL STATEMENTS
December 31, 2011**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Roxborough Water and Sanitation District
Littleton, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the Roxborough Water and Sanitation District as of and for the year ended December 31, 2011, which collectively comprise the basic financial statements of the Roxborough Water and Sanitation District, as listed in the table of contents. These financial statements are the responsibility of the Roxborough Water and Sanitation District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Roxborough Water and Sanitation District as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the District adopted the provisions of GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i through vii and 21 through 22 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 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

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Roxborough Water and Sanitation District

April 18, 2012

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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 Roxborough Water and Sanitation District's financial statements as a whole. The individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

April 18, 2012

Payette & Adams, LLC

Management's Discussion and Analysis

As management of the Roxborough Water & Sanitation District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2011.

Financial Highlights

- Assets exceeded liabilities by \$59,663,025 at the close of the fiscal year. Of this amount, \$22,363,395 is unrestricted and available to meet ongoing and future obligations of the District.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$6,896,451.
- Total net assets increased by \$1,417,424.
- Total cash and investments decreased by \$1,106,472 as compared to the prior year.
- General fund expenditures decreased by \$28,187 as compared to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 491,704 or 177.99% of total general fund expenditures.
- Total debt decreased by \$385,000 or 4.91% during the current fiscal year. The reason for this decrease was the scheduled payment of principal on long-term debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the District that are principally to be supported by ad valorem taxes (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include the financing, construction of, and maintenance of public infrastructure improvements constructed or

acquired by the District. The business-type activities of the District include water and sewer facilities construction, maintenance and operations.

The government-wide financial statements can be found on pages 1-2 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories – Governmental Funds and Proprietary Funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The governmental funds use the modified accrual basis of accounting. During the year ended December 31, 2011, the District implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for each of the funds - general fund and debt service fund - all of which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 3-5 of this report.

Proprietary Funds. The District maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses enterprise funds to account for its water and sewer operations. These services are reported as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations, which are considered to be major funds of the District.

The proprietary fund financial statements can be found on pages 6-9 of this report.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 10-20 of this report.

Required Supplementary Information. The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement for this fund has been provided as required supplementary information to demonstrate compliance with this budget. The general fund budget statements and notes are found on pages 21-22 of this report.

Other information. The report includes individual fund schedules. A budgetary comparison statement has been provided in this section for the debt service fund, the water fund and the sewer fund to demonstrate compliance with these budgets. The budget statements are found on pages 23 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The District's assets exceeded liabilities by \$59,663,025 at the close of the most recent fiscal year. Of this amount \$22,363,395 is unrestricted and is available to meet the District's ongoing financial obligations.

Statement of Net Assets

	2011			2010		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current Assets	\$ 8,576,212	\$ 22,173,523	\$ 30,749,735	\$ 8,260,002	\$ 23,300,853	\$ 31,560,855
Other Assets	62,491	-	62,491	66,954	-	66,954
Capital Assets, net	1,844	39,111,201	39,113,045	3,090	36,902,638	36,905,728
Total Assets	<u>8,640,547</u>	<u>61,284,724</u>	<u>69,925,271</u>	<u>8,330,046</u>	<u>60,203,491</u>	<u>68,533,537</u>
Current Liabilities	2,194,313	571,024	2,765,337	2,606,273	375,085	2,981,358
Long-Term Obligations	<u>7,395,497</u>	<u>101,412</u>	<u>7,496,909</u>	<u>7,813,008</u>	<u>85,960</u>	<u>7,898,968</u>
Total Liabilities	9,589,810	672,436	10,262,246	10,419,281	461,045	10,880,326
Net Assets Invested in Capital						
Assets, Net of Debt	(8,208,493)	39,111,201	30,902,708	(8,208,493)	36,902,638	28,694,145
Restricted Net Assets	6,396,922	-	6,396,922	6,920,696	-	6,920,696
Unrestricted Net Assets	<u>862,308</u>	<u>21,501,087</u>	<u>22,363,395</u>	<u>(801,438)</u>	<u>23,432,198</u>	<u>22,630,760</u>
Total Net Assets	<u>\$ (949,263)</u>	<u>\$ 60,612,288</u>	<u>\$ 59,663,025</u>	<u>\$ (2,089,235)</u>	<u>\$ 60,334,836</u>	<u>\$ 58,245,601</u>
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenue						
Program Revenue						
Charges for Services	\$ -	\$ 4,774,225	\$ 4,774,225	\$ -	\$ 4,742,198	\$ 4,742,198
Operating Grants and Contributions	-	70,158	70,158	-	123,071	123,071
Capital Grants and Contributions	-	577,459	577,459	-	864,589	864,589
General Revenue						
Property Taxes	1,954,993	-	1,954,993	1,979,343	-	1,979,343
Specific Ownership Taxes	165,987	-	165,987	126,278	-	126,278
Investment Income	12,729	70,965	83,694	15,476	78,324	93,800
Other	-	-	-	46	-	46
Total Revenue	<u>2,133,709</u>	<u>5,492,807</u>	<u>7,626,516</u>	<u>2,121,143</u>	<u>5,808,182</u>	<u>7,929,325</u>
Expenses						
General Government	298,616	-	298,616	424,981	-	424,981
Interest on Long-Term Debt	270,861	-	270,861	390,876	-	390,876
Water/Sewer Facilities	-	5,639,615	5,639,615	-	5,909,768	5,909,768
Total Expenses	<u>569,477</u>	<u>5,639,615</u>	<u>6,209,092</u>	<u>815,857</u>	<u>5,909,768</u>	<u>6,725,625</u>
Excess	1,564,232	(146,808)	1,417,424	1,305,286	(101,586)	1,203,700
Transfers	<u>(424,260)</u>	<u>424,260</u>	<u>-</u>	<u>(346,929)</u>	<u>346,929</u>	<u>-</u>
Change in Net Assets	1,139,972	277,452	1,417,424	958,357	245,343	1,203,700
Net Assets - Beginning	<u>(2,089,235)</u>	<u>60,334,836</u>	<u>58,245,601</u>	<u>(3,047,592)</u>	<u>60,089,493</u>	<u>57,041,901</u>
Net Assets - Ending	<u>\$ (949,263)</u>	<u>\$ 60,612,288</u>	<u>\$ 59,663,025</u>	<u>\$ (2,089,235)</u>	<u>\$ 60,334,836</u>	<u>\$ 58,245,601</u>

Governmental activities. Governmental activities increased the District's net assets by \$1,139,972, several highlights are as follows:

- Property taxes decreased \$24,350 (1.23%) over the prior year.
- Specific ownership taxes increased \$39,709.
- General Government expenses decreased by \$126,365 this year.

Business-type activities. Business-type activities increased the District's net assets by \$277,452, mainly due to the contribution of water and sewer facilities. Some of the key elements of the change in net assets are as follows:

- Service charges increased \$32,027 (0.68%) over prior year.
- Investment income decreased \$10,106 due to decreasing interest rates.
- Total operating expenses are decreased \$270,153 as a result of an increase in depreciation \$63,273, and a decrease in operations expenses \$(385,005), and an increase in personnel expenses of \$51,579.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$6,896,451, of which \$491,704 constitutes unassigned fund balance, which is available for spending at the government's discretion within the parameters established for each fund.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$491,704 out of a total fund balance of \$545,029. In compliance with an amendment to the State Constitution, Article X, Section 20, the district has established an emergency reserve representing 3% of qualifying expenditures. At December 31, 2011, the emergency reserve was \$45,500.

The debt service fund has a total fund balance of \$6,351,422, all of which is restricted for the repayment of long-term indebtedness. The long term loans payable as of December 31, 2011 is \$ 7,450,000.

On November 1, 2011 the district voted in favor of Ballot Issue 5A. This positive vote authorizes the district debt to be increased by a total of \$ 6,500,000 for the purpose of being the repayment of loans advanced from the district's water fund to the district's sewer fund to finance a portion of the costs of improvements to the district's sanitary sewer collection and transmission system. This debt is to be repaid from the district's current property tax fund balance established

by the district pursuant to voter authorization obtained at the November 2002 election and without future increases in the annual taxes authorized by the November 2002 election.

Proprietary funds. The District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the proprietary fund at the end of the year amounted to \$21,501,087. The total net assets of the District's proprietary funds as of December 31, 2011 are \$60,612,288. Other factors concerning the finances of this fund have already been addressed in the discussion of the District's business-type activities.

General Fund Budgetary Highlights

The District's total expenditures for 2011 did not exceed the final budgeted appropriation. The difference between the original and final budgeted revenue of \$894,657 and the actual revenue of \$896,307 was \$1,650. The difference between the original budgeted expenditures of \$935,160 and the actual expenditures of \$816,261 was \$118,899.

Capital Assets

The District has invested \$39,111,201 in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of the year ended December 31, 2011. This investment in capital assets includes water and sewer facilities, water rights and vehicles and equipment. Most notably were the upgrade to the water and sewer collection and distributions in the Pulte neighborhood.

Additional information on the District's capital assets can be found in note 4 beginning on page 16 of this report.

Long-Term Debt

At the end of the current fiscal year, the District had total outstanding long-term debt of \$7,790,497. Accrued compensated absences accounts for \$16,091 of this amount. The remaining \$7,774,406 is related to the District's 2005 Clean Water Revenue Bonds through the Colorado Water Resources and Power Development Authority (2005 CWRPDA) which are due annually through 2026 and pay interest rates of 3.35% semi-annually on February 1 and August 1.

Additional information on the District's long-term debt can be found in note 5 beginning on page 17 of this report.

Next Year's Budgets and Rates

Government funds. The 2012 budget reflects a considerable decrease in property tax revenue of \$413,031 as a result of decreased assessed valuations and the districts mill levy. This is a 19.74% decrease. The total assessed value for 2012 is \$ 126,621,550 down from \$142,287,691 in 2011. The total mill levy in 2012 is 13.2658 mills, decreased from 14.708 mills in 2011. General fund expenditures are expected to increase due to natural growth of the District. The district did include a Capital Projects fund budget for 2012 of \$23,000,000.

Proprietary funds. Water and sewer sales are expected to increase slightly over 2011 as a result of some growth and potential rate increase. Expenditures are expected to increase slightly also. The District is anticipating an additional rate increase from the City of Aurora, which is the District's water source, and also from the City of Littleton, which is the District's wastewater treatment provider.

Capital Projects. The District completed water and sewer enhancements including pipeline replacements in the Pulte neighborhood due to expansive and corrosive soils. The district also completed pump station refurbishments, the addition of backup power generation for improved reliability of water delivery which started in 2010, and an electrical surge protection project at the district's water treatment plant was also accomplished in 2011.

Requests for Information

This financial report is designed to provide a general overview of the Roxborough Water & 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: Roxborough Water & Sanitation District, 6222 N. Roxborough Park Road, Littleton, CO 80125.

BASIC FINANCIAL STATEMENTS

ROXBOROUGH WATER AND SANITATION DISTRICT
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Totals</u>	
			<u>2011</u>	<u>2010</u>
<u>Assets</u>				
Cash and investments	\$ 6,878,080	\$ 21,521,348	\$ 28,399,428	\$ 29,505,900
Accounts receivable	10,546	620,873	631,419	600,458
Property taxes receivable	1,679,761	0	1,679,761	1,995,239
Prepaid expenses	7,825	31,302	39,127	51,648
Debt issuance costs, net of accumulated amortization	62,491	0	62,491	66,954
Capital assets, net of accumulated depreciation	<u>1,844</u>	<u>39,111,201</u>	<u>39,113,045</u>	<u>36,905,728</u>
Total Assets	<u>8,640,547</u>	<u>61,284,724</u>	<u>69,925,271</u>	<u>69,125,927</u>
<u>Liabilities</u>				
Accounts payable	0	172,855	172,855	124,984
Deposits	0	25,996	25,996	25,996
Property tax abatement	0	0	0	47,962
Deferred property taxes	1,679,761	0	1,679,761	1,995,238
Unearned revenue	0	263,267	263,267	268,133
Accrued interest payable	119,552	0	119,552	124,602
Retainage payable	0	108,906	108,906	9,443
Non current liabilities				
Due within one year	395,000	0	395,000	385,000
Due in more than one year	<u>7,395,497</u>	<u>101,412</u>	<u>7,496,909</u>	<u>7,898,968</u>
Total Liabilities	<u>9,589,810</u>	<u>672,436</u>	<u>10,262,246</u>	<u>10,880,326</u>
<u>Net Assets</u>				
Invested in capital assets net of related debt	(8,208,493)	39,111,201	30,902,708	28,694,145
Restricted for debt service	6,351,422	0	6,351,422	5,698,348
Restricted for emergencies	45,500	0	45,500	35,000
Unrestricted	<u>862,308</u>	<u>21,501,087</u>	<u>22,363,395</u>	<u>23,818,108</u>
Total Net Assets	<u>\$ (949,263)</u>	<u>\$ 60,612,288</u>	<u>\$ 59,663,025</u>	<u>\$ 58,245,601</u>

The accompanying notes are an integral part of these financial statements.

ROXBOROUGH WATER AND SANITATION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<u>Function/Programs</u>				
Primary Government				
Governmental Activities				
General Government	\$ 298,616	\$ 0	\$ 0	\$ 0
Interest on long-term debt	<u>270,861</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Governmental Activities	<u>569,477</u>	<u>0</u>	<u>0</u>	<u>0</u>
Business-Type Activities				
Water	3,035,134	2,876,613	58,036	460,302
Sewer	<u>2,604,481</u>	<u>1,897,612</u>	<u>12,122</u>	<u>117,157</u>
Total Business-Type activities	<u>5,639,615</u>	<u>4,774,225</u>	<u>70,158</u>	<u>577,459</u>
Total Primary Government	<u>\$ 6,209,092</u>	<u>\$ 4,774,225</u>	<u>\$ 70,158</u>	<u>\$ 577,459</u>

General Revenues
Property taxes
Specific ownership taxes
Investment income
Miscellaneous
Transfers

Total General Revenues and
Transfers

Change in net assets

Net Assets, Beginning

Net Assets, Ending

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenues and Changes in Net Assets

Primary Government

<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Totals</u>	
		<u>2011</u>	<u>2010</u>
\$ (298,616)	\$ 0	\$ (298,616)	\$ (429,444)
<u>(270,861)</u>	<u>0</u>	<u>(270,861)</u>	<u>(386,413)</u>
<u>(569,477)</u>	<u>0</u>	<u>(569,477)</u>	<u>(815,857)</u>
0	359,817	359,817	141,445
<u>0</u>	<u>(577,590)</u>	<u>(577,590)</u>	<u>(321,355)</u>
<u>0</u>	<u>(217,773)</u>	<u>(217,773)</u>	<u>(179,910)</u>
<u>(569,477)</u>	<u>(217,773)</u>	<u>(787,250)</u>	<u>(995,767)</u>
1,954,993	0	1,954,993	1,979,343
165,987	0	165,987	126,278
12,729	70,965	83,694	93,800
0	0	0	46
<u>(424,260)</u>	<u>424,260</u>	<u>0</u>	<u>0</u>
<u>1,709,449</u>	<u>495,225</u>	<u>2,204,674</u>	<u>2,199,467</u>
1,139,972	277,452	1,417,424	1,203,700
<u>(2,089,235)</u>	<u>60,334,836</u>	<u>58,245,601</u>	<u>57,041,901</u>
<u>\$ (949,263)</u>	<u>\$ 60,612,288</u>	<u>\$ 59,663,025</u>	<u>\$ 58,245,601</u>

ROXBOROUGH WATER AND SANITATION DISTRICT
BALANCE SHEETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>	
			<u>2011</u>	<u>2010</u>
<u>Assets</u>				
Cash and investments	\$ 532,753	\$ 6,345,327	\$ 6,878,080	\$ 6,205,048
Accounts receivable	4,451	6,095	10,546	8,067
Property taxes receivable	786,067	893,694	1,679,761	1,995,239
Prepaid items	<u>7,825</u>	<u>0</u>	<u>7,825</u>	<u>51,648</u>
Total Assets	<u>\$ 1,331,096</u>	<u>\$ 7,245,116</u>	<u>\$ 8,576,212</u>	<u>\$ 8,260,002</u>
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 53,471
Due to other funds	0	0	0	47,962
Deferred property taxes	<u>786,067</u>	<u>893,694</u>	<u>1,679,761</u>	<u>1,995,238</u>
Total Liabilities	<u>786,067</u>	<u>893,694</u>	<u>1,679,761</u>	<u>2,096,671</u>
<u>Fund Balances</u>				
Nonspendable				
Prepays	7,825	0	7,825	51,648
Restricted for				
Emergencies	45,500	0	45,500	35,000
Debt service	0	6,351,422	6,351,422	5,698,348
Unassigned	<u>491,704</u>	<u>0</u>	<u>491,704</u>	<u>378,335</u>
Total Fund Balances	<u>545,029</u>	<u>6,351,422</u>	<u>6,896,451</u>	<u>6,163,331</u>
Total Liabilities and Fund Balances	<u>\$ 1,331,096</u>	<u>\$ 7,245,116</u>	<u>\$ 8,576,212</u>	<u>\$ 8,260,002</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances of governmental funds	\$ 6,896,451	\$ 6,163,331
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. This amount is net of accumulated depreciation of \$96,141.	1,844	3,090
Long-term liabilities, including related items, including loans payable (\$7,450,000), loan premium (\$324,406), accrued compensated absences (\$16,091) bond issuance costs \$62,491, and accrued interest payable (\$119,552) are not due and payable in the current year and, therefore, are not reported in the funds.	<u>(7,847,558)</u>	<u>(8,255,656)</u>
Total Net Assets of Governmental Activities	<u>\$ (949,263)</u>	<u>\$ (2,089,235)</u>

The accompanying notes are an integral part of these financial statements.

ROXBOROUGH WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>	
			<u>2011</u>	<u>2010</u>
<u>Revenues</u>				
Property taxes	\$ 825,170	\$ 1,129,823	\$ 1,954,993	\$ 1,979,343
Specific ownership taxes	68,485	97,502	165,987	126,278
Investment income	2,652	10,077	12,729	15,476
Miscellaneous revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>46</u>
Total Revenues	<u>896,307</u>	<u>1,237,402</u>	<u>2,133,709</u>	<u>2,121,143</u>
<u>Expenditures</u>				
General government	276,261	16,024	292,285	421,390
Capital outlay	0	0	0	3,844
Debt service				
Principal	0	385,000	385,000	375,000
Interest and fiscal charges	<u>0</u>	<u>299,044</u>	<u>299,044</u>	<u>310,848</u>
Total Expenditures	<u>276,261</u>	<u>700,068</u>	<u>976,329</u>	<u>1,111,082</u>
Excess of Revenues Over Expenditures	<u>620,046</u>	<u>537,334</u>	<u>1,157,380</u>	<u>1,010,061</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	0	115,740	115,740	123,071
Transfers out	<u>(540,000)</u>	<u>0</u>	<u>(540,000)</u>	<u>(470,000)</u>
Total Other Financing Sources (Uses)	<u>(540,000)</u>	<u>115,740</u>	<u>(424,260)</u>	<u>(346,929)</u>
Net change in fund balances	80,046	653,074	733,120	663,132
Fund balances, beginning	<u>464,983</u>	<u>5,698,348</u>	<u>6,163,331</u>	<u>5,500,199</u>
Fund balances, ending	<u>\$ 545,029</u>	<u>\$ 6,351,422</u>	<u>\$ 6,896,451</u>	<u>\$ 6,163,331</u>

The accompanying notes are an integral part of these financial statements.

ROXBOROUGH WATER AND SANITATION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Amounts reported for governmental activities in the statements of activities are different because:

	2011	2010
Net change in fund balances, total governmental funds	\$ 733,120	\$ 663,132
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This amount represents capital outlay in excess of depreciation expense in the current year.	(1,246)	1,583
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items: amortization of loan premium \$23,133, amortization of debt issuance costs (\$4,463) and change in accrued interest payable \$5,050.	23,720	(80,028)
Loan payments \$385,000 and changes in compensated absences (\$622) expenditures in the governmental funds, but they change long-term liabilities in the statement of net assets and do not affect the statement of activities.	384,378	373,670
Change in Net Assets of Governmental Activities	\$ 1,139,972	\$ 958,357

The accompanying notes are an integral part of these financial statements.

ROXBOROUGH WATER AND SANITATION DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2011

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
			<u>2011</u>	<u>2010</u>
<u>Assets</u>				
<u>Current Assets</u>				
Cash and cash equivalents	\$ 12,107,076	\$ 596,396	\$ 12,703,472	\$ 14,522,803
Investments	8,817,876	0	8,817,876	8,778,049
Accounts receivable	370,866	247,124	617,990	589,508
Prepaid expenses	<u>15,651</u>	<u>15,651</u>	<u>31,302</u>	<u>0</u>
Total Current Assets	<u>21,311,469</u>	<u>859,171</u>	<u>22,170,640</u>	<u>23,890,360</u>
<u>Noncurrent Assets</u>				
Accounts receivable	2,883	0	2,883	2,883
Capital assets, net of accumulated depreciation	<u>13,388,224</u>	<u>25,722,977</u>	<u>39,111,201</u>	<u>36,902,638</u>
Total Noncurrent Assets	<u>13,391,107</u>	<u>25,722,977</u>	<u>39,114,084</u>	<u>36,905,521</u>
Total Assets	<u>34,702,576</u>	<u>26,582,148</u>	<u>61,284,724</u>	<u>60,795,881</u>
<u>Liabilities</u>				
<u>Current liabilities</u>				
Accounts payable	136,382	36,473	172,855	71,513
Deposits	18,600	7,396	25,996	25,996
Deferred revenues	63,267	200,000	263,267	268,133
Retainage payable	<u>108,906</u>	<u>0</u>	<u>108,906</u>	<u>9,443</u>
Total Current Liabilities	<u>327,155</u>	<u>243,869</u>	<u>571,024</u>	<u>375,085</u>
<u>Noncurrent Liabilities</u>				
Accrued compensated absences	<u>50,706</u>	<u>50,706</u>	<u>101,412</u>	<u>85,960</u>
Total Noncurrent Assets	<u>50,706</u>	<u>50,706</u>	<u>101,412</u>	<u>85,960</u>
Total Liabilities	<u>377,861</u>	<u>294,575</u>	<u>672,436</u>	<u>461,045</u>
<u>Net Assets</u>				
Invested in capital assets, net of related debt	13,388,224	25,722,977	39,111,201	36,902,638
Unrestricted	<u>20,936,491</u>	<u>564,596</u>	<u>21,501,087</u>	<u>23,432,198</u>
Total Net Assets	<u>\$ 34,324,715</u>	<u>\$ 26,287,573</u>	<u>\$ 60,612,288</u>	<u>\$ 60,334,836</u>

The accompanying notes are an integral part of these financial statements.

ROXBOROUGH WATER AND SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGE IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
			<u>2011</u>	<u>2010</u>
Operating Revenues				
Charges for services	\$ 2,608,065	\$ 1,453,543	\$ 4,061,608	\$ 4,013,954
Charges for services Lockheed Martin Agreement	0	384,419	384,419	409,083
Permit fees	1,800	1,800	3,600	26,650
Outside treatment	153,548	21,978	175,526	183,645
Loss on sale of assets	0	0	0	(30,580)
Miscellaneous	<u>113,200</u>	<u>35,872</u>	<u>149,072</u>	<u>139,446</u>
Total Operating Revenues	<u>2,876,613</u>	<u>1,897,612</u>	<u>4,774,225</u>	<u>4,742,198</u>
Operating Expenses				
Personnel services	388,616	390,516	779,132	727,553
Operations	2,123,497	1,332,131	3,455,628	3,840,633
Depreciation	<u>523,021</u>	<u>881,834</u>	<u>1,404,855</u>	<u>1,341,582</u>
Total Operating Expenses	<u>3,035,134</u>	<u>2,604,481</u>	<u>5,639,615</u>	<u>5,909,768</u>
Operating Loss	<u>(158,521)</u>	<u>(706,869)</u>	<u>(865,390)</u>	<u>(1,167,570)</u>
Non-Operating Revenues (Expenses)				
Investment income	69,847	1,118	70,965	78,324
Availability charges	<u>58,036</u>	<u>12,122</u>	<u>70,158</u>	<u>123,071</u>
Total Non-Operating Revenue (Expenses)	<u>127,883</u>	<u>13,240</u>	<u>141,123</u>	<u>201,395</u>
Net Loss Before Transfers and Capital contributions	(30,638)	(693,629)	(724,267)	(966,175)
Transfer in	340,000	200,000	540,000	2,420,000
Transfer out	(58,036)	(57,704)	(115,740)	(2,073,071)
Capital contributions	<u>460,302</u>	<u>117,157</u>	<u>577,459</u>	<u>864,589</u>
Change in net assets	711,628	(434,176)	277,452	245,343
Net assets, beginning	<u>33,613,087</u>	<u>26,721,749</u>	<u>60,334,836</u>	<u>60,089,493</u>
Net assets, ending	<u>\$ 34,324,715</u>	<u>\$ 26,287,573</u>	<u>\$ 60,612,288</u>	<u>\$ 60,334,836</u>

The accompanying notes are an integral part of these financial statements.

ROXBOROUGH WATER AND SANITATION DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
			<u>2011</u>	<u>2010</u>
<u>Cash Flows from Operating Activities</u>				
Cash received from customers	\$ 2,756,408	\$ 1,905,555	\$ 4,661,963	\$ 4,782,703
Cash payments to suppliers	(2,035,513)	(1,350,075)	(3,385,588)	(3,494,573)
Cash payments to employees	(380,890)	(382,790)	(763,680)	(721,509)
Other cash received	<u>113,200</u>	<u>35,872</u>	<u>149,072</u>	<u>139,446</u>
Net Cash Provided by Operating Activities	<u>453,205</u>	<u>208,562</u>	<u>661,767</u>	<u>706,067</u>
<u>Cash Flows from Noncapital Financing Activities</u>				
Transfers from other funds	340,000	200,000	540,000	346,929
Transfers to other funds	<u>(58,036)</u>	<u>(57,704)</u>	<u>(115,740)</u>	<u>0</u>
Net Cash Provided by Non Financing Activities	<u>281,964</u>	<u>142,296</u>	<u>424,260</u>	<u>346,929</u>
<u>Cash Flows from Capital and Related Financing Activities</u>				
Acquisition and construction of capital assets	(1,900,703)	(1,613,252)	(3,513,955)	(2,351,110)
Capital charges received	<u>460,302</u>	<u>117,157</u>	<u>577,459</u>	<u>864,589</u>
Net Cash Used in Capital and Related Financing Activities	<u>(1,440,401)</u>	<u>(1,496,095)</u>	<u>(2,936,496)</u>	<u>(1,486,521)</u>
<u>Cash Flows from Investing Activities</u>				
Purchases of investment	(39,827)	0	(39,827)	(26,475)
Investment income	<u>69,847</u>	<u>1,118</u>	<u>70,965</u>	<u>78,324</u>
Net Cash Provided by Investing Activities	<u>30,020</u>	<u>1,118</u>	<u>31,138</u>	<u>51,849</u>
Net decrease	(675,212)	(1,144,119)	(1,819,331)	(381,676)
Cash and cash equivalents, beginning	<u>12,782,288</u>	<u>1,740,515</u>	<u>14,522,803</u>	<u>14,904,479</u>
Cash and cash equivalents, ending	<u>\$12,107,076</u>	<u>\$ 596,396</u>	<u>\$12,703,472</u>	<u>\$14,522,803</u>

The accompanying notes are an integral part of these financial statements.

ROXBOROUGH WATER AND SANITATION DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
			<u>2011</u>	<u>2010</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities				
Operating loss	\$ (158,521)	\$ (706,869)	\$ (865,390)	\$ (1,167,570)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation	523,021	881,834	1,404,855	1,341,582
Receipt of system availability charges	58,036	12,122	70,158	123,071
Loss on disposal of assets	0	0	0	30,580
Changes in assets and liabilities:				
Accounts receivable	(60,175)	31,693	(28,482)	(41,833)
Prepaid expenses	(15,651)	(15,651)	(31,302)	0
Due from other funds	0	0	0	546,252
Accounts payable	85,035	16,307	101,342	(196,464)
Deposits	18,600	(18,600)	0	0
Deferred revenues	(4,866)	0	(4,866)	68,133
Accrued compensated absences	<u>7,726</u>	<u>7,726</u>	<u>15,452</u>	<u>2,316</u>
Net Cash Provided by Operating Activities	<u>\$ 453,205</u>	<u>\$ 208,562</u>	<u>\$ 661,767</u>	<u>\$ 706,067</u>

The accompanying notes are an integral part of these financial statements.

ROXBOROUGH WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Roxborough Water and Sanitation District (“the District”), previously the Roxborough Park Metropolitan District, was formed on January 12, 1972, to provide water, sewer and fire protection services within its boundaries. Effective July 1, 1999, the District’s fire protection services were merged into the West Metro Fire Protection District (the “WMFP”). By intergovernmental agreement, the District conveyed ownership of the fire station and all fire equipment to the WMFP, along with property tax revenues related to these services. The District is governed by a five-member Board of Directors elected by the residents.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

Reporting Entity

The financial reporting entity consists of the District and organizations for which the District is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are reported as part of the District. In addition, any legally separate organizations for which the District is financially accountable are considered part of the reporting entity. Financial accountability exists if the District appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the District.

Based upon the application of this criteria, the District does not report additional organizations within its reporting entity.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. Internally dedicated resources are reported as general revenues rather than as program revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Separate financial statements are provided for governmental and proprietary funds. Major individual funds are reported as separate columns in the fund financial statements.

ROXBOROUGH WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

Property taxes, specific ownership taxes, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

In the fund financial statements, the District reports the following major governmental funds.

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

ROXBOROUGH WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The *Debt Service Fund* accounts for resources accumulated for, and payments made on, long-term obligations of the District.

Additionally, the District reports the following major proprietary funds.

The *Water Fund* accounts for the activities associated with the provision of water services.

The *Sewer Fund* accounts for the activities associated with the provision of sewer services.

Assets, Liabilities and Net Assets/Fund Balances

Cash and Cash Equivalents – For purposes of the statement of cash flows, cash and cash equivalents are defined as investments with original maturities of three months or less. Pooled cash and investments are categorized as cash equivalents.

Investments – Investments are stated at fair value.

Receivables – All receivables are reported at their gross values and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At December 31, 2011, the District expects to collect all accounts receivable balances.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary funds in the fund financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives.

Collection and Distribution Systems	30-50 years
Vehicles and Equipment	3-10 years

Deferred Revenues – Deferred revenues include property taxes earned but levied for a subsequent year.

Compensated Absences – Employees of the District are allowed to accumulate unused vacation and sick time. Upon termination of employment from the District, an employee will be compensated for all accrued vacation time, and for all accrued sick time at a rate of one day for every two days accumulated. A liability for these compensated absences is accrued when incurred in the government-wide and proprietary fund financial statements. A liability is reported in the governmental funds only when due.

ROXBOROUGH WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Fund Balances (Continued)

Long-Term Debt – In the government-wide financial statements, and for the proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method.

In the fund financial statements, governmental funds recognize debt premiums and discounts, as well as debt issuance costs, during the current year. The face amount of debt issued is reported as other financing sources.

Fund Balance

The District has adopted GASB Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of constraints placed on a government's fund balances more transparent. Based on that statement fund balances of the governmental funds are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes, determined by a formal action of the Board of Directors. The Board of Directors is the highest level of decision making body for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. At December 31, 2011, the District had no Committed Fund Balances.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the Board of Directors may assign fund balances for specific purposes. At December 31, 2011, the District had no Assigned Fund Balances.

The beginning fund balance has been restated to reflect the above classifications.

When an expenditure is incurred for which committed, assigned or unassigned fund balance is available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District has provided otherwise in its commitment or assignment actions.

Net Assets

Net assets in the government-wide Statement of Net Assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulators of other governments.

ROXBOROUGH WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

Property taxes attach as an enforceable lien on property on January 1 and are levied the following January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's office collects property taxes and remits them to the District on a monthly basis.

Comparative Information

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read. Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 2 - CASH AND INVESTMENTS

At December 31, 2011, cash and investments consisted of the following:

Deposits	\$ 9,059,369
Investments	<u>19,340,059</u>
Total	<u>\$ 28,399,428</u>

Deposits

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 regulations. Amounts on deposit in excess of Federal Deposit Insurance Corporation (FDIC) levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2011, the District had bank deposits of \$1,710,259 and \$7,434,072 which were covered by FDIC insurance and collateralized with securities held by the financial institution's agent but not in the District's name.

Investments

The District is required to comply with State statutes which specify instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest. State statutes do not address custodial risk. The District's investment policy follows State statutes, and allows the following investments.

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

ROXBOROUGH WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

The District had the following investments at December 31, 2011:

Investment Type	S&P Rating	Investment Maturities (in Years)		
		Less Than 1	1-5	Fair Value
Local Government Investment Pool	AAAm	\$ 17,036,295	\$ 0	\$ 17,036,295
U.S. Agency Securities	AA+	2,303,764	0	2,303,764

Interest Rate Risk – State statutes limit investments in U.S. Agency securities to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years.

Credit risk – State statutes limit investments in U.S. Agency securities to the highest rating issued by two or more nationally recognized statistical rating organizations (NRSROs). State statutes also limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by a NRSRO.

Concentration of Credit Risk – State statutes do not limit the amount the District may invest in one issuer. At December 31, 2011, the District’s investments in U. S. Treasury Notes were 5%, of the District’s total investments.

Local Government Investment Pools – At December 31, 2011, the District had \$10,522,183 and \$6,514,112 invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST), and the Colorado Surplus Asset Fund Trust (CSAFE) investment vehicles established by State statute for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces the requirements of creating and operating COLOTRUST and CSAFE. COLOTRUST and CSAFE operate similarly to a money market fund and each share is equal in value to \$1.00. COLOTRUST and CSAFE are rated AAAM by Standard and Poor’s.

Investments of COLOTRUST and CSAFE are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian’s internal records identify the investments owned by the participating governments.

At December 31, COLOTRUST and CSAFE’s portfolio had weighted average maturities of 11 and 45 days.

NOTE 3 - INTERFUND BALANCES AND TRANSACTIONS

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Sewer Fund	General Fund	\$ 200,000
Water Fund	General Fund	340,000
Debt Service Fund	Water Fund	58,036
Debt Service Fund	Sewer Fund	57,704

ROXBOROUGH WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - INTERFUND BALANCES AND TRANSACTIONS (CONTINUED)

Availability charges collected by the Water and Sewer Funds are required by State statute to be used for debt service and are transferred to the Debt Service Fund. The transfers from the General Fund to the Water and Sewer Funds were determined during the budget process. The prior year transfers from the Water to the Sewer Fund were to eliminate interfund loan balances. The cumulative transfers from the Water Fund to the Sewer Fund were \$8,400,000 through December 31, 2011. It is the intent of management to have the Sewer Fund transfer excess funds to the Water Fund, as they become available, to eventually eliminate these cumulative transfers.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011, is summarized below:

	<u>Balances</u> <u>12/31/10</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/11</u>
<u>Governmental Activities</u>				
Capital assets, being depreciated				
furniture and equipment	\$ 97,985	\$ 0	\$ 0	\$ 97,985
Total Capital Assets, Being Depreciated	<u>97,985</u>	<u>0</u>	<u>0</u>	<u>97,985</u>
Less accumulated depreciation				
furniture and equipment	<u>(94,895)</u>	<u>(1,246)</u>	<u>0</u>	<u>(96,141)</u>
Total Accumulated Depreciation	<u>(94,895)</u>	<u>(1,246)</u>	<u>0</u>	<u>(96,141)</u>
Total Capital Assets, Being Depreciated, Net	<u>3,090</u>	<u>(1,246)</u>	<u>0</u>	<u>1,844</u>
Governmental Activities Capital Assets	<u>\$ 3,090</u>	<u>\$ (1,246)</u>	<u>\$ 0</u>	<u>\$ 1,844</u>
<u>Business-Type Activities</u>				
Capital assets, not being depreciated				
Land	\$ 204,511	\$ 0	\$ 0	\$ 204,511
Tap fees	5,152,150	0	0	5,152,150
Water rights	<u>1,139,239</u>	<u>0</u>	<u>0</u>	<u>1,139,239</u>
Total Capital Assets, Not Being Depreciated	<u>6,495,900</u>	<u>0</u>	<u>0</u>	<u>6,495,900</u>
Capital assets, being depreciated				
Land improvements	5,514	0	0	5,514
Collection and distributions systems	44,738,498	3,613,418	0	48,351,916
Vehicles and equipment	<u>361,344</u>	<u>0</u>	<u>0</u>	<u>361,344</u>
Total Capital Assets, Being Depreciated	<u>45,105,356</u>	<u>3,613,418</u>	<u>0</u>	<u>48,718,774</u>
Less Accumulated Depreciation				
Land improvements	(5,514)	0	0	(5,514)
Collection and distribution systems	(14,374,034)	(1,381,168)	0	(15,755,202)
Vehicles and equipment	<u>(319,070)</u>	<u>(23,687)</u>	<u>0</u>	<u>(342,757)</u>
Total Accumulated Depreciation	<u>(14,698,618)</u>	<u>(1,404,855)</u>	<u>0</u>	<u>(16,103,473)</u>
Total Capital Assets, Being Depreciated, Net	<u>30,406,738</u>	<u>2,208,563</u>	<u>0</u>	<u>32,615,301</u>
Business-Type Activities Capital Assets, Net	<u>\$ 36,902,638</u>	<u>\$ 2,208,563</u>	<u>\$ 0</u>	<u>\$ 39,111,201</u>

ROXBOROUGH WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS (CONTINUED)

All water rights of the District are for sale at December 31, 2011.

Depreciated expense was charged to programs of the District as follows:

Governmental activities	
General Government	\$ <u>1,246</u>
Business-type activities	
Water	\$ 523,021
Sewer	881,834
Total	\$ <u>1,404,855</u>

NOTE 5 - LONG-TERM DEBT

Governmental Activities

Following is a summary of long-term debt transactions of the governmental activities for the year ended December 31, 2011:

	<u>Balance</u> <u>12/31/10</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/11</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
Accrued Compensated					
Absences	\$ 15,469	\$ 622	\$ 0	\$ 16,091	\$ 0
2005 CWRPDA Loan	7,835,000	0	385,000	7,450,000	395,000
Loan premium	<u>347,539</u>	<u>0</u>	<u>23,133</u>	<u>324,406</u>	<u>0</u>
Total	<u>\$ 8,198,008</u>	<u>\$ 622</u>	<u>\$ 408,133</u>	<u>\$ 7,790,497</u>	<u>\$ 395,000</u>

Compensated absences are expected to be liquidated primarily with revenues of the General Fund.

2005 Clean Water Revenue Bonds were issued by the Colorado Water Resources and Power Development Authority and proceeds were loaned to the District to finance a sewer pipeline and two pump stations. Principal and interest payments are due semi-annually on February 1 and August 1, through 2026. Interest accrues at the rate of 3.35% per annum.

Future payments for the outstanding debt are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest and</u> <u>Admin. Fees</u>	<u>Total</u>
2012	\$ 395,000	\$ 286,926	\$ 681,926
2013	410,000	274,492	684,492
2014	425,000	261,587	686,587
2015	435,000	248,209	683,209
2016	450,000	234,517	684,517
2017-2021	2,460,000	965,811	3,425,811
2022-2026	<u>2,875,000</u>	<u>618,105</u>	<u>3,493,105</u>
Total	<u>\$ 7,450,000</u>	<u>\$ 2,889,647</u>	<u>\$ 10,339,647</u>

ROXBOROUGH WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Business-Type Activities

Following are the long-term debt transactions of the business-type activities for the year ended December 31, 2011:

	<u>Balance</u> <u>12/31/10</u>	<u>Additions</u>	<u>Balance</u> <u>Payments</u>	<u>Due Within</u> <u>12/31/11</u>	<u>One Year</u>
Business-Type Activities					
Accrued compensated absences	\$ 85,960	\$ 15,452	\$ 0	\$ 101,412	\$ 0

NOTE 6 - PUBLIC ENTITY RISK POOL

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For these risks of loss, with the exception of workers' compensation, the District carries commercial insurance. For workers' compensation, the District participates in the Colorado Special Districts Property and Liability Pool, a separate and independent governmental and legal entity formed by intergovernmental agreement.

The purposes of the Pool are to provide members defined liability, property, and workers compensation coverages and to assist members in preventing and reducing losses and injuries to property and to persons or property which might result in claims being made against members of the Pool, their employees and officers.

It is the intent of the members of the Pool to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of the Pool against stated liability of loss, to the limit of the financial resources of the Pool. It is also the intent of the members to have the Pool provide continuing stability and availability of needed coverages at reasonable costs. All income and assets of the Pool shall be at all times dedicated to the exclusive benefit of its members. The Pool is a separate legal entity and the District does not approve budgets nor does it have the ability to significantly affect the operations of the Pool.

NOTE 7 - RETIREMENT COMMITMENTS

Profit Sharing Plan

The District has established a profit sharing pension plan on behalf of all District employees. The contribution requirements of plan participants and the District are established and may be amended by the Board of Directors. All employees are eligible to participate in the plan upon employment, and become fully vested after five years of service.

The District may contribute up to 15% of each participating employee's compensation. During the year ended December 31, 2011, the District contributed \$95,627 to the Plan, representing 15% of employee compensation. All contributions are deposited to the individual employee's self-directed accounts and the District has no further fiduciary responsibility for the plan assets.

ROXBOROUGH WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - RETIREMENT COMMITMENTS (CONTINUED)

Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all District employees and permits them to defer a portion of their salary until future years. All plan investments are held in trust for the exclusive benefit of the employees. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

NOTE 8 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

At December 31, 2011, the governmental activities had negative net assets of \$949,263, which resulted because debt proceeds were used to construct capital assets that were contributed to the Water and Sewer Funds. Property tax revenues will be used to service the debt, which will reduce the negative net assets in the future.

NOTE 9 - CONCENTRATIONS

One company paid 18% of all revenue for the year ended December 31, 2011. This same company was responsible for 21% of the property tax collected.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Tabor Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (the "Amendment") which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the Amendment.

In November, 2001, the District electors allowed the District to spend the full proceeds of any taxes, fees, charges, grants, rates, tolls or any other revenues collected in fiscal year 2000 and in all subsequent fiscal years without regard to any limitation contained in the Amendment.

The District has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2011, the emergency reserve of \$45,500 was reported as a restriction of fund balance in the General Fund.

The District has entered into a contract to purchase sewer treatment services from the City of Littleton, Colorado. This City is treating all wastewater of the District. The contract is irrevocable by the District as long as bonds to finance the City's treatment plant are still outstanding.

The District has entered into an agreement to purchase is water from the City of Aurora, Colorado. This agreement expires in 2105 and then automatically and continuously renews for another ninety years. As part of the agreement with the City of Aurora, the District will pay the City development and connection fee of \$6,575 per customer. This fee is due in December 2015, although the District may purchase taps before that date. The District estimates that this fee will be \$24,985,000.

ROXBOROUGH WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

In November 2011, the District electors approved an increase in District debt of \$6,500,000. These funds will be used to purchase certain development and connection fees from the City of Aurora.

The District has agreed to sell its waste water treatment plant to another water and sanitation district. This total sale price is \$4,000,000 plus \$300 for every tap sold by the buyer. The District anticipates a total minimum price of \$7,000,000. The District has received, and included in deferred income, the amount of \$200,000 at December 31, 2011.

The District has entered into construction contracts for various projects. At December 31, 2011, the remaining contractual amounts are \$109,920.

During the 1970's the District presold approximately 2,500 taps. For the year ended December 31, 2011 each prepaid tap had a credit value of \$14,757 against the total tap cost of approximately \$37,125. At December 31, 2011, 87 presold taps remained.

NOTE 11 - SUBSEQUENT EVENTS

During 2012, the District entered into a line of credit with a bank totaling \$4,000,000.

REQUIRED SUPPLEMENTARY INFORMATION

ROXBOROUGH WATER AND SANITATION DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2011

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Revenues</u>			
Property taxes	\$ 842,157	\$ 825,170	\$ (16,987)
Specific ownership taxes	50,000	68,485	18,485
Investment income	2,000	2,652	652
Miscellaneous revenues	<u>500</u>	<u>0</u>	<u>(500)</u>
Total Revenues	<u>894,657</u>	<u>896,307</u>	<u>1,650</u>
<u>Expenditures</u>			
Salaries and benefits	115,000	108,419	6,581
Accounting and audit	18,000	18,887	(887)
Contract labor	1,000	0	1,000
Director fees	8,000	7,100	900
Election expense	20,000	27,669	(7,669)
Education	30,000	16,257	13,743
Engineering	15,000	14,878	122
Insurance	11,000	10,330	670
Legal fees	20,000	13,253	6,747
Miscellaneous	5,000	2,780	2,220
Office expense	20,000	16,375	3,625
Permits, dues and subscriptions	1,500	2,475	(975)
Rent	15,000	0	15,000
Repairs and maintenance	15,000	16,864	(1,864)
Treasurer fees	15,000	11,703	3,297
Utilities	6,800	6,892	(92)
Vehicle expense	3,000	2,379	621
Capital outlay	<u>10,000</u>	<u>0</u>	<u>10,000</u>
Total Expenditures	<u>329,300</u>	<u>276,261</u>	<u>53,039</u>
Excess of Revenues Over Expenditures	565,357	620,046	54,689
<u>Other Financing Uses</u>			
Transfers out	<u>(605,860)</u>	<u>(540,000)</u>	<u>65,860</u>
Net Change in Fund Balances	<u>\$ (40,503)</u>	80,046	<u>\$ 120,549</u>
Fund Balances, Beginning		<u>464,983</u>	
Fund Balances, Ending		<u>\$ 545,029</u>	

See the accompanying Independent Auditors' Report.

ROXBOROUGH WATER AND SANITATION DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2011

NOTE 1 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets

Budgets are legally adopted for all funds of the District. Budgets for the General and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgetary comparisons for the proprietary funds are presented on a non-GAAP budgetary basis. Capital outlay and debt principal are budgeted as expenditures, and depreciation is not budgeted.

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

- In September, District management submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- District management is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- All appropriations lapse at year end. Colorado governments may not exceed budgeted appropriations at the fund level.

INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

ROXBOROUGH WATER AND SANITATION DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2011

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Revenues</u>			
Property taxes	\$ 1,153,082	\$ 1,129,823	\$ (23,259)
Specific ownership taxes	65,000	97,502	32,502
Investment income	<u>10,000</u>	<u>10,077</u>	<u>77</u>
Total Revenues	<u>1,228,082</u>	<u>1,237,402</u>	<u>9,320</u>
<u>Expenditures</u>			
General government	16,927	16,024	903
Debt Service			
Principal	385,000	385,000	0
Interest	<u>299,044</u>	<u>299,044</u>	<u>0</u>
Total Expenditures	<u>700,971</u>	<u>700,068</u>	<u>903</u>
Excess of Revenues Over Expenditures	527,111	537,334	10,223
Other Financing Sources			
Transfers in	<u>118,000</u>	<u>115,740</u>	<u>(2,260)</u>
Net Change in Fund Balances	645,111	653,074	7,963
Fund Balances, Beginning	<u>4,697,003</u>	<u>5,698,348</u>	<u>1,001,345</u>
Fund Balances, Ending	<u>\$ 5,342,114</u>	<u>\$ 6,351,422</u>	<u>\$ 1,009,308</u>

See the accompanying Independent Auditors' Report.

ROXBOROUGH WATER AND SANITATION DISTRICT
BUDGETARY COMPARISON SCHEDULE
WATER FUND
YEAR ENDED DECEMBER 31, 2011

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<u>Revenues</u>			
Charges for services	\$ 2,600,000	\$ 2,608,065	\$ 8,065
Permit fees	8,250	1,800	(6,450)
Other water sales	140,000	153,548	13,548
Miscellaneous	79,000	113,200	34,200
Investment income	75,000	69,847	(5,153)
Availability charges	60,000	58,036	(1,964)
Capital charges	290,000	418,718	128,718
System development charges	196,000	41,584	(154,416)
Transfers in	<u>0</u>	<u>340,000</u>	<u>340,000</u>
 Total Revenues	 <u>3,448,250</u>	 <u>3,804,798</u>	 <u>356,548</u>
<u>Expenditures</u>			
Accounting and audit	25,000	27,595	(2,595)
Permits, dues and subscriptions	15,000	13,151	1,849
Contract labor	10,000	6,300	3,700
Education	25,000	20,599	4,401
Engineering	125,000	167,522	(42,522)
GPS/GIS	1,000	467	533
Insurance	22,000	20,420	1,580
Lab and test fees	18,000	12,820	5,180
Legal fees	50,000	30,857	19,143
Meter expense	150,000	138,606	11,394
Miscellaneous	12,000	5,774	6,226
Office expense	30,000	32,718	(2,718)
Operating supplies	105,000	85,498	18,502
Payroll, taxes and benefits	410,000	388,616	21,384
Repairs and maintenance	275,000	156,276	118,724
Utilities	110,000	103,046	6,954
Vehicle expense	15,000	14,612	388
Water study	50,000	23,283	26,717
Dominion	0	2,211	0
Water cost	1,500,000	1,202,191	297,809
Capital outlay	4,000,000	2,000,166	1,999,834
Conservation rebates	15,000	9,376	5,624
Chatfield reallocation	25,000	24,988	12
Water rights capital	15,000	25,187	(10,187)
Transfers out	<u>2,520,600</u>	<u>58,036</u>	<u>2,462,564</u>
 Total Expenditures	 <u>9,523,600</u>	 <u>4,570,315</u>	 <u>4,955,496</u>
 Change in Net Assets, Budgetary Basis	 <u>\$ (6,075,350)</u>	 <u>(765,517)</u>	 <u>\$ 5,312,044</u>

See the accompanying Independent Auditors' Report.

ROXBOROUGH WATER AND SANITATION DISTRICT
BUDGETARY COMPARISON SCHEDULE
WATER FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Reconciliation to GAAP Basis			
Capital outlay		\$ 2,000,166	
Depreciation		<u>(523,021)</u>	
Change in Net Assets, GAAP Basis		711,628	
Fund Balances, Beginning		<u>33,613,087</u>	
Fund Balances, Ending		<u>\$ 34,324,715</u>	

See the accompanying Independent Auditors' Report.

ROXBOROUGH WATER AND SANITATION DISTRICT
BUDGETARY COMPARISON SCHEDULE
SEWER FUND
YEAR ENDED DECEMBER 31, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Revenues</u>			
Charges for services	\$ 1,420,000	\$ 1,453,543	\$ 33,543
Charges for services – Lockheed Martin Agreement	420,000	384,419	(35,581)
Permit fees	8,250	1,800	(6,450)
Ravenna service charge	13,000	21,978	8,978
Miscellaneous	42,000	35,872	(6,128)
Investment income	1,500	1,118	(382)
Availability charges	58,000	12,122	(45,878)
Capital charges	63,000	94,467	31,467
System development charges	63,650	22,690	(40,960)
Transfer in	<u>1,975,040</u>	<u>200,000</u>	<u>(1,775,040)</u>
Total Revenues	<u>4,064,440</u>	<u>2,228,009</u>	<u>(1,836,431)</u>
<u>Expenditures</u>			
Accounting and audit	20,000	18,664	1,336
Contract labor	1,000	0	1,000
Dominion expense	1,000	0	1,000
Education	6,000	17,103	(11,103)
Engineering	75,000	81,186	(6,186)
GPS/GIS	1,000	467	533
Insurance	22,000	20,420	1,580
Lab and test fees	300	200	100
Legal fees	30,000	16,703	13,297
Miscellaneous	12,000	3,968	8,032
Office expense	30,000	31,935	(1,935)
Operating supplies	50,000	32,125	17,875
Permits, dues and subscriptions	1,500	1,455	45
Payroll, taxes and benefits	410,000	390,516	19,484
Repairs and maintenance	250,000	231,571	18,429
Service fees	800,000	753,142	46,858
Utilities	110,000	108,628	1,372
Vehicle expense	15,000	14,564	436
Capital outlay	2,200,000	1,613,252	586,748
Transfer out	<u>0</u>	<u>57,704</u>	<u>(57,704)</u>
Total Expenditures	<u>4,034,800</u>	<u>3,393,603</u>	<u>641,197</u>
Change in Net Assets, Budgetary Basis	<u>\$ 29,640</u>	<u>(1,165,594)</u>	<u>\$ (1,195,234)</u>
<u>Reconciliation to GAAP Basis</u>			
Capital outlay		1,613,252	
Depreciation		<u>(881,834)</u>	
Change in Net Assets, GAAP Basis		(434,176)	
Fund Balances, Beginning		<u>26,721,749</u>	
Fund Balances, Ending		<u>\$ 26,287,573</u>	

See the accompanying Independent Auditors' Report.