

ROXBOROUGH WATER AND SANITATION DISTRICT

FINANCIAL STATEMENTS

December 31, 2007

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Board of Directors
Roxborough Water and Sanitation District
Littleton, Colorado

INDEPENDENT AUDITORS' REPORT

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, 2007, 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, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and required supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Roxborough Water and Sanitation District's basic financial statements. The individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

June 30, 2008

Management's Discussion and Analysis

As management of the Roxborough Park Metropolitan 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, 2007.

Financial Highlights

- Assets exceeded liabilities by \$52,369,282 at the close of the fiscal year. Of this amount, \$25,532,061 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 \$5,832,639.
- Total net assets increased by \$2,873,284.
- Total cash and investments decreased by \$8,849,834 as compared to the prior year.
- Property tax revenue increased by \$62,852 as compared to the prior year.
- General fund expenditures increased by \$560,619 as compared to the prior year, mainly due to a tax rebate in the amount of \$559,000.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$206,697, or 29.16% of total general fund expenditures.
- Total debt decreased by \$514,893, or 4.4% 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.

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 three 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, debt service fund, and capital improvement fund – all of which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 3-4 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 5-7 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 8-18 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 19-20 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 21-24 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 \$52,369,282 at the close of the most recent fiscal year. Of this amount \$25,532,061 is unrestricted and is available to meet the District's ongoing financial obligations.

Net Assets

	2007			2006		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current assets	\$ 8,348,098	\$ 26,109,431	\$ 34,457,529	\$ 9,906,656	\$ 32,684,613	\$ 42,591,269
Other assets	80,343	-	80,343	84,806	-	84,806
Capital assets, net	<u>12,742</u>	<u>32,371,494</u>	<u>32,384,236</u>	<u>18,519</u>	<u>22,185,695</u>	<u>22,204,214</u>
Total assets	<u>8,441,183</u>	<u>58,480,925</u>	<u>66,922,108</u>	<u>10,009,981</u>	<u>54,870,308</u>	<u>64,880,289</u>
Current liabilities	3,151,345	720,024	3,871,369	2,465,511	1,712,430	4,177,941
Long-term obligations	<u>10,608,257</u>	<u>73,200</u>	<u>10,681,457</u>	<u>11,135,690</u>	<u>70,660</u>	<u>11,206,350</u>
Total liabilities	<u>13,759,602</u>	<u>793,224</u>	<u>14,552,826</u>	<u>13,601,201</u>	<u>1,783,090</u>	<u>15,384,291</u>
Net assets invested in capital assets, net of debt	(11,008,313)	32,371,494	21,363,181	(8,588,160)	22,185,695	13,597,535
Restricted net assets	5,474,040	-	5,474,040	4,750,148	-	4,750,148
Unrestricted net assets	<u>215,854</u>	<u>25,316,207</u>	<u>25,532,061</u>	<u>246,792</u>	<u>30,901,523</u>	<u>31,148,315</u>
Total net assets	<u>\$ (5,318,419)</u>	<u>\$ 57,687,701</u>	<u>\$ 52,369,282</u>	<u>\$ (3,591,220)</u>	<u>\$ 53,087,218</u>	<u>\$ 49,495,998</u>

Change in Net Assets

	2007			2006		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenue						
Program Revenue						
Charges for services	\$ -	\$ 4,782,406	\$ 4,782,406	\$ -	\$ 4,238,301	\$ 4,238,301
Operating grants and contributions	-	97,827	97,827	-	83,661	83,661
Capital grants and contributions	-	2,230,855	2,230,855	-	2,510,703	2,510,703
General Revenue						
Property taxes	1,844,787	-	1,844,787	1,781,935	-	1,781,935
Specific ownership taxes	175,503	-	175,503	173,186	-	173,186
Investment income	423,210	1,577,866	2,001,076	154,429	1,431,449	1,585,878
Capital Contribution	-	(2,640,921)	(2,640,921)	-	(2,083,210)	(2,083,210)
Other	<u>2,080</u>	<u>-</u>	<u>2,080</u>	<u>2,765</u>	<u>-</u>	<u>2,765</u>
Total revenue	<u>2,445,580</u>	<u>6,048,033</u>	<u>8,493,613</u>	<u>2,112,315</u>	<u>6,180,904</u>	<u>8,293,219</u>
Expenses						
General government	810,332	-	810,332	244,518	-	244,518
Interest on long-term debt	416,228	-	416,228	284,529	-	284,529
Water/sewer facilities	-	4,393,769	4,393,769	-	3,909,385	3,909,385
Total expenses	<u>1,226,560</u>	<u>4,393,769</u>	<u>5,620,329</u>	<u>529,047</u>	<u>3,909,385</u>	<u>4,438,432</u>
Excess	1,219,020	1,654,264	2,873,284	1,583,268	2,271,519	3,854,787
Transfers	<u>(2,946,219)</u>	<u>2,946,219</u>	<u>-</u>	<u>(6,797,357)</u>	<u>6,797,357</u>	<u>-</u>
Change in net assets	(1,727,199)	4,600,483	2,873,284	(5,214,089)	9,068,876	3,854,787
Net assets - beginning	(3,591,220)	53,087,218	49,495,998	1,622,869	44,018,342	45,641,211
Net assets - ending	<u>\$ (5,318,419)</u>	<u>\$ 57,687,701</u>	<u>\$ 52,369,282</u>	<u>\$ (3,591,220)</u>	<u>\$ 53,087,218</u>	<u>\$ 49,495,998</u>

Governmental activities. Governmental activities decreased the District's net assets by \$1,727,199, mainly due to changes as follows:

- Property taxes increased \$62,852 (3.53%) over the prior year.
- Specific ownership taxes increased \$2,317.

- Expenses are consistent with prior year except for a \$559,000 rebate to Lockheed Martin for taxes paid prior to providing actual service.

Business-type activities. Business-type activities increased the District's net assets by \$4,600,483, mainly due to the contribution of water and sewer facilities. Other key elements of the change in net assets are as follows:

- Service charges increased \$263,850 (7.27%) over prior year due to increase in customers, customer usage and user rates.
- Other operating revenues increased \$280,255 (46.11%) over prior year due to an increase in reimbursed expenses.
- Investment income increased \$146,417 (.36%) due to increasing interest rates.
- Total operating expenses are increased \$484,384 as a result of an increase in depreciation (\$246,623), personnel costs (\$29,476), and operations (\$208,285).

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, unreserved 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 \$5,832,639, of which \$5,789,123 constitutes unreserved fund balance, which is available for spending at the government's discretion within the parameters established for each fund. The general fund fund balance decreased \$33,038, primarily because current year expenditures included the rebate of \$559,000 owed to Lockheed Martin. General fund revenues were comparable to the prior year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the general fund was \$227,713 out of a total fund balance of \$250,213. 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, 2007, the emergency reserve was \$22,500.

The debt service fund has a total fund balance of \$5,582,426, all of which is restricted for the repayment of long-term indebtedness. The debt service fund fund balance increased \$721,730 primarily because investment earnings and property taxes collected exceeded the debt service expenditures. Investment earnings increased approximately \$269,000 over 2006. Interest expense increased approximately \$229,000 over 2006.

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 \$25,316,207. In addition, the proprietary fund includes \$32,371,494 of Capital Assets, net of Related Debt. The total net assets of the District's proprietary funds as of December 31, 2007 are \$57,687,701. 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 2007 did not exceed the final budgeted appropriation. The difference between the original and final budgeted revenue of \$866,287 and the actual revenue of \$863,964 was \$(2,323). This was primarily attributable to a decrease in specific ownership taxes. The difference between the original budgeted expenditures of \$819,790 and the actual expenditures of \$781,002 was \$38,788. The most notable savings were: Accounting and audit - \$4,930, Education - \$8,031, Insurance - \$3,762, Office Expenses - \$2,531, Repairs and maintenance - \$2,269, Utilities - \$2,441 and Capital outlay - \$20,000. Salaries and Benefits exceeded budget by \$9,422 due to increased labor hours for repairs and payroll taxes. There was an increase in the amount of \$298,500 from the original budget to the final budget. Of this amount, \$289,000 was due to the Lockheed martin tax rebate, \$5,000 due to increased office expenses, and another \$4,500 of miscellaneous items.

Capital Assets

The District invested \$10,180,022 in capital assets (net of accumulated depreciation) for its governmental and business-type activities for the year ended December 31, 2007. This investment in capital assets includes water and sewer facilities, water rights and vehicles and equipment. Most notably the wastewater pipeline connecting Roxborough to the City of Littleton Treatment Plant.

Additional information on the District's capital assets can be found in note 5 beginning on page 15 of this report.

Long-Term Debt

At the end of the current fiscal year, the District had total outstanding long-term debt \$11,186,457. Accrued compensated absences accounts for \$85,059 of this amount. The remaining \$11,101,398 is related to the District's 1997 Small Water Resources Revenue Bonds through the Colorado Water Resources and Power Development Authority (1997 CWRPDA) which are due annually through 2016 and pay interest rates ranging from 4.1% to 5.6% semi-annually on April 1 and October 1; and 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. The district

also reduced its long term debt by \$495,000 in the normal course of the loan repayment.

Additional information on the District's long-term debt can be found in note 6 beginning on page 16 of this report.

Next Year's Budgets and Rates

Government funds. The 2008 budget reflects a slight increase in property tax revenue of \$107,808. The total assessed value for 2008 is \$132,757,340. The total mill levy is 14.708 mills. General fund expenditures are expected to increase due to natural growth of the District. The district did not include a Capital Projects fund budget for 2008.

Proprietary funds. Water and sewer sales are expected to increase slightly over 2008 as a result of some growth and potential rate increases. Expenditures are expected to increase slightly also. The District is anticipating an additional increase in rates cost from the City of Aurora, which is the District's water source.

The District anticipates adding additional water pipeline infrastructure to assist in providing service to undeveloped property and to reduce high pressure and improve water quality with the pipeline. The district also anticipates adding two 750 gallon potable water tanks to be completed in mid year 2009.

By the end of 2008, the District is anticipating reaching approximately 90% of its currently planned build out.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

ROXBOROUGH WATER AND SANITATION DISTRICT

STATEMENT OF NET ASSETS

December 31, 2007

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
			2007	2006
ASSETS				
Cash and Investments	\$ 6,364,788	\$ 25,016,419	\$ 31,381,207	\$ 37,126,445
Restricted Cash and Investments	-	-	-	3,104,596
Accounts Receivable	9,699	1,053,946	1,063,645	493,750
Property Taxes Receivable	1,952,595	-	1,952,595	1,833,018
Prepaid Expenses	21,016	39,066	60,082	33,460
Debt Issuance Costs, Net of Accumulated Amortization	80,343	-	80,343	84,806
Capital Assets, Net of Accumulated Depreciation	12,742	32,371,494	32,384,236	22,204,214
TOTAL ASSETS	<u>8,441,183</u>	<u>58,480,925</u>	<u>66,922,108</u>	<u>64,880,289</u>
LIABILITIES				
Accounts Payable	562,864	684,185	1,247,049	1,678,590
Deposits	-	26,996	26,996	26,896
Deferred Property Taxes	1,952,595	-	1,952,595	1,833,018
Deferred Revenues	-	8,843	8,843	8,589
Accrued Interest Payable	130,886	-	130,886	135,848
Noncurrent Liabilities				
Due Within One Year	505,000	-	505,000	495,000
Due in More Than One Year	10,608,257	73,200	10,681,457	11,206,350
TOTAL LIABILITIES	<u>13,759,602</u>	<u>793,224</u>	<u>14,552,826</u>	<u>15,384,291</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	(11,008,313)	32,371,494	21,363,181	13,597,535
Restricted for Debt Service	5,451,540	-	5,451,540	4,724,848
Restricted for Emergencies	22,500	-	22,500	25,300
Unrestricted	215,854	25,316,207	25,532,061	31,148,315
TOTAL NET ASSETS	<u>\$ (5,318,419)</u>	<u>\$ 57,687,701</u>	<u>\$ 52,369,282</u>	<u>\$ 49,495,998</u>

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

ROXBOROUGH WATER AND SANITATION DISTRICT

STATEMENT OF ACTIVITIES
Year Ended December 31, 2007

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	\$ 810,332	\$ -	\$ -	\$ -
Interest on Long-Term Debt	416,228	-	-	-
Total Governmental Activities	1,226,560	-	-	-
Business-Type Activities				
Water	2,501,042	2,691,224	53,893	1,152,427
Sewer	1,892,727	2,091,182	43,934	1,078,428
Total Business-Type Activities	4,393,769	4,782,406	97,827	2,230,855
TOTAL PRIMARY GOVERNMENT	\$ 5,620,329	\$ 4,782,406	\$ 97,827	\$ 2,230,855
		GENERAL REVENUES		
		Property Taxes		
		Specific Ownership Taxes		
		Investment Income		
		Miscellaneous		
		TRANSFERS		
		SPECIAL ITEM		
		Capital Contributions to Other Entities		
		TOTAL GENERAL REVENUES, TRANSFERS AND SPECIAL ITEM		
		CHANGE IN NET ASSETS		
		NET ASSETS, Beginning		
		NET ASSETS, Ending		

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

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS

PRIMARY GOVERNMENT

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
		2007	2006
\$ (810,332)	\$ -	\$ (810,332)	\$ (244,518)
(416,228)	-	(416,228)	(284,529)
<u>(1,226,560)</u>	<u>-</u>	<u>(1,226,560)</u>	<u>(529,047)</u>
-	1,396,502	1,396,502	2,025,684
-	<u>1,320,817</u>	<u>1,320,817</u>	<u>897,596</u>
-	2,717,319	2,717,319	2,923,280
<u>(1,226,560)</u>	<u>2,717,319</u>	<u>1,490,759</u>	<u>2,394,233</u>
1,844,787	-	1,844,787	1,781,935
175,503	-	175,503	173,186
423,210	1,577,866	2,001,076	1,585,878
2,080	-	2,080	2,765
(2,946,219)	2,946,219	-	-
<u>-</u>	<u>(2,640,921)</u>	<u>(2,640,921)</u>	<u>(2,083,210)</u>
<u>(500,639)</u>	<u>1,883,164</u>	<u>1,382,525</u>	<u>1,460,554</u>
(1,727,199)	4,600,483	2,873,284	3,854,787
<u>(3,591,220)</u>	<u>53,087,218</u>	<u>49,495,998</u>	<u>45,641,211</u>
\$ <u>(5,318,419)</u>	\$ <u>57,687,701</u>	\$ <u>52,369,282</u>	\$ <u>49,495,998</u>

ROXBOROUGH WATER AND SANITATION DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2007

	GENERAL	DEBT SERVICE	CAPITAL IMPROVEMENT	TOTALS	
				2007	2006
ASSETS					
Cash and Investments	\$ 787,967	\$ 5,576,821	\$ -	\$ 6,364,788	\$ 5,112,526
Restricted Cash and Investments	-	-	-	-	2,928,046
Accounts Receivable	4,094	5,605	-	9,699	11,410
Property Taxes Receivable	824,158	1,128,437	-	1,952,595	1,833,018
Prepaid Items	21,016	-	-	21,016	21,656
TOTAL ASSETS	\$ 1,637,235	\$ 6,710,863	\$ -	\$ 8,348,098	\$ 9,906,656
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 562,864	\$ -	\$ -	\$ 562,864	\$ 1,645
Deferred Property Taxes	824,158	1,128,437	-	1,952,595	1,833,018
TOTAL LIABILITIES	1,387,022	1,128,437	-	2,515,459	1,834,663
FUND BALANCES					
Reserved for Prepaid Items	21,016	-	-	21,016	21,656
Reserved for Emergencies	22,500	-	-	22,500	25,300
Unreserved, reported in					
General Fund	206,697	-	-	206,697	257,951
Debt Service Fund	-	5,582,426	-	5,582,426	4,860,696
Capital Projects Fund	-	-	-	-	2,906,390
TOTAL FUND BALANCES	250,213	5,582,426	-	5,832,639	8,071,993
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,637,235	\$ 6,710,863	\$ -	\$ 8,348,098	\$ 9,906,656

Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:

Total Fund Balances of Governmental Funds	\$ 5,832,639	\$ 8,071,993
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 \$81,199.	12,742	18,519
Long-term liabilities and related items, including loans payable (\$10,685,000), loan premium (\$416,398), accrued compensated absences (\$11,859), bond issuance costs \$80,343 and accrued interest payable (\$130,886) are not due and payable in the current year and, therefore, are not reported in the funds.	(11,163,800)	(11,681,732)
Total Net Assets of Governmental Activities	\$ (5,318,419)	\$ (3,591,220)

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

ROXBOROUGH WATER AND SANITATION DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2007

	GENERAL	DEBT SERVICE	CAPITAL IMPROVEMENT	TOTALS	
				2007	2006
REVENUES					
Property Taxes	\$ 786,306	\$ 1,058,481	\$ -	\$ 1,844,787	\$ 1,781,935
Specific Ownership Taxes	74,077	101,426	-	175,503	173,186
Investment Income	1,501	421,709	-	423,210	154,429
Miscellaneous Revenues	2,080	-	-	2,080	2,765
TOTAL REVENUES	863,964	1,581,616	-	2,445,580	2,112,315
EXPENDITURES					
General Government	781,002	18,390	-	799,392	234,285
Capital Outlay	-	-	2,928,046	2,928,046	6,056,007
Debt Service					
Principal	-	495,000	-	495,000	480,000
Interest and Fiscal Charges	-	444,323	-	444,323	215,075
TOTAL EXPENDITURES	781,002	957,713	2,928,046	4,666,761	6,985,367
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	82,962	623,903	(2,928,046)	(2,221,181)	(4,873,052)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	97,827	-	97,827	83,661
Transfers Out	(116,000)	-	-	(116,000)	(826,411)
TOTAL OTHER FINANCING SOURCES (USES)	(116,000)	97,827	-	(18,173)	(742,750)
NET CHANGE IN FUND BALANCES	(33,038)	721,730	(2,928,046)	(2,239,354)	(5,615,802)
FUND BALANCES, Beginning	283,251	4,860,696	2,928,046	8,071,993	13,687,795
FUND BALANCES, Ending	\$ 250,213	\$ 5,582,426	\$ -	\$ 5,832,639	\$ 8,071,993

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balances of Governmental Funds \$ (2,239,354) \$ (5,615,802)

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 depreciation expense in the current year. (5,777) (6,296)

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 \$4,962. 23,632 (69,454)

Loan payments \$495,000 and changes in compensated absences (\$700) are 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. 494,300 477,463

Change in Net Assets of Governmental Activities \$ (1,727,199) \$ (5,214,089)

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

ROXBOROUGH WATER AND SANITATION DISTRICT

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2007

	WATER	SEWER	TOTALS	
			2007	2006
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 13,237,701	\$ 402,538	\$ 13,640,239	\$ 12,709,778
Investments	11,376,180	-	11,376,180	19,304,141
Restricted Cash and Investments	-	-	-	176,550
Accounts Receivable	299,633	725,269	1,024,902	444,522
Prepaid Expenses	19,533	19,533	39,066	11,804
Interfund Receivable	350,000	-	350,000	-
TOTAL CURRENT ASSETS	25,283,047	1,147,340	26,430,387	32,646,795
NONCURRENT ASSETS				
Accounts Receivable	29,044	-	29,044	37,818
Interfund Receivable	4,150,000	-	4,150,000	-
Capital Assets, Net of Accumulated Depreciation	7,778,386	24,593,108	32,371,494	22,185,695
TOTAL NONCURRENT ASSETS	11,957,430	24,593,108	36,550,538	22,223,513
TOTAL ASSETS	37,240,477	25,740,448	62,980,925	54,870,308
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	222,941	461,244	684,185	1,676,945
Deposits	19,600	7,396	26,996	26,896
Deferred Revenues	4,864	3,979	8,843	8,589
Interfund Payable	-	350,000	350,000	-
TOTAL CURRENT LIABILITIES	247,405	822,619	1,070,024	1,712,430
NONCURRENT LIABILITIES				
Accrued Compensated Absences	36,600	36,600	73,200	70,660
Interfund Payable	-	4,150,000	4,150,000	-
TOTAL NONCURRENT LIABILITIES	36,600	4,186,600	4,223,200	70,660
TOTAL LIABILITIES	284,005	5,009,219	5,293,224	1,783,090
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	7,778,386	24,593,108	32,371,494	22,185,695
Unrestricted	29,178,086	(3,861,879)	25,316,207	30,901,523
TOTAL NET ASSETS	\$ 36,956,472	\$ 20,731,229	\$ 57,687,701	\$ 53,087,218

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

ROXBOROUGH WATER AND SANITATION DISTRICT

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended December 31, 2007

	WATER	SEWER	TOTALS	
			2007	2006
OPERATING REVENUES				
Charges for Services	\$ 2,609,929	\$ 1,284,371	\$ 3,894,300	\$ 3,630,450
Permit Fees	25,313	32,208	57,521	104,350
Meter Fees	26,600	-	26,600	63,480
Reimbursed Expenses	9,497	737,905	747,402	407,460
Miscellaneous	19,885	36,698	56,583	32,561
TOTAL OPERATING REVENUES	2,691,224	2,091,182	4,782,406	4,238,301
OPERATING EXPENSES				
Personnel Services	409,760	409,760	819,520	790,044
Operations	1,759,922	817,024	2,576,946	2,368,661
Depreciation	331,360	665,943	997,303	750,680
TOTAL OPERATING EXPENSES	2,501,042	1,892,727	4,393,769	3,909,385
OPERATING INCOME	190,182	198,455	388,637	328,916
NONOPERATING REVENUES (EXPENSES)				
Investment Income	1,257,224	320,642	1,577,866	1,431,449
Availability Charges	53,893	43,934	97,827	83,661
TOTAL NONOPERATING REVENUES (EXPENSES)	1,311,117	364,576	1,675,693	1,515,110
NET INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	1,501,299	563,031	2,064,330	1,844,026
Transfers In	-	116,000	116,000	826,411
Transfers Out	(53,893)	(43,934)	(97,827)	(83,661)
Capital Contributions from Other Funds	-	2,928,046	2,928,046	6,054,607
Capital Contributions	1,152,427	1,078,428	2,230,855	2,510,703
NET INCOME BEFORE SPECIAL ITEM	2,599,833	4,641,571	7,241,404	11,152,086
SPECIAL ITEM				
Capital Contributions to Other Entities	-	(2,640,921)	(2,640,921)	(2,083,210)
CHANGE IN NET ASSETS	2,599,833	2,000,650	4,600,483	9,068,876
NET ASSETS, Beginning	34,356,639	18,730,579	53,087,218	44,018,342
NET ASSETS, Ending	\$ 36,956,472	\$ 20,731,229	\$ 57,687,701	\$ 53,087,218

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

ROXBOROUGH WATER AND SANITATION DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Year Ended December 31, 2007

Increase (Decrease) in Cash and Cash Equivalents

			TOTALS	
	WATER	SEWER	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received From Customers	\$ 2,694,786	\$ 2,075,368	\$ 4,770,154	\$ 4,129,482
Cash Payments to Suppliers	(1,725,266)	(845,092)	(2,570,358)	(2,446,184)
Cash Payments to Employees	(408,490)	(408,490)	(816,980)	(775,878)
Net Cash Provided (Used) by Operating Activities	561,030	821,786	1,382,816	907,420
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from Other Funds	-	116,000	116,000	826,411
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interfund Loan	(4,500,000)	4,500,000	-	-
Acquisition and Construction of Capital Assets	(390,563)	(8,483,296)	(8,873,859)	(2,246,670)
Capital Assets Constructed for Other Entities	-	(3,048,728)	(3,048,728)	(1,250,002)
Escrow Deposit Released	176,550	-	176,550	-
Capital Charges Received	1,152,427	519,428	1,671,855	2,510,703
Availability Charges Received	53,893	43,934	97,827	83,661
Transfers to Other Funds	(53,893)	(43,934)	(97,827)	(83,661)
Net Cash Provided (Used) by Capital and Related Financing Activities	(3,561,586)	(6,512,596)	(10,074,182)	(985,969)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases and Sales of Investments, Net	7,927,961	-	7,927,961	2,896,193
Investment Income	1,257,224	320,642	1,577,866	1,431,449
Net Cash Provided by Investing Activities	9,185,185	320,642	9,505,827	4,327,642
NET INCREASE (DECREASE)	6,184,629	(5,254,168)	930,461	5,075,504
CASH AND CASH EQUIVALENTS, Beginning	7,053,072	5,656,706	12,709,778	7,634,274
CASH AND CASH EQUIVALENTS, Ending	\$ 13,237,701	\$ 402,538	\$ 13,640,239	\$ 12,709,778
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income	\$ 190,182	\$ 198,455	\$ 388,637	\$ 328,916
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities				
Depreciation	331,360	665,943	997,303	750,680
Changes in Assets and Liabilities				
Accounts Receivable	822	(13,428)	(12,606)	(114,104)
Prepaid Expenses	(13,631)	(13,631)	(27,262)	(11,130)
Accounts Payable	48,287	(14,437)	33,850	(66,393)
Deposits	2,600	(2,500)	100	6,000
Deferred Revenues	140	114	254	(715)
Accrued Compensated Absences	1,270	1,270	2,540	14,166
Net Cash Provided (Used) by Operating Activities	\$ 561,030	\$ 821,786	\$ 1,382,816	\$ 907,420
NONCASH TRANSACTIONS				
Capital Assets Contributed by Other Funds	\$ -	\$ 2,928,046	\$ 2,928,046	\$ 6,054,607

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

ROXBOROUGH WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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 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 on the application of this criteria, the District does not include 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 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 segment 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 program revenues.

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

December 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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. Property taxes are recognized as revenues in the year for which they are levied. 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 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 December 1, 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 for their business-type activities and enterprise funds, 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.

ROXBOROUGH WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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

The *Capital Improvement Fund* is used to account for debt proceeds and the related capital projects.

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 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 value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

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

ROXBOROUGH WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets/Fund Balances (Continued)

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.

Long-Term Debt - In the government-wide financial statements, and 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.

Net Assets/Fund Balances - In the government-wide financial statements and the proprietary funds in the fund financial statements, net assets are restricted when constraints placed on the net assets are externally imposed. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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 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.

ROXBOROUGH WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 2: CASH AND INVESTMENTS

At December 31, 2007, cash and investments consisted of the following:

Petty Cash	\$	400
Deposits		559,147
Investments		<u>30,821,660</u>
Total	\$	<u>31,381,207</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 insurance 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, 2007, the District had bank deposits of \$624,315 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, as follows. State statutes do not address custodial risk. The District's investment policy follows State statutes.

- 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

December 31, 2007

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

The District had the following investments at December 31, 2007:

<u>Investment Type</u>	<u>S&P Rating</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>Fair Value</u>
Local Government Investment Pool	AAAm	\$ 16,829,411	\$ -	\$ 16,829,411
Money Market Funds	AAAm	58,402	-	58,402
U.S. Agency Securities	AAA	9,118,345	4,815,502	13,933,847
Total		<u>\$ 26,006,158</u>	<u>\$ 4,815,502</u>	<u>\$ 30,821,660</u>

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, 2007, the District's investments in the Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Federal Farm Credit Bank were 17%, 15%, 7%, and 6%, respectively, of the District's total investments.

Local Government Investment Pool - At December 31, 2007, the District had \$16,829,411 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle 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. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. Colotrust is rated AAAM by Standard and Poor's. Investments of Colotrust 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.

NOTE 3: PREPAID RENT

During 1999, the District prepaid rent of \$75,000 for the District's office space. The lease period began on July 1, 1999, and ends on July 1, 2009. During the year ended December 31, 2007, rent expense of \$7,500 was recognized and the balance of the prepaid rent was \$11,250.

ROXBOROUGH WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 4: INTERFUND BALANCES AND TRANSACTIONS

<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Amount</u>
Water Fund	Sewer Fund	<u>\$ 4,500,000</u>

During the year ended December 31, 2007, the Water Fund loaned the Sewer Fund \$4,500,000 for the construction of a wastewater pipeline. Principal payments of \$350,000 and interest accruing at 4.5% per annum are due annually beginning December 31, 2008, through December 31, 2020.

Future payments for the interfund loan are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 350,000	\$ 202,500	\$ 552,500
2009	350,000	186,750	536,750
2010	350,000	171,000	521,000
2011	350,000	155,250	505,250
2012	350,000	139,500	489,500
2013 - 2017	1,750,000	461,250	2,211,250
2018 - 2020	<u>1,000,000</u>	<u>87,750</u>	<u>1,087,750</u>
Total	<u>\$ 4,500,000</u>	<u>\$ 1,404,000</u>	<u>\$ 5,904,000</u>

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Sewer Fund	General Fund	\$ 116,000
Debt Service Fund	Water Fund	53,893
Debt Service Fund	Sewer Fund	<u>43,934</u>
Total		<u>\$ 213,827</u>

The General Fund routinely subsidizes the operations of the Sewer Fund. 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.

ROXBOROUGH WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007, is summarized below:

	Balances 12/31/06	Additions	Deletions	Balances 12/31/07
Governmental Activities				
Capital Assets, Being Depreciated				
Furniture and Equipment	\$ 93,941	\$ -	\$ -	\$ 93,941
Total Capital Assets, Being Depreciated	93,941	-	-	93,941
Less Accumulated Depreciation				
Furniture and Equipment	(75,422)	(5,777)	-	(81,199)
Total Accumulated Depreciation	(75,422)	(5,777)	-	(81,199)
Total Capital Assets, Being Depreciated, Net	18,519	(5,777)	-	12,742
Governmental Activities Capital Assets, Net	\$ 18,519	\$ (5,777)	\$ -	\$ 12,742
Business-Type Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 204,511	\$ -	\$ -	\$ 204,511
Tap Fees	5,097,600	14,958	-	5,112,558
Water Rights	901,348	233,589	-	1,134,937
Total Capital Assets, Not Being Depreciated	6,203,459	248,547	-	6,452,006
Capital Assets, Being Depreciated				
Land Improvements	5,514	-	-	5,514
Collection and Distribution Systems	25,582,360	10,934,555	-	36,516,915
Vehicles and Equipment	340,436	-	-	340,436
Total Capital Assets, Being Depreciated	25,928,310	10,934,555	-	36,862,865
Less Accumulated Depreciation				
Land Improvements	(5,514)	-	-	(5,514)
Collection and Distribution Systems	(9,665,424)	(971,825)	-	(10,637,249)
Vehicles and Equipment	(275,136)	(25,478)	-	(300,614)
Total Accumulated Depreciation	(9,946,074)	(997,303)	-	(10,943,377)
Total Capital Assets, Being Depreciated, Net	15,982,236	9,937,252	-	25,919,488
Business-Type Activities Capital Assets, Net	\$ 22,185,695	\$ 10,185,799	\$ -	\$ 32,371,494

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

Governmental Activities	
General Government	\$ 5,777
Business-Type Activities	
Water	\$ 331,360
Sewer	665,943
Total	\$ 997,303

ROXBOROUGH WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 6: LONG-TERM DEBT

Governmental Activities

Following is a summary of long-term debt transactions of the governmental activities for the year ended December 31, 2007:

	<u>Balance</u> <u>12/31/06</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/07</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
Accrued Compensated Absences	\$ 11,159	\$ 700	\$ -	\$ 11,859	\$ -
1997 CWRPDA Loan	1,915,000	-	150,000	1,765,000	155,000
2005 CWRPDA Loan	9,265,000	-	345,000	8,920,000	350,000
Loan Premium	<u>439,531</u>	<u>-</u>	<u>23,133</u>	<u>416,398</u>	<u>-</u>
Total	<u>\$ 11,630,690</u>	<u>\$ 700</u>	<u>\$ 518,133</u>	<u>\$ 11,113,257</u>	<u>\$ 505,000</u>

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

1997 Small Water Resources Revenue Bonds were issued by the Colorado Water Resources and Power Development Authority and proceeds were loaned to the District to fund improvements to the water system. Principal and interest payments are due semi-annually on April 1 and October 1, through 2016. Interest accrues at rates ranging from 4.1% to 5.6%.

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</u>	<u>Total</u>
2008	\$ 505,000	\$ 429,414	\$ 934,414
2009	525,000	410,492	935,492
2010	550,000	390,580	940,580
2011	570,000	369,502	939,502
2012	590,000	347,393	937,393
2013 - 2017	3,075,000	1,367,118	4,442,118
2018 - 2022	2,530,000	897,041	3,427,041
2023 - 2026	<u>2,340,000</u>	<u>397,098</u>	<u>2,737,098</u>
Totals	<u>\$ 10,685,000</u>	<u>\$ 4,608,638</u>	<u>\$ 15,293,638</u>

ROXBOROUGH WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 6: 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, 2007:

	<u>Balance</u> <u>12/31/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/07</u>	<u>Due Within</u> <u>One Year</u>
Business-Type Activities					
Accrued Compensated Absences	<u>\$ 70,660</u>	<u>\$ 2,540</u>	<u>\$ -</u>	<u>\$ 73,200</u>	<u>\$ -</u>

NOTE 7: SPECIAL ITEM

During the year ended December 31, 2007, the District completed the construction of a sewer pipe that will eventually facilitate its connection to the Littleton/Englewood Wastewater Treatment Plant. When the District receives permission from the Colorado Water Resources and Power Development Authority, the sewer pipe will be contributed to the City of Littleton and the City will be responsible for any future maintenance of the pipe. This transaction has been reported in the financial statements as a special item because of its unusual nature.

NOTE 8: 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, 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.

ROXBOROUGH WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 9: 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, 2007, the District contributed \$99,253 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.

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 10: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

At December 31, 2007, the governmental activities had negative net assets of \$5,318,419, 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 11: 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, 2007, the emergency reserve of \$22,500 was reported as a reservation of fund balance in the General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

ROXBOROUGH WATER AND SANITATION DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended December 31, 2007

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Property Taxes	\$ 773,686	\$ 773,686	\$ 773,065	\$ (621)
Property Taxes HB1006	13,232	13,232	13,241	9
Specific Ownership Taxes	77,369	77,369	74,077	(3,292)
Investment Income	1,000	1,000	1,501	501
Miscellaneous Revenues	1,000	1,000	2,080	1,080
TOTAL REVENUES	<u>866,287</u>	<u>866,287</u>	<u>863,964</u>	<u>(2,323)</u>
EXPENDITURES				
Salaries and Benefits	95,000	95,000	104,422	(9,422)
Accounting and Audit	24,500	24,500	19,570	4,930
Contract Labor	1,000	1,000	-	1,000
Director Fees	7,200	7,200	6,100	1,100
Education	20,000	21,000	12,969	8,031
Engineering	1,000	1,000	2,104	(1,104)
Insurance	15,000	15,000	11,238	3,762
Legal Fees	10,000	10,000	9,264	736
Miscellaneous	5,000	8,000	6,332	1,668
Office Expense	10,000	15,000	12,469	2,531
Permits, Dues and Subscriptions	2,500	2,500	1,268	1,232
Rent	7,500	7,500	7,500	-
Repairs and Maintenance	10,000	10,500	8,231	2,269
Tax Rebate	270,000	559,000	559,000	-
Treasurer Fees	11,605	11,605	11,618	(13)
Treasurer Fees HB1006	1,985	1,985	1,559	426
Utilities	7,000	7,000	4,559	2,441
Vehicle Expense	2,000	2,000	2,799	(799)
Capital Outlay	20,000	20,000	-	20,000
TOTAL EXPENDITURES	<u>521,290</u>	<u>819,790</u>	<u>781,002</u>	<u>38,788</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>344,997</u>	<u>46,497</u>	<u>82,962</u>	<u>36,465</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(352,000)</u>	<u>(95,000)</u>	<u>(116,000)</u>	<u>(21,000)</u>
NET CHANGE IN FUND BALANCE	<u>(7,003)</u>	<u>(48,503)</u>	<u>(33,038)</u>	<u>15,465</u>
FUND BALANCE, Beginning	<u>260,609</u>	<u>283,251</u>	<u>283,251</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 253,606</u>	<u>\$ 234,748</u>	<u>\$ 250,213</u>	<u>\$ 15,465</u>

See the accompanying Independent Auditors' Report.

ROXBOROUGH WATER AND SANITATION DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2007

NOTE 1: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets

Budgets are legally adopted for all funds of the District. Budgets for the General, Debt Service and Capital Improvement 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 an ordinance.
- 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, 2007

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 1,059,332	\$ 1,058,481	\$ (851)
Specific Ownership Taxes	105,933	101,426	(4,507)
Investment Income	<u>175,000</u>	<u>421,709</u>	<u>246,709</u>
TOTAL REVENUES	<u>1,340,265</u>	<u>1,581,616</u>	<u>241,351</u>
EXPENDITURES			
General Government	18,390	18,390	-
Debt Service			
Principal	495,000	495,000	-
Interest	<u>444,323</u>	<u>444,323</u>	<u>-</u>
TOTAL EXPENDITURES	<u>957,713</u>	<u>957,713</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	382,552	623,903	241,351
OTHER FINANCING SOURCES			
Transfers In	<u>72,000</u>	<u>97,827</u>	<u>25,827</u>
NET CHANGE IN FUND BALANCE	454,552	721,730	267,178
FUND BALANCE, Beginning	<u>4,849,925</u>	<u>4,860,696</u>	<u>10,771</u>
FUND BALANCE, Ending	<u>\$ 5,304,477</u>	<u>\$ 5,582,426</u>	<u>\$ 277,949</u>

See the accompanying Independent Auditors' Report.

ROXBOROUGH WATER AND SANITATION DISTRICT

BUDGETARY COMPARISON SCHEDULE

CAPITAL IMPROVEMENT FUND

Year Ended December 31, 2007

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
EXPENDITURES			
Capital Outlay	\$ 2,928,053	\$ 2,928,046	\$ 7
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,928,053)	(2,928,046)	7
FUND BALANCE, Beginning	<u>2,928,053</u>	<u>2,928,046</u>	<u>(7)</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying Independent Auditors' Report.

ROXBOROUGH WATER AND SANITATION DISTRICT

BUDGETARY COMPARISON SCHEDULE

WATER FUND

Year Ended December 31, 2007

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Charges for Services	\$ 2,368,000	\$ 2,368,000	\$ 2,609,929	\$ 241,929
Permit Fees	66,000	66,000	25,313	(40,687)
Meter Fees	70,000	70,000	26,600	(43,400)
Reimbursed Expenditures	60,000	60,000	9,497	(50,503)
Miscellaneous	27,200	27,200	19,885	(7,315)
Investment Income	850,000	850,000	1,257,224	407,224
Availability Charges	40,000	40,000	53,893	13,893
Capital Charges	290,000	290,000	286,971	(3,029)
System Development Charges	1,350,000	1,350,000	865,456	(484,544)
TOTAL REVENUES	5,121,200	5,121,200	5,154,768	33,568
EXPENDITURES				
Accounting and Audit	15,000	15,000	20,046	(5,046)
Permits, Dues and Subscriptions	15,000	15,000	24,793	(9,793)
Contract Labor	22,000	22,000	10,930	11,070
Education	20,000	20,000	19,081	919
Engineering	20,000	20,000	26,736	(6,736)
GPS/GIS	20,000	20,000	158	19,842
Insurance	28,000	28,000	22,454	5,546
Lab and Test Fees	25,000	25,000	28,161	(3,161)
Investment Fees	15,000	15,000	8,721	6,279
Legal Fees	30,000	30,000	47,933	(17,933)
Meter Expense	75,000	75,000	48,021	26,979
Miscellaneous	5,000	5,000	5,660	(660)
Office Expense	20,000	20,000	24,024	(4,024)
Operating Supplies	80,000	80,000	75,807	4,193
Payroll, Taxes and Benefits	375,000	375,000	409,760	(34,760)
Repairs and Maintenance	252,000	252,000	191,839	60,161
Utilities	135,000	135,000	96,289	38,711
Vehicle Expense	15,000	15,000	16,667	(1,667)
Water Study	30,000	30,000	-	30,000
Water Cost	1,135,000	1,135,000	1,092,602	42,398
Capital Outlay	4,253,000	4,253,000	390,563	3,862,437
Transfers Out	40,000	40,000	53,893	(13,893)
Interfund Loan	4,500,000	6,000,000	4,500,000	1,500,000
TOTAL EXPENDITURES	11,125,000	12,625,000	7,114,138	5,510,862
CHANGE IN NET ASSETS, Budgetary Basis	\$ (6,003,800)	\$ (7,503,800)	(1,959,370)	\$ 5,544,430
RECONCILIATION TO GAAP BASIS				
Interfund Loan			4,500,000	
Capital Outlay			390,563	
Depreciation			(331,360)	
CHANGE IN NET ASSETS, GAAP Basis			2,599,833	
NET ASSETS, Beginning			34,356,639	
NET ASSETS, Ending			\$ 36,956,472	

See the accompanying Independent Auditors' Report.

ROXBOROUGH WATER AND SANITATION DISTRICT

BUDGETARY COMPARISON SCHEDULE

SEWER FUND

Year Ended December 31, 2007

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Charges for Services	\$ 1,500,500	\$ 1,500,500	\$ 1,284,371	\$ (216,129)
Permit Fees	56,000	56,000	32,208	(23,792)
Reimbursed Expenditures	20,000	909,000	737,905	(171,095)
Miscellaneous	10,000	10,000	36,698	26,698
Investment Income	310,000	310,000	320,642	10,642
Availability Charges	32,000	32,000	43,934	11,934
Capital Contributions from Other Funds	2,928,053	2,928,053	2,928,046	(7)
Capital Charges	49,000	49,000	49,168	168
System Development Charges	650,000	650,000	1,029,260	379,260
Transfers In	262,000	95,000	116,000	21,000
Interfund Loan	4,500,000	6,000,000	4,500,000	(1,500,000)
TOTAL REVENUES	10,317,553	12,539,553	11,078,232	(1,461,321)
EXPENDITURES				
Accounting and Audit	15,000	15,000	18,473	(3,473)
Contract Labor	4,000	4,000	95	3,905
Dominion Expense	-	-	10,307	(10,307)
Education	20,000	21,000	14,198	6,802
Engineering	20,000	20,000	27,576	(7,576)
GPS/GIS	20,000	20,000	158	19,842
Insurance	28,000	28,000	22,711	5,289
Lab and Test Fees	15,000	17,000	7,128	9,872
Legal Fees	30,000	60,000	53,771	6,229
Miscellaneous	8,000	8,000	1,946	6,054
Office Expense	20,000	25,000	25,349	(349)
Operating Supplies	100,000	125,000	105,178	19,822
Permits, Dues and Subscriptions	10,000	10,000	12,944	(2,944)
Payroll, Taxes and Benefits	375,000	375,000	409,760	(34,760)
Repairs and Maintenance	252,000	300,000	287,205	12,795
Service Fees	428,000	438,000	122,081	315,919
Utilities	100,000	110,000	90,922	19,078
Vehicle Expense	15,000	17,000	16,982	18
Capital Outlay	13,000,000	15,000,000	10,505,414	4,494,586
Transfers Out	32,000	32,000	43,934	(11,934)
TOTAL EXPENDITURES	14,492,000	16,625,000	11,776,132	4,848,868
CHANGE IN NET ASSETS, Budgetary Basis	\$ (4,174,447)	\$ (4,085,447)	(697,900)	\$ 3,387,547
RECONCILIATION TO GAAP BASIS				
Interfund Loan			(4,500,000)	
Capital Outlay			10,505,414	
Capital Contributions to Other Entities			(2,640,921)	
Depreciation			(665,943)	
CHANGE IN NET ASSETS, GAAP Basis			2,000,650	
NET ASSETS, Beginning			18,730,579	
NET ASSETS, Ending			\$ 20,731,229	

See the accompanying Independent Auditors' Report.