

**ROXBOROUGH WATER AND
SANITATION DISTRICT
FINANCIAL STATEMENTS
December 31, 2008**

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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, 2008, 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 audits provide 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 Roxborough Water and Sanitation District as of December 31, 2008, 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.

The Management's Discussion and Analysis and budgetary comparison 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.

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Roxborough Water and Sanitation District

July 3, 2009

Page Two

Our audit was performed 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 purpose 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, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

July 3, 2009

Peypis & 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, 2008.

Financial Highlights

- Assets exceeded liabilities by \$ 55,071,061 at the close of the fiscal year. Of this amount, \$ 25,214,795 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 \$ 6,411,796.
- Total net assets increased by \$ 2,701,779.
- Total cash and investments increased by \$ 557,377 as compared to the prior year.
- Property tax revenue increased by \$ 77,415 as compared to the prior year.
- General fund expenditures decreased by \$ 61,250 as compared to the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 211,656, or 29.41% of total general fund expenditures.
- Total debt decreased by \$ 525,213, or 4.72% 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 3-5 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 23-27 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 \$ 55,071,061 at the close of the most recent fiscal year. Of this amount \$ 25,214,795 is unrestricted and is available to meet the District's ongoing financial obligations.

Statements of Net Assets

	2008			2007		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current Assets	\$ 8,628,927	\$ 26,090,941	\$ 34,719,868	\$ 8,348,098	\$ 26,109,431	\$ 34,457,529
Other Assets	75,880	-	75,880	80,343	-	80,343
Capital Assets, net	4,424	34,239,341	34,243,765	12,742	32,371,494	32,384,236
Total Assets	8,709,231	60,330,282	69,039,513	8,441,183	58,480,925	66,922,108
Current Liabilities	2,866,360	957,892	3,824,752	3,151,345	720,024	3,871,369
Long-Term Obligations	10,063,044	81,156	10,144,200	10,608,257	73,200	10,681,457
Total Liabilities	12,929,404	1,039,048	13,968,952	13,759,602	793,224	14,552,826
Net Assets Invested in Capital						
Assets, Net of Debt	(10,569,381)	34,239,341	23,669,960	(11,008,313)	32,371,494	21,363,181
Restricted Net Assets	6,186,306	-	6,186,306	5,474,040	-	5,474,040
Unrestricted Net Assets	162,902	25,051,893	25,214,795	215,854	25,316,207	25,532,061
Total Net Assets	\$ (4,220,173)	\$ 59,291,234	\$ 55,071,061	\$ (5,318,419)	\$ 57,687,701	\$ 52,369,282

Statements of Activities

	2008			2007		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenue						
Program Revenue						
Charges for Services	\$ -	\$ 5,186,587	\$ 5,186,587	\$ -	\$ 4,782,406	\$ 4,782,406
Operating Grants and Contributions	-	111,929	111,929	-	97,827	97,827
Capital Grants and Contributions	-	856,406	856,406	-	2,230,855	2,230,855
General Revenue						
Property Taxes	1,922,202	-	1,922,202	1,844,787	-	1,844,787
Specific Ownership Taxes	187,749	-	187,749	175,503	-	175,503
Investment Income	210,083	815,359	1,025,442	423,210	1,577,866	2,001,076
Capital Contributions	-	-	-	-	(2,640,921)	(2,640,921)
Other	503	-	503	2,080	-	2,080
Total Revenue	2,320,537	6,970,281	9,290,818	2,445,580	6,048,033	8,493,613
Expenses						
General Government	720,463	-	713,606	810,332	-	810,332
Interest on Long-Term Debt	422,757	-	429,414	416,228	-	416,228
Water/Sewer Facilities	-	5,445,819	5,445,819	-	4,393,769	4,393,769
Total Expenses	1,143,220	5,445,819	6,588,839	1,226,560	4,393,769	5,620,329
Excess	1,177,317	1,524,462	2,701,979	1,219,020	1,654,264	2,873,284
Transfers	(79,071)	79,071	-	(2,946,219)	2,946,219	-
Change in Net Assets	1,098,246	1,603,533	2,701,979	(1,727,199)	4,600,483	2,873,284
Net Assets - Beginning	(5,318,419)	57,687,701	52,369,282	(3,591,220)	53,087,218	49,495,998
Net Assets - Ending	(4,220,173)	59,291,234	55,071,261	(5,318,419)	57,687,701	52,369,282

Governmental activities. Governmental activities increased the District's net assets by \$ 1,096,246, mainly due to changes as follows:

- Property taxes increased \$ 77,415 (4.19%) over the prior year.
- Specific ownership taxes increased \$ 12,246.
- General Government expenses decreased by \$ 96,726 this year.

Business-type activities. Business-type activities increased the District's net assets by \$ 1,603,533, 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 \$ 404,181 (12.46%) over prior year due to increase in customers, customer usage and user rates.
- Investment income decreased \$ 762,507 due to decreasing interest rates.
- Total operating expenses are increased \$ 1,052,050 as a result of an increase in depreciation of \$ 170,164 and operations of \$ 921,608.

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 \$ 6,411,796, of which \$ 6,376,362 constitutes unreserved 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, unreserved fund balance of the general fund was \$ 211,656 out of a total fund balance of \$247,090. 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, 2008, the emergency reserve was \$ 21,600.

The debt service fund has a total fund balance of \$ 6,164,706, all of which is restricted for the repayment of long-term indebtedness. The long term loans payable as of December 31, 2008 is \$ 10,180,000.

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 \$ 25,051,893. In addition, the proprietary fund includes \$ 34,239,341 of Capital Assets, net of Related Debt.

The total net assets of the District's proprietary funds as of December 31, 2008 are \$ 59,291,234. 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 2008 did not exceed the final budgeted appropriation. The difference between the original and final budgeted revenue of \$ 916,461 and the actual revenue of \$ 907,629 was \$ (8,832). This was primarily attributable to a decrease in property taxes. The difference between the original budgeted expenditures of \$ 723,320 and the actual expenditures of \$ 719,752 was \$ 3,568.

Capital Assets

The District invested \$ 1,859,529 in capital assets (net of accumulated depreciation) for its governmental and business-type activities for the year ended December 31, 2008. This investment in capital assets includes water and sewer facilities, water rights and vehicles and equipment. Most notably were the additional Water Storage Tanks.

Additional information on the District's capital assets can be found in note 5 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 \$10,588,044. Accrued compensated absences accounts for \$ 14,239 of this amount. The remaining \$ 10,573,805 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 \$ 505,000 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 17 of this report.

Next Year's Budgets and Rates

Government funds. The 2009 budget reflects a slight increase in property tax revenue of \$166,082. The total assessed value for 2009 is \$ 135,919,200. 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 2009.

Proprietary funds. Water and sewer sales are expected to increase slightly over 2009 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 2009, 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 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
STATEMENTS OF NET ASSETS
DECEMBER 31, 2008

	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Totals</u>	
			<u>2008</u>	<u>2007</u>
<u>Assets</u>				
Cash and investments	\$ 6,601,062	\$ 25,337,522	\$ 31,938,584	\$ 31,381,207
Accounts receivable	14,932	496,460	511,392	1,063,645
Due from other funds	0	216,627	216,627	0
Property taxes receivable	1,999,099	0	1,999,099	1,952,595
Prepaid expenses	13,834	40,332	54,166	60,082
Debit issuance costs, net of accumulated amortization	75,880	0	75,880	80,343
Capital assets, net of accumulated depreciation	<u>4,424</u>	<u>34,239,341</u>	<u>34,243,765</u>	<u>32,384,236</u>
Total Assets	<u>8,709,231</u>	<u>60,330,282</u>	<u>69,039,513</u>	<u>66,922,108</u>
<u>Liabilities</u>				
Accounts payable	1,405	552,192	553,597	1,247,049
Due to other funds	216,627	0	216,627	0
Deposits	0	25,996	25,996	26,996
Deferred property taxes	1,999,099	0	1,999,099	1,952,595
Deferred revenues	0	200,000	200,000	8,843
Accrued interest payable	124,229	0	124,229	130,886
Retainage payable	0	179,704	179,704	0
Non current liabilities				
Due within one year	525,000	0	525,000	505,000
Due in more than one year	<u>10,063,044</u>	<u>81,156</u>	<u>10,144,200</u>	<u>10,681,457</u>
Total Liabilities	<u>12,929,404</u>	<u>1,039,048</u>	<u>13,968,452</u>	<u>14,552,826</u>
<u>Net Assets</u>				
Invested in capital assets net of related debt	(10,569,381)	34,239,341	23,669,960	21,363,181
Restricted for debt service	6,164,706	0	6,164,706	5,451,540
Restricted for emergencies	21,600	0	21,600	22,500
Unrestricted	<u>162,902</u>	<u>25,051,893</u>	<u>25,214,795</u>	<u>25,532,061</u>
Total Net Assets	<u>\$ (4,220,173)</u>	<u>\$ 59,291,234</u>	<u>\$ 55,071,061</u>	<u>\$ 52,369,282</u>

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

ROXBOROUGH WATER AND SANITATION DISTRICT
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<u>Function/Programs</u>				
<u>Primary Government</u>				
Governmental Activities				
General Government	\$ 720,463	\$ 0	\$ 0	\$ 0
Interest on long-term debt	<u>422,757</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Governmental Activities	<u>1,143,220</u>	<u>0</u>	<u>0</u>	<u>0</u>
Business-Type Activities				
Water	2,835,873	2,998,868	50,095	668,261
Sewer	<u>2,609,946</u>	<u>2,187,719</u>	<u>61,834</u>	<u>188,145</u>
Total Business-Type activities	<u>5,445,819</u>	<u>5,186,587</u>	<u>111,929</u>	<u>856,406</u>
Total Primary Government	<u>\$ 6,589,039</u>	<u>\$ 5,186,587</u>	<u>\$ 111,929</u>	<u>\$ 856,406</u>

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 these financial statements.

<u>Net (Expense) Revenues and Changes in Net Assets</u>			
<u>Primary Government</u>			
<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Totals</u>	
		<u>2008</u>	<u>2007</u>
\$ (720,463)	\$ 0	\$ (720,463)	\$ (810,332)
<u>(422,757)</u>	<u>0</u>	<u>(422,757)</u>	<u>(416,228)</u>
<u>(1,143,220)</u>	<u>0</u>	<u>(1,143,220)</u>	<u>(1,226,560)</u>
0	881,351	881,351	1,396,502
<u>0</u>	<u>(172,248)</u>	<u>(172,248)</u>	<u>1,320,817</u>
<u>0</u>	<u>709,103</u>	<u>709,103</u>	<u>2,717,319</u>
<u>(1,143,220)</u>	<u>709,103</u>	<u>(434,117)</u>	<u>1,490,759</u>
1,922,202	0	1,922,202	1,844,787
187,749	0	187,749	175,503
210,083	815,359	1,025,442	2,001,076
503	0	503	2,080
<u>(79,071)</u>	<u>79,071</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,640,921)</u>
<u>2,241,466</u>	<u>894,430</u>	<u>3,135,896</u>	<u>1,382,525</u>
1,098,246	1,603,533	2,701,779	2,873,284
<u>(5,318,419)</u>	<u>57,687,701</u>	<u>52,369,282</u>	<u>49,495,998</u>
<u>\$ (4,220,173)</u>	<u>\$ 59,291,234</u>	<u>\$ 55,071,061</u>	<u>\$ 52,369,282</u>

ROXBOROUGH WATER AND SANITATION DISTRICT
BALANCE SHEETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>	
			<u>2008</u>	<u>2007</u>
<u>Assets</u>				
Cash and Investments	\$ 419,359	\$ 6,181,703	6,601,062	6,364,788
Accounts Receivable	6,302	8,630	14,932	9,699
Property taxes receivable	843,786	1,155,313	1,999,099	1,952,595
Prepaid items	<u>13,834</u>	<u>0</u>	<u>13,834</u>	<u>21,016</u>
Total Assets	<u>\$ 1,283,281</u>	<u>\$ 7,345,646</u>	<u>\$ 8,628,927</u>	<u>\$ 8,348,098</u>
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Accounts payable	\$ 1,405	\$ 0	1,405	562,864
Due to other funds	191,000	25,627	216,627	0
Deferred property taxes	<u>843,786</u>	<u>1,155,313</u>	<u>1,999,099</u>	<u>1,952,595</u>
Total Liabilities	<u>1,036,191</u>	<u>1,180,940</u>	<u>2,217,131</u>	<u>2,515,459</u>
<u>Fund Balances</u>				
Reserved for prepaid items	13,834	0	13,834	21,016
Reserved for emergencies	21,600	0	21,600	22,500
Unreserved, reported in				
General fund	211,656	0	211,656	206,697
Debt service fund	<u>0</u>	<u>6,164,706</u>	<u>6,164,706</u>	<u>5,582,426</u>
Total Fund Balances	<u>247,090</u>	<u>6,164,706</u>	<u>6,411,796</u>	<u>5,832,639</u>
Total Liabilities and Fund Balances	<u>\$ 1,283,281</u>	<u>\$ 7,345,646</u>	<u>\$ 8,628,927</u>	<u>\$ 8,348,098</u>

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

Total fund balances of governmental funds	6,411,796	5,832,639
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 \$8,318.	4,424	12,742
Long-term liabilities, including related items, including loans payable (\$10,180,000), loan premium (\$393,805), accrued compensated absences (\$14,239) bond issuance costs \$75,880, and accrued interest payable (\$124,229) are not due and payable in the current year and, therefore, are not reported in the funds.	<u>(10,636,393)</u>	<u>(11,163,800)</u>
Total Net Assets of Governmental Activities	<u>\$ (4,220,173)</u>	<u>\$ (5,318,419)</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, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>	
			<u>2008</u>	<u>2007</u>
<u>Revenues</u>				
Property taxes	\$ 813,272	\$ 1,108,930	\$ 1,922,202	\$ 1,844,787
Specific ownership taxes	79,387	108,362	187,749	175,503
Investment Income	14,467	195,616	210,083	423,210
Miscellaneous revenues	<u>503</u>	<u>0</u>	<u>503</u>	<u>2,080</u>
Total Revenues	<u>907,629</u>	<u>1,412,908</u>	<u>2,320,537</u>	<u>2,445,580</u>
<u>Expenditures</u>				
General government	719,552	8,143	727,695	799,392
Capital outlay	200	0	200	2,928,046
<u>Debt Service</u>				
Principal	0	505,000	505,000	495,000
Interest and fiscal charges	<u>0</u>	<u>429,414</u>	<u>429,414</u>	<u>444,323</u>
Total Expenditures	<u>719,752</u>	<u>942,557</u>	<u>1,662,309</u>	<u>4,666,761</u>
Revenues Over (Under) Expenditures	<u>187,877</u>	<u>470,351</u>	<u>658,228</u>	<u>(2,221,181)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	0	111,929	111,929	97,827
Transfers Out	<u>(191,000)</u>	<u>0</u>	<u>(191,000)</u>	<u>(116,000)</u>
Total Other Financing Sources (Uses)	<u>(191,000)</u>	<u>111,929</u>	<u>(79,071)</u>	<u>(18,173)</u>
Net Change in Fund Balances	(3,123)	582,280	579,157	(2,239,354)
Fund Balances, Beginning	<u>250,213</u>	<u>5,582,426</u>	<u>5,832,639</u>	<u>8,071,993</u>
Fund Balances, Ending	<u>\$ 247,090</u>	<u>\$ 6,164,706</u>	<u>\$ 6,411,796</u>	<u>\$ 5,832,639</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 (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2008

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

	<u>2008</u>	<u>2007</u>
Net change in fund balances, total governmental funds	\$ 579,157	\$ (2,239,354)
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, less current year purchases of \$200.	(8,318)	(5,777)
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 \$22,593, amortization of debt issuance costs (\$4,463) and change in accrued interest payable \$6,657.	24,787	23,632
Loan payments \$505,000 and changes in compensated absences (\$2,380) 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.	<u>502,620</u>	<u>494,300</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,098,246</u>	<u>\$ (1,727,199)</u>

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

ROXBOROUGH WATER AND SANITATION DISTRICT
STATEMENTS OF NET ASSETS
PROPRIETARY FUND
DECEMBER 31, 2008

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
			<u>2008</u>	<u>2007</u>
<u>Assets</u>				
<u>Current Assets</u>				
Cash and cash equivalents	\$ 18,034,345	\$ 1,135,283	\$ 19,169,628	\$ 13,640,239
Investments	6,167,894	0	6,167,894	11,376,180
Accounts Receivable	305,313	179,490	484,803	1,024,902
Due from other funds	14,638	201,989	216,627	0
Prepaid expenses	20,166	20,166	40,332	39,066
Interfund advance	<u>350,000</u>	<u>0</u>	<u>350,000</u>	<u>350,000</u>
Total Current Assets	<u>24,892,356</u>	<u>1,536,928</u>	<u>26,429,284</u>	<u>26,430,387</u>
<u>Noncurrent Assets</u>				
Accounts receivable	11,657	0	11,657	29,044
Interfund advance	4,150,000	0	4,150,000	4,150,000
Capital assets, net of accumulated depreciation	<u>9,713,130</u>	<u>24,526,211</u>	<u>34,239,341</u>	<u>32,371,494</u>
Total Noncurrent Assets	<u>13,874,787</u>	<u>24,526,211</u>	<u>38,400,998</u>	<u>36,550,538</u>
Total Assets	<u>38,767,143</u>	<u>26,063,139</u>	<u>64,830,282</u>	<u>62,980,925</u>
<u>Liabilities</u>				
<u>Current liabilities</u>				
Accounts payable	126,762	425,430	552,192	684,185
Deposits	18,600	7,396	25,996	26,996
Deferred revenues	0	200,000	200,000	8,843
Interfund advance	0	350,000	350,000	350,000
Retainage payable	<u>0</u>	<u>179,704</u>	<u>179,704</u>	<u>0</u>
Total Current Liabilities	<u>145,362</u>	<u>1,162,530</u>	<u>1,307,892</u>	<u>1,070,024</u>
<u>Noncurrent Liabilities</u>				
Accrued compensated absences	40,578	40,578	81,156	73,200
Interfund advance	<u>0</u>	<u>4,150,000</u>	<u>4,150,000</u>	<u>4,150,000</u>
Total Noncurrent Assets	<u>40,578</u>	<u>4,190,578</u>	<u>4,231,156</u>	<u>4,223,200</u>
Total Liabilities	<u>185,940</u>	<u>5,353,108</u>	<u>5,539,048</u>	<u>5,293,224</u>
<u>Net Assets</u>				
Invested in capital assets, Net of related debt	9,713,130	24,526,211	34,239,341	32,371,494
Unrestricted	<u>28,868,073</u>	<u>(3,816,180)</u>	<u>25,051,893</u>	<u>25,316,207</u>
Total Net Assets	<u>\$ 38,581,203</u>	<u>\$ 20,710,031</u>	<u>\$ 59,291,234</u>	<u>\$ 57,687,701</u>

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

ROXBOROUGH WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND
CHANGE IN FUND NET ASSETS PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Water	Sewer	Total	
			2008	2007
Operating Revenues				
Charges for services	\$ 2,952,670	\$ 1,652,709	\$ 4,605,379	\$ 3,894,300
Permit fees	5,063	8,266	13,329	57,521
Meter fees	4,947	0	4,947	26,600
Reimbursed expenses	0	495,798	495,798	747,402
Miscellaneous	<u>36,188</u>	<u>30,946</u>	<u>67,134</u>	<u>56,583</u>
Total Operating Revenues	<u>2,998,868</u>	<u>2,187,719</u>	<u>5,186,587</u>	<u>4,782,406</u>
Operating Expenses				
Personnel services	401,071	378,727	779,798	819,520
Operations	2,059,373	1,439,181	3,498,554	2,576,946
Depreciation	<u>375,429</u>	<u>792,038</u>	<u>1,167,467</u>	<u>997,303</u>
Total Operating Expenses	<u>2,835,873</u>	<u>2,609,946</u>	<u>5,445,819</u>	<u>4,393,769</u>
Operating Income (Loss)	<u>162,995</u>	<u>(422,227)</u>	<u>(259,232)</u>	<u>388,637</u>
Nonoperating Revenues (Expenses)				
Investment Income	793,475	21,884	815,359	1,577,866
Availability Charges	<u>50,095</u>	<u>61,834</u>	<u>111,929</u>	<u>97,827</u>
Total Nonoperating Revenue (Expenses)	<u>843,570</u>	<u>83,718</u>	<u>927,288</u>	<u>1,675,693</u>
Net Income (Loss) Before Transfers and Capital Contributions	1,006,565	(338,509)	668,056	2,064,330
Transfer in	0	191,000	191,000	116,000
Transfer out	(50,095)	(61,834)	(111,929)	(97,827)
Capital contributions from other funds	0	0	0	2,928,046
Capital contributions	<u>668,261</u>	<u>188,145</u>	<u>856,406</u>	<u>2,230,855</u>
Net Income Before Special Item	1,624,731	(21,198)	1,603,533	7,241,404
Special Item				
Capital contributions to Other entities	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,640,921)</u>
Change in Net Assets	1,624,731	(21,198)	1,603,533	4,600,483
Net assets, beginning	<u>36,956,472</u>	<u>20,731,229</u>	<u>57,687,701</u>	<u>53,087,218</u>
Net assets, ending	<u>\$ 38,581,203</u>	<u>\$ 20,710,031</u>	<u>\$ 59,291,234</u>	<u>\$ 57,687,701</u>

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

ROXBOROUGH WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
			<u>2008</u>	<u>2007</u>
<u>Cash Flows from Operating Activities</u>				
Cash received from customers	\$ 3,019,618	\$ 2,960,407	\$ 5,980,025	\$ 4,770,154
Cash payments to suppliers	(2,171,823)	(2,077,617)	(4,249,440)	(2,570,358)
Cash payments to employees	(397,093)	(374,749)	(771,842)	(816,980)
Other cash received	<u>36,188</u>	<u>30,946</u>	<u>67,134</u>	<u>0</u>
Net Cash Provided by Operating Activities	<u>486,890</u>	<u>538,987</u>	<u>1,025,877</u>	<u>1,382,816</u>
<u>Cash Flows from Noncapital Financing Activities</u>				
Transfers from (to) other funds	<u>(50,095)</u>	<u>129,166</u>	<u>79,071</u>	<u>116,000</u>
<u>Cash Flows from Capital and Related Financing Activities</u>				
Acquisition and construction of capital assets	(2,310,173)	(145,437)	(2,455,610)	(8,873,859)
Capital assets constructed for other entities	0	0	0	(3,048,728)
Escrow deposit released	0	0	0	176,550
Capital charges received	295,444	53,422	348,866	1,671,855
Availability charges received	372,817	134,723	507,540	97,827
Transfers to other funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>(97,827)</u>
Net Cash Provided by (Used In) Capital and Related Financing Activities	<u>(1,641,912)</u>	<u>42,708</u>	<u>(1,599,204)</u>	<u>(10,074,182)</u>
<u>Cash Flows from Investing Activities</u>				
Purchases of investment	(10,504,886)	0	(10,504,886)	7,927,961
Sales of investments	15,713,172	0	15,713,172	0
Investment income	<u>793,475</u>	<u>21,884</u>	<u>815,359</u>	<u>1,577,866</u>
Net Cash Provided by Investing Activities	<u>6,001,761</u>	<u>21,884</u>	<u>6,023,645</u>	<u>9,505,827</u>
Net increase	4,796,644	732,745	5,529,389	930,461
Cash and cash equivalents, beginning	<u>13,237,701</u>	<u>402,538</u>	<u>13,640,239</u>	<u>12,709,778</u>
Cash and cash equivalents, ending	<u>\$ 18,034,345</u>	<u>\$ 1,135,283</u>	<u>\$ 19,169,628</u>	<u>\$ 13,640,239</u>

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

ROXBOROUGH WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
			<u>2008</u>	<u>2007</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income (loss)	\$ 162,995	\$ (422,227)	\$ (259,232)	\$ 388,637
Adjustments to reconcile operating activities				
Cash provided by operating activities				
Depreciation	375,429	792,038	1,167,467	997,303
Receipt of system availability charges	50,095	61,834	111,929	0
Changes in assets and liabilities				
Accounts receivable	11,707	545,779	557,486	(12,606)
Prepaid Expenses	(633)	(633)	(1,266)	(27,262)
Due from other funds	(14,638)	(201,989)	(216,627)	0
Accounts payable	(96,179)	(435,814)	(531,993)	33,850
Deposits	(1,000)	0	(1,000)	100
Deferred revenues	(4,864)	196,021	191,157	254
Accrued compensated absences	3,978	3,978	7,956	2,540
Net Cash Provided by Operating Activities	<u>\$ 486,890</u>	<u>\$ 538,987</u>	<u>\$ 1,025,877</u>	<u>\$ 1,382,816</u>
Noncash Transactions				
Capital assets contributed by other funds	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,928,046</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 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.

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

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

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 after 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.

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 *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.

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.

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 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.

ROXBOROUGH WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Fund Balances (Continued)

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 for the proprietary fund 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 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.

At December 31, 2008, cash and investments consisted of the following:

Deposits	929,795
Investments	<u>31,008,789</u>
Total	<u>\$ 31,938,584</u>

ROXBOROUGH WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CASH AND INVESTMENTS

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. Amount 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, 2008, the District had bank deposits of \$747,831 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, 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

The District had the following investments at December 31, 2008:

Investment Type	S&P Rating	Investment Maturities (in Years)			Fair Value
		Less Than 1	1-5		
Local Government Investment Pool	AAAm	\$ 15,506,688	\$ 0	\$ 15,506,688	
Money Market Funds	AAAm	6,659,274	0	6,659,274	
U.S. Agency Securities	AAA	7,696,294	1,146,533	8,842,827	

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.

ROXBOROUGH WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

Concentration of Credit Risk - State statutes do not limit the amount the District may invest in one issuer. At December 31, 2008, the District's investments in the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Federal Farm Credit Bank were 12%, 7%, and 9%, respectively, of the District's total investments. In addition one money market fund accounted for 21% of the District's total investments.

Local Government Investment Pools - At December 31, 2008, the District had \$11,827,158 and \$3,679,530 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.

NOTE 3 - PREPAID RENT

During 1999, the District prepaid rent of \$175,000 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, 2008, rent expense of \$7,500 was recognized and the balance of the prepaid rent was \$3,750.

NOTE 4 - INTERFUND BALANCES AND TRANSACTIONS

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

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. No payment was made during 2008.

Future payments for the Interfund loan are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	700,000	389,250	1,089,250
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	1,000,000	87,750	1,087,750
Total	\$ 4,500,000	\$ 1,404,000	\$ 5,904,000

ROXBOROUGH WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INTERFUND BALANCES AND TRANSACTIONS (CONTINUED)

<u>Due to</u>	<u>Due From</u>		<u>Total</u>
	<u>General</u>	<u>Debt Service</u>	
Water	\$ 0	\$ 14,638	\$ 14,638
Sewer	191,000	10,989	201,989
Total	\$ 191,000	\$ 25,627	\$ 216,627

The interfund balances result from a time lag between the dates that the transactions are recorded in the accounting system and payments between funds are made.

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Sewer Fund	General Fund	\$ 191,000
Debt Service Fund	Water Fund	64,733
Debt Service Fund	Sewer Fund	72,823

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 transfer from the General Fund to the Sewer Fund was determined during the budget process.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008, is summarized below:

	<u>Balances</u> <u>12/31/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/08</u>
<u>Governmental Activities</u>				
Capital assets, being depreciated				
furniture and equipment	\$ 93,941	\$ 200	\$ 0	\$ 94,141
Total Capital Assets, Being Depreciated	93,941	200	0	94,141
Less accumulated depreciation				
furniture and equipment	(81,199)	(8,518)	0	(89,717)
Total Accumulated Depreciation	(81,199)	(8,518)	0	(89,717)
Total Capital Assets, Being Depreciated, Net	12,742	(8,318)	0	4,424
Governmental Activities Capital Assets	<u>\$ 12,742</u>	<u>\$ (8,318)</u>	<u>\$ 0</u>	<u>\$ 4,424</u>
<u>Business-Type Activities</u>				
Capital assets, not being depreciated				
Land	204,511	0	0	204,511
Tap fees	5,112,558	39,592	0	5,152,150
Water rights	1,134,937	4,302	0	1,139,239
Total Capital Assets, Not Being Depreciated	6,452,006	43,894	0	6,495,900
Capital assets, being depreciated				
Land improvements	5,514	0	0	5,514
Collection and distributions systems	36,516,915	2,991,420	0	39,508,335
Vehicles and equipment	340,436	0	0	340,436
Total Capital Assets, Being Depreciated	36,862,865	2,991,420	0	39,854,285
Less Accumulated Depreciation				
Land improvements	(5,514)	0	0	(5,514)
Collection and distribution systems	(10,637,249)	(1,147,477)	0	(11,784,726)
Vehicles and equipment	(300,614)	(19,990)	0	(320,604)
Total Accumulated Depreciation	(10,943,377)	(1,167,467)	0	(12,110,844)
Total Capital Assets, Being Depreciated, Net	25,919,488	1,823,953	0	27,743,441
Business-Type Activities Capital Assets, Net	<u>\$ 32,371,494</u>	<u>\$ 1,867,847</u>	<u>\$ 0</u>	<u>\$ 34,239,341</u>

ROXBOROUGH WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS (CONTINUED)

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

Governmental activities	
General Government	\$ <u>8,518</u>
Business-type activities	
Water	\$ 375,429
Sewer	792,038
Total	<u>\$ 1,167,467</u>

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, 2008:

	Balance <u>12/31/07</u>	Additions	Payments	Balance <u>12/31/08</u>	Due Within <u>One Year</u>
Governmental Activities					
Accrued Compensated Absences	11,859	2,380	0	14,239	0
1997 CWRPDA Loan	1,765,000	0	155,000	1,610,000	165,000
2005 CWRPDA Loan	8,920,000	0	350,000	8,570,000	360,000
Loan premium	<u>416,398</u>	<u>0</u>	<u>22,593</u>	<u>393,805</u>	<u>0</u>
Total	<u>\$ 11,113,257</u>	<u>\$ 2,380</u>	<u>\$ 527,593</u>	<u>\$ 10,588,044</u>	<u>\$ 525,000</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 the rate of 4.1% to 5.6% per annum.

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 Admin. Fees</u>	<u>Total</u>
2009	\$ 525,000	\$ 410,492	\$ 935,492
2010	550,000	390,580	940,580
2011	570,000	369,501	939,501
2012	590,000	347,393	937,393
2013	615,000	324,332	939,332
2014-2018	2,940,000	1,248,502	4,188,502
2019-2023	2,595,000	830,080	3,425,080
2024-2026	<u>1,795,000</u>	<u>258,344</u>	<u>2,053,344</u>
Total	<u>\$ 10,180,000</u>	<u>\$ 4,179,224</u>	<u>\$ 14,359,224</u>

ROXBOROUGH WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

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, 2008:

	Balance 12/31/07	Additions	Payments	Balance 12/31/08	Due Within One Year
Business-Type Activities					
Accrued compensated absences	\$ 73,200	\$ 7,956	\$ 0	\$ 81,156	\$ 0

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, 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.

ROXBOROUGH WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

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, 2008, the District contributed \$94,432 to the Plan, representing 14.6% 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, 2008, the governmental activities had negative net assets of \$4,220,173, 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, 2008, the emergency reserve of \$21,600 was reported as a reservation of fund balance in the General Fund.

ROXBOROUGH WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 2022.

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, 2008.

The District has entered into a construction contract for water tanks. At December 31, 2008, the remaining contractual amounts are \$1,450,200.

During the 1970's the District presold approximately 2,500 taps. For the year ended December 31, 2008 each prepaid tap had a credit value of \$14,757 against the total tap cost of approximately \$37,125. At December 31, 2008 87 presold taps remained.

REQUIRED SUPPLEMENTARY INFORMATION

ROXBOROUGH WATER AND SANITATION DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2008

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Revenues</u>			
Property taxes	\$ 824,158	\$ 805,114	\$ (19,044)
Property taxes HB 1006	8,387	8,158	(229)
Specific ownership taxes	82,416	79,387	(3,029)
Investment income	500	14,467	13,967
Miscellaneous revenues	<u>1,000</u>	<u>503</u>	<u>(497)</u>
Total Revenues	<u>916,461</u>	<u>907,629</u>	<u>(8,832)</u>
<u>Expenditures</u>			
Salaries and benefits	80,000	111,322	(31,322)
Accounting and audit	24,500	21,400	3,100
Contract labor	1,000	0	1,000
Director fees	8,000	6,550	1,450
Education	30,000	8,070	21,930
Engineering	1,000	0	1,000
Insurance	15,000	11,882	3,118
Legal fees	10,000	12,050	(2,050)
Miscellaneous	20,500	6,778	13,722
Office expense	20,000	16,946	3,054
Permits, dues and subscriptions	2,500	1,279	1,221
Rent	7,500	7,500	0
Repairs and maintenance	10,000	6,797	3,203
Treasurer fees	12,362	5,319	7,043
Treasurer fees HB 1006	1,258	271	987
Utilities	7,000	4,342	2,658
Vehicle expense	2,000	2,019	(19)
Investment expense	0	1,229	(1,229)
Capital outlay	20,000	200	19,800
Capital contributions	<u>450,700</u>	<u>495,798</u>	<u>(45,098)</u>
Total Expenditures	<u>723,320</u>	<u>719,752</u>	<u>3,568</u>
Excess of Revenues Over Expenditures	193,141	187,877	(5,264)
<u>Other Financing Sources (Uses)</u>			
Transfers out	<u>(191,000)</u>	<u>(191,000)</u>	<u>0</u>
Net Change in Fund Balances	<u>\$ 2,141</u>	<u>(3,123)</u>	<u>\$ (5,264)</u>
Fund Balances, Beginning		<u>250,213</u>	
Fund Balances, Ending		<u>\$ 247,090</u>	

See the accompanying Independent Auditors' Report.

ROXBOROUGH WATER AND SANITATION DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2008

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, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Revenues</u>			
Property taxes	\$ 1,128,437	\$ 1,108,930	\$ (19,507)
Specific ownership taxes	112,844	108,362	(4,482)
Investment income	<u>216,000</u>	<u>195,616</u>	<u>(20,384)</u>
Total Revenues	<u>1,457,281</u>	<u>1,412,908</u>	<u>(44,373)</u>
<u>Expenditures</u>			
General government	22,427	8,143	14,284
Debt Service			
Principal	505,000	505,000	0
Interest	<u>429,414</u>	<u>429,414</u>	<u>0</u>
Total Expenditures	<u>956,841</u>	<u>942,557</u>	<u>14,284</u>
Excess of Revenues Over Expenditures	500,440	470,351	(30,089)
<u>Other Financing Sources (Uses)</u>			
Transfers in	<u>66,000</u>	<u>111,929</u>	<u>45,929</u>
Net Change in Fund Balances	<u>\$ 566,440</u>	582,280	<u>\$ 15,840</u>
Fund Balances, Beginning		<u>5,582,426</u>	
Fund Balances, Ending		<u>\$ 6,164,706</u>	

See the accompanying Independent Auditors' Report.

ROXBOROUGH WATER AND SANITATION DISTRICT
BUDGETARY COMPARISON SCHEDULE
WATER FUND
YEAR ENDED DECEMBER 31, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<u>Revenues</u>			
Charges for services	\$ 2,500,000	\$ 2,952,670	\$ 452,670
Permit fees	45,000	5,063	(39,937)
Merit fees	50,000	4,947	(45,053)
Reimbursed expenditures	20,000	0	(20,000)
Miscellaneous	33,200	36,188	2,988
Investment income	850,000	793,475	(56,525)
Availability charges	36,000	50,095	14,095
Capital charges	290,000	295,444	5,444
System development charges	500,000	372,817	(127,183)
	<u>4,324,200</u>	<u>4,510,699</u>	<u>186,499</u>
<u>Expenditures</u>			
Accounting and audit	15,000	19,239	(4,239)
Permits, dues and subscriptions	20,000	24,997	(4,997)
Contract labor	10,000	6,800	3,200
Education	30,000	21,502	8,498
Engineering	20,000	35,887	(15,887)
GPS/GIS	20,000	1,580	18,420
Insurance	30,000	23,626	6,374
Lab and test fees	28,000	29,082	(1,082)
Investment fees	15,000	9,148	5,852
Legal fees	40,000	127,850	(87,850)
Meter expense	150,000	35,162	114,838
Miscellaneous	7,000	13,788	(6,788)
Office expense	30,000	35,720	(5,720)
Operating supplies	85,000	72,074	12,926
Payroll, taxes and benefits	400,000	401,071	(1,071)
Repairs and maintenance	250,000	246,788	3,212
Utilities	135,000	101,448	33,552
Vehicle expense	20,000	14,201	5,799
Water study	30,000	12,697	17,303
Water cost	1,250,000	1,227,784	22,216
Capital outlay	6,100,000	2,310,173	3,789,827
Transfer out	36,000	50,095	(14,095)
	<u>8,721,000</u>	<u>4,820,712</u>	<u>3,900,288</u>
Change in Net Assets, Budgetary Basis	<u>\$ (4,396,800)</u>	(310,013)	<u>\$ 4,086,787</u>

See the accompanying Independent Auditors' Report.

ROXBOROUGH WATER AND SANITATION DISTRICT
BUDGETARY COMPARISON SCHEDULE
WATER FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Reconciliation to GAAP Basis			
Capital outlay		\$ 2,310,173	
Depreciation		<u>(375,429)</u>	
Change in Net Assets, GAAP Basis		1,624,731	
Fund Balances, Beginning		<u>36,956,472</u>	
Fund Balances, Ending		<u>\$ 38,581,203</u>	

See the accompanying Independent Auditors' Report.

ROXBOROUGH WATER AND SANITATION DISTRICT
BUDGETARY COMPARISON SCHEDULE
SEWER FUND
YEAR ENDED DECEMBER 31, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<u>Revenues</u>			
Charges for services	\$ 1,625,000	\$ 1,652,709	\$ 27,709
Permit fees	50,000	8,266	(41,734)
Reimbursed expenditures	470,700	495,798	25,098
Miscellaneous	16,000	30,946	14,946
Investment income	40,000	21,884	(18,116)
Availability charges	30,000	61,834	31,834
Capital charges	50,000	53,422	3,422
System development charges	300,000	134,723	(165,277)
Transfer in	<u>0</u>	<u>191,000</u>	<u>191,000</u>
 Total Revenues	 <u>2,581,700</u>	 <u>2,650,582</u>	 <u>68,882</u>
<u>Expenditures</u>			
Accounting and audit	15,000	19,239	(4,239)
Contract labor	4,000	0	4,000
Dominion expense	0	16,095	(16,095)
Education	30,000	16,940	13,060
Engineering	5,000	27,552	(22,552)
GPS/GIS	20,000	1,580	18,420
Insurance	40,000	23,626	16,374
Lab and test fees	1,000	43	957
Legal fees	50,000	132,775	(82,775)
Miscellaneous	7,000	2,100	4,900
Office expense	30,000	58,171	(28,171)
Operating supplies	0	47,394	(47,394)
Permits, dues and subscriptions	10,000	15,403	(5,403)
Payroll, taxes and benefits	400,000	378,727	21,273
Repairs and maintenance	150,000	409,540	(259,540)
Service fees	750,000	588,437	161,563
Utilities	115,000	63,054	51,946
Investment expenses	0	3,028	(3,028)
Vehicle expense	20,000	14,204	5,796
Capital outlay	1,250,000	725,141	524,859
Transfer out	<u>30,000</u>	<u>61,834</u>	<u>(31,834)</u>
 Total Expenditures	 <u>2,927,000</u>	 <u>2,604,883</u>	 <u>322,117</u>
 Change in Net Assets, Budgetary Basis	 <u>\$ (345,300)</u>	 45,699	 <u>\$ 390,999</u>

See the accompanying Independent Auditors' Report.

ROXBOROUGH WATER AND SANITATION DISTRICT
BUDGETARY COMPARISON SCHEDULE
SEWER FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Reconciliation to GAAP Basis			
Capital outlay		\$ 725,141	
Depreciation		<u>(792,038)</u>	
Change in Net Assets, GAAP Basis		(21,198)	
Fund Balances, Beginning		<u>20,731,229</u>	
Fund Balances, Ending		<u>\$ 20,710,031</u>	

See the accompanying Independent Auditors' Report.