

PLATTE CANYON WATER AND SANITATION DISTRICT
Arapahoe and Jefferson Counties, Colorado

FINANCIAL STATEMENTS
For the Year Ended December 31, 2010

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Independent Auditor's Report

Board of Directors
Platte Canyon Water and Sanitation District
Arapahoe and Jefferson Counties, Colorado

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities and each major fund of Platte Canyon Water and Sanitation District (District), as of and for the year ended December 31, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Platte Canyon Water and Sanitation District's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the District's 2009 financial statements and, in our report dated April 13, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities and each major fund.

We conducted the 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 Platte Canyon Water and Sanitation District, as of December 31, 2010, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The financial statements include summarized prior-year comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2009, from which such summarized information was derived.

The management's discussion and analysis on pages 1 to 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the District's basic financial statements. The accompanying supplemental information listed in the table of contents is presented for purposes of additional analysis and legal compliance and is not a required part of the basic financial statements. The 2010 Schedule of Operating Expenses, Schedule of Revenue, Expenditures and Changes in Funds Available – Budget and Actual (Non-GAAP Budgetary Basis) – Enterprise Fund, the Reconciliation of Actual (Non-GAAP Budgetary Basis) to Statement of Revenues, Expenses and Changes in Net Assets, and the Schedule of Debt Service Requirements to Maturity have 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 for the year ended December 31, 2010, taken as a whole. We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the District's basic financial statements for the year ended December 31, 2009, which is not presented with the accompanying financial statements. In our report dated April 13, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, business-type activities, and each major fund. In our opinion, the 2009 summarized comparative information in the 2010 Schedule of Operating Expenses is fairly stated in all material respects in relation to the basic financial statements for the year ended December 31, 2009, taken as a whole.

SCHILLING & COMPANY, INC.

April 22, 2011

PLATTE CANYON WATER AND SANITATION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis is designed to provide an analysis of the District's financial condition and operating results and to inform the reader on the District's financial issues and activities.

The Management's Discussion and Analysis (MD&A) should be read in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

- The District remains in strong financial position with assets exceeding liabilities at the close of 2010 by \$18,789,324. Of this amount, \$9,239,632 or 49.2% is unrestricted and may be used to meet the District's ongoing obligations to citizens.
- Total net assets increased \$383,522 or 2.1%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Platte Canyon Water and Sanitation District's basic financial statements. The District's basic financial statements comprise three components: 1) the government-wide financial statements, 2) fund financial statements, and 3) notes to the 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 Platte Canyon Water and Sanitation District's finances, in a manner similar to 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 the 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 which reflects how the District's net assets changed during the past year. All changes in the net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods. (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes (*Governmental Activities*) from other functions that are intended to recover all or a significant portion of these costs through taxes and contract services (*Business-type Activities*). The Governmental Activities of the District include the financing and construction of certain water and sewer system improvements of the blended component units. The Business-type Activities of the District include the effective and economical operation of water and sewer systems.

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. Some funds are required to be established by state law and bond covenants. All of the District funds can be divided into two categories: Governmental Funds and Proprietary 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 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.

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 the *governmental funds* with similar information presented for *governmental activities* in the governmental-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 revenue, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains two individual governmental funds, both of which are considered major funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances.

Proprietary Funds – When the District charges entities for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the District's enterprise fund (a component of proprietary funds) is the same as the business-type activities reported in the government-wide statements, but provides more detail and additional information, such as a cash flow statement.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$18,789,324 at the close of 2010.

Net Assets

Combined net assets of the Platte Canyon Water and Sanitation District at December 31, 2010 and 2009 were:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Current assets and other assets	\$ 77,967	\$ 74,632	\$ 11,447,138	\$ 10,847,741	\$ 11,525,105	\$ 10,922,373
Capital assets	-	-	9,472,692	9,741,831	9,472,692	9,741,831
Total assets	<u>77,967</u>	<u>74,632</u>	<u>20,919,830</u>	<u>20,589,572</u>	<u>20,997,797</u>	<u>20,664,204</u>
Long-term obligations	695,273	726,875	24,823	19,058	720,096	745,933
Other liabilities	93,484	96,952	1,394,893	1,415,517	1,488,377	1,512,469
Total liabilities	<u>788,757</u>	<u>823,827</u>	<u>1,419,716</u>	<u>1,434,575</u>	<u>2,208,473</u>	<u>2,258,402</u>
Net Assets:						
Invested in capital assets	-	-	9,472,692	9,741,831	9,472,692	9,741,831
Restricted	-	-	77,000	76,000	77,000	76,000
Unrestricted	(710,790)	(749,195)	9,950,422	9,337,166	9,239,632	8,587,971
Total net assets	<u>\$ (710,790)</u>	<u>\$ (749,195)</u>	<u>\$ 19,500,114</u>	<u>\$ 19,154,997</u>	<u>\$ 18,789,324</u>	<u>\$ 18,405,802</u>

A significant portion (50.4%) of the District's net assets reflects its investment in capital assets (e.g. land, water and sewer systems, equipment, etc.). The District uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Unrestricted net assets may be used to meet the District's ongoing obligations to maintain the water and sewer systems within the jurisdictional boundaries. Unrestricted net assets make up 49.2% of total net assets.

Platte Canyon Water and Sanitation District Subdistrict No. 1 (Subdistrict No.1) and Platte Canyon Water and Sanitation District Subdistrict No. 2 (Subdistrict No.2) financed the construction of water distribution system improvements which were conveyed to the District when completed. The related outstanding debt will be repaid with tax levies on property located within each Subdistrict. Negative net assets will be reported for the Governmental Activities until the long-term debt obligation is satisfied. The District is not obligated to repay the debt in any way. Additional information regarding the Subdistricts may be found in Note 1 (Blended Component Units) of this report.

Changes in Net Assets

The District's program and general revenue of \$2,639,714 exceeds program expenses of \$2,256,192 by \$383,522. This increase is less favorable than the increase in net assets in 2009 of \$421,593 primarily due to the increase in program expenses.

The table below shows the summarized revenue and expenses for 2010 and 2009.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Program revenue:						
Charges for services	\$ -	\$ -	\$ 1,017,341	\$ 956,220	\$ 1,017,341	\$ 956,220
Capital contributions	-	-	70,131	2,900	70,131	2,900
General revenue:						
Property taxes	61,945	56,309	1,296,274	1,308,371	1,358,219	1,364,680
Specific ownership tax	4,185	3,958	85,899	92,398	90,084	96,356
Net investment income	145	138	94,909	155,186	95,054	155,324
Miscellaneous	-	-	8,885	4,475	8,885	4,475
Total revenue	<u>66,275</u>	<u>60,405</u>	<u>2,573,439</u>	<u>2,519,550</u>	<u>2,639,714</u>	<u>2,579,955</u>
Program expenses:						
General government	929	845	-	-	929	845
Interest on long-term debt	26,941	32,096	-	-	26,941	32,096
Water operations	-	-	699,266	697,236	699,266	697,236
Sewer operations	-	-	587,167	588,015	587,167	588,015
Contract services	-	-	941,889	840,170	941,889	840,170
Total expenses	<u>27,870</u>	<u>32,941</u>	<u>2,228,322</u>	<u>2,125,421</u>	<u>2,256,192</u>	<u>2,158,362</u>
Increase (decrease) in net assets	38,405	27,464	345,117	394,129	383,522	421,593
Net Assets-Beginning	(749,195)	(361,456)	19,154,997	18,345,665	18,405,802	17,984,209
Net Assets-Ending	<u>\$ (710,790)</u>	<u>\$ (749,195)</u>	<u>\$ 19,500,114</u>	<u>\$ 19,154,997</u>	<u>\$ 18,789,324</u>	<u>\$ 18,405,802</u>

Governmental Activities

Property taxes were levied to satisfy the required annual debt payments on long-term obligations (see Note 5).

Business-type Activities

Business-type activities reflect an increase in Net Assets of \$345,117 compared to a \$394,129 increase in 2009.

- Total revenue increased by \$53,889 or 2.1%. During 2010, the District received \$68,931 in annexation fees which is included in capital contributions. No such fees were received in 2009. Charges for services increased \$61,121 due to an increase in maintenance provided to Districts under contract. The Districts investment income decreased \$60,277 or 38.8% which is attributed to lower overall investment yields.

- Total program expenses increased by \$102,901 or 4.8%, which is due to charging more labor and overhead expenses to contract maintenance. The percentage of hours devoted to the Districts under contract (see Note 9) increased 2.7% and total overhead expenses increased by 2.1%. Overhead expenses are allocated based on labor hours.

THE DISTRICT'S FUNDS

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

Governmental Funds

The Governmental Fund is accounted for using the modified accrual basis of accounting. As the District completed the year, its Governmental Funds reported a fund balance of \$20,467. This amount is comprised of net property taxes and specific ownership taxes and is reserved for the payment of the outstanding loans.

The budgets for the special revenue funds are prepared on a basis consistent with generally accepted accounting principles (GAAP).

Proprietary Fund

Unrestricted Net Assets for the District's enterprise fund at the end of 2010 amounted to \$9,950,422 compared to \$9,337,166 in 2009.

BUDGETARY HIGHLIGHTS

The District prepares its enterprise fund budget on a non-GAAP budgetary basis of accounting to recognize the fiscal impact of sale of assets, capital outlay, in addition to operations and nonoperating revenues and contributions. Capital contributions of facilities and depreciation are not reflected on the budget as they do not affect "funds available". This budgetary accounting is required by state statutes.

The District's actual revenues exceeded budgeted revenues by \$95,627. Actual net investment income realized was \$84,360 less than the amount budgeted. This negative variance is a result of obtaining lower yielding investments due to the overall decline in market conditions. A positive budget variance of \$108,165 for contract services is due to actual labor hours devoted to contract maintenance being higher than projected.

Budgeted expenditures exceeded actual expenditures by \$435,773. The largest positive variance relates to contingency for capital outlay. In addition to budgeting for emergency reserve, the District budgets an additional 15% of the projected water and sewer capital expenses to cover unanticipated increases in construction costs. For 2010, the planned sewer rehabilitation project actually cost the District \$73,480 less than budgeted. The total positive budget variance of \$123,480 for sewage collection also includes a budget of \$50,000 included to cover any required pipe rehabilitation identified during the Districts television inspection program. No such projects were identified.

A positive budget variance in the amount of \$154,911 for operations and maintenance is the result of the Districts efforts to restrain and control spending. Despite the significant cost increases experienced in the health insurance industry, the District has been successful in obtaining adequate health benefit coverage for its employees while effectively managing premiums. Anticipated expenses related to professional and consulting expenses were not expended during 2010 and resulted in a \$40,897 positive budget variance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The table below provides a summary of total capital assets, net of depreciation where applicable at December 31, 2010 and 2009.

	Business-type Activities	
	2010	2009
Land	\$ 5,000	\$ 5,000
Construction in process	-	-
Total non-depreciable assets	5,000	5,000
Water distribution system	5,973,916	6,065,758
Sewer collection system	3,021,269	3,107,862
Equipment and vehicles	441,465	535,813
Office equipment	31,042	27,398
Total depreciable assets	9,467,692	9,736,831
Total capital assets	\$ 9,472,692	\$ 9,741,831

The District completed 3 major capital projects replacing 1,425 feet of water distribution mains amounting to \$167,517 and 200 feet of a sewer collection main amounting to \$57,821.

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

Debt

The Subdistrict No. 1 and the Subdistrict No. 2 Fund’s have loans outstanding. Detail of the long-term debt obligations are presented in Note 5.

Economic Factors and Next Year's Budget

- Property and specific ownership taxes for general operating purposes were budgeted in the amount of \$1,391,552, which represents 57.0% of total District budgeted revenue.
- Revenue from contract services is expected to be \$925,750.
- The average yield on investments is projected to be 1.2% resulting in investment income of approximately \$115,067.
- The budget for operating expenditures and capital expenditures is \$1,888,237 and \$197,743 respectively.
- The Subdistrict No. 1 levied a property tax assessment in the amount of \$28,525, which is budgeted to satisfy its annual debt requirements.
- The Subdistrict No. 2 levied a property tax assessment in the amount of \$29,086, which is budgeted to satisfy its annual debt requirements.

Requests for Information

This report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Financial Administrator, Platte Canyon Water and Sanitation District, 8739 W. Coal Mine Ave., Littleton, Colorado 80123.

BASIC FINANCIAL STATEMENTS

PLATTE CANYON WATER AND SANITATION DISTRICT
STATEMENT OF NET ASSETS
December 31, 2010

(with comparative totals for December 31, 2009)

	Governmental	Business-type	Total	
	Activities	Activities	2010	2009
ASSETS				
Cash and cash equivalents	\$ 20,128	\$ 1,839,452	\$ 1,859,580	\$ 920,888
Investments	-	7,677,296	7,677,296	7,987,683
Receivable from County Treasurers	339	6,584	6,923	6,791
Accounts receivable	-	85,473	85,473	92,608
Accrued interest receivable	-	22,899	22,899	32,851
Property taxes receivable	57,500	1,304,000	1,361,500	1,359,900
Prepaid expenses	-	53,042	53,042	47,800
Prepaid lease, current portion	-	15,460	15,460	15,460
Prepaid lease, long-term portion	-	442,932	442,932	458,392
Land	-	5,000	5,000	5,000
Capital assets, (net of accumulated depreciation):				
Water distribution system	-	5,973,916	5,973,916	6,065,758
Sewage collection system	-	3,021,269	3,021,269	3,107,862
Maintenance equipment	-	441,465	441,465	535,813
Office equipment	-	31,042	31,042	27,398
Total assets	<u>77,967</u>	<u>20,919,830</u>	<u>20,997,797</u>	<u>20,664,204</u>
LIABILITIES				
Accounts and retainage payable	-	14,351	14,351	41,157
Accrued salaries and benefits	-	49,522	49,522	47,823
Accrued interest payable	4,382	-	4,382	4,566
Deferred revenue	-	1,958	1,958	3,146
Deferred property tax revenue	57,500	1,304,000	1,361,500	1,359,900
Long-term obligations, due within one year	31,602	25,062	56,664	55,877
Long-term obligations, due in more than one year	695,273	24,823	720,096	745,933
Total liabilities	<u>788,757</u>	<u>1,419,716</u>	<u>2,208,473</u>	<u>2,258,402</u>
NET ASSETS				
Invested in capital assets, net of related debt	-	9,472,692	9,472,692	9,741,831
Restricted for:				
Emergencies	-	77,000	77,000	76,000
Unrestricted	(710,790)	9,950,422	9,239,632	8,587,971
TOTAL NET ASSETS	<u>\$ (710,790)</u>	<u>\$ 19,500,114</u>	<u>\$ 18,789,324</u>	<u>\$ 18,405,802</u>

These financial statements should be read only in connection with the accompanying notes to financial statements

PLATTE CANYON WATER AND SANITATION DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010

(with comparative totals for December 31, 2009)

	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets			
		Charges For Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
						2010	2009
FUNCTIONS/PROGRAMS							
Governmental Activities							
General government	\$ 929	\$ -	\$ -	\$ (929)	\$ -	\$ (929)	\$ (845)
Interest on long term obligations	26,941	-	-	(26,941)	-	(26,941)	(32,096)
Total Governmental Activities	<u>27,870</u>	<u>-</u>	<u>-</u>	<u>(27,870)</u>	<u>-</u>	<u>(27,870)</u>	<u>(32,941)</u>
Business-type Activities							
Water operations	699,266	-	35,666	-	(663,600)	(663,600)	(694,336)
Sewer operations	587,167	-	34,465	-	(552,702)	(552,702)	(588,015)
Contract services	941,889	1,017,341	-	-	75,452	75,452	116,050
Total Business-type Activities	<u>2,228,322</u>	<u>1,017,341</u>	<u>70,131</u>	<u>-</u>	<u>(1,140,850)</u>	<u>(1,140,850)</u>	<u>(1,166,301)</u>
Total Primary Government	<u>\$ 2,256,192</u>	<u>\$ 1,017,341</u>	<u>\$ 70,131</u>	<u>\$ (27,870)</u>	<u>\$ (1,140,850)</u>	<u>\$ (1,168,720)</u>	<u>\$ (1,199,242)</u>
GENERAL REVENUE							
Property tax revenue				61,945	1,296,274	1,358,219	1,364,680
Specific ownership tax				4,185	85,899	90,084	96,356
Investment income				145	94,909	95,054	155,324
Miscellaneous				-	8,885	8,885	4,475
Total General Revenue				<u>66,275</u>	<u>1,485,967</u>	<u>1,552,242</u>	<u>1,620,835</u>
Change in Net Assets				<u>38,405</u>	<u>345,117</u>	<u>383,522</u>	<u>421,593</u>
Net Assets - Beginning				<u>(749,195)</u>	<u>19,154,997</u>	<u>18,405,802</u>	<u>17,984,209</u>
Net Assets - Ending				<u>\$ (710,790)</u>	<u>\$ 19,500,114</u>	<u>\$ 18,789,324</u>	<u>\$ 18,405,802</u>

These financial statements should be read only in connection with the accompanying notes to financial statements

**PLATTE CANYON WATER AND SANITATION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2010**

	Subdistrict No.1	Subdistrict No.2	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 12,469	\$ 7,659	\$ 20,128
Receivable from County Treasurer	150	189	339
Property taxes receivable	28,500	29,000	57,500
Total assets	\$ 41,119	\$ 36,848	\$ 77,967
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Deferred property tax revenue	\$ 28,500	\$ 29,000	\$ 57,500
Total liabilities	28,500	29,000	57,500
FUND BALANCES			
Reserved for debt service	12,619	7,848	20,467
Total fund balances	12,619	7,848	20,467
TOTAL LIABILITIES AND FUND BALANCES	\$ 41,119	\$ 36,848	

**Amounts reported for governmental activities in the
Statement of Net Assets are different because:**

Long-term liabilities are not due and payable in the
current period and therefore are not reported
in the governmental funds.

(731,257)

Net Assets of Governmental Activities

\$ (710,790)

These financial statements should be read only in connection with the accompanying notes to financial statements.

PLATTE CANYON WATER AND SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2010

	<u>Subdistrict No.1</u>	<u>Subdistrict No.2</u>	<u>Total Governmental Funds</u>
REVENUE			
Property taxes	\$ 28,525	\$ 33,420	\$ 61,945
Specific ownership taxes	1,860	2,325	4,185
Net investment income	77	68	145
Total revenue	<u>30,462</u>	<u>35,813</u>	<u>66,275</u>
EXPENDITURES			
Debt service			
Principal	15,310	15,176	30,486
Interest	13,215	13,910	27,125
Treasurer fees	428	501	929
Total expenditures	<u>28,953</u>	<u>29,587</u>	<u>58,540</u>
NET CHANGE IN FUND BALANCES	1,509	6,226	7,735
FUND BALANCE - BEGINNING OF YEAR	11,110	1,622	12,732
FUND BALANCES - END OF YEAR	<u>\$ 12,619</u>	<u>\$ 7,848</u>	<u>\$ 20,467</u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

**PLATTE CANYON WATER AND SANITATION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 7,735
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p> <p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>	
Change in accrued interest payable	184
<p>The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net assets.</p>	
Principal payment on loan	<u>30,486</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 38,405</u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

PLATTE CANYON WATER AND SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND - SUBDISTRICT NO. 1
For the Year Ended December 31, 2010

	Original and Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUE			
Property taxes	\$ 28,525	\$ 28,525	\$ -
Specific ownership taxes	1,997	1,860	(137)
Net investment income	55	77	22
Total revenue	30,577	30,462	(115)
EXPENDITURES			
Debt service			
Principal	15,310	15,310	-
Interest	13,215	13,215	-
Treasurer fees	458	428	30
Total expenditures	28,983	28,953	30
NET CHANGE IN FUND BALANCE	1,594	1,509	(85)
FUND BALANCE - BEGINNING OF YEAR	11,010	11,110	100
FUND BALANCE - END OF YEAR	\$ 12,604	\$ 12,619	\$ 15

These financial statements should be read only in connection with the accompanying notes to financial statements.

PLATTE CANYON WATER AND SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND - SUBDISTRICT NO. 2
For the Year Ended December 31, 2010

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE			
Property taxes	\$ 33,421	\$ 33,420	\$ (1)
Specific ownership taxes	2,339	2,325	(14)
Net investment income	8	68	60
Total revenue	<u>35,768</u>	<u>35,813</u>	<u>45</u>
EXPENDITURES			
Debt service			
Principal	17,438	15,176	2,262
Interest	15,983	13,910	2,073
Treasurer fees	501	501	-
Total expenditures	<u>33,922</u>	<u>29,587</u>	<u>4,335</u>
NET CHANGE IN FUND BALANCE	1,846	6,226	4,380
FUND BALANCE - BEGINNING OF YEAR	1,560	1,622	62
FUND BALANCE - END OF YEAR	<u>\$ 3,406</u>	<u>\$ 7,848</u>	<u>\$ 4,442</u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

PLATTE CANYON WATER AND SANITATION DISTRICT
STATEMENT OF NET ASSETS
ENTERPRISE FUND
December 31, 2010

(with comparative totals for December 31, 2009)

	2010	2009
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,839,452	\$ 908,443
Investments	7,677,296	7,987,683
Receivable from County Treasurers	6,584	6,504
Accounts receivable	85,473	92,608
Accrued interest receivable	22,899	32,851
Property taxes receivable	1,304,000	1,298,000
Prepaid expenses	53,042	47,800
Current portion of prepaid lease	15,460	15,460
Total Current assets	11,004,206	10,389,349
Non-current assets		
Prepaid lease	442,932	458,392
Land	5,000	5,000
Capital assets, net of depreciation:		
Water distribution system	5,973,916	6,065,758
Sewage collection system	3,021,269	3,107,862
Maintenance equipment	441,465	535,813
Office equipment	31,042	27,398
Total Noncurrent assets	9,915,624	10,200,223
TOTAL ASSETS	20,919,830	20,589,572
LIABILITIES		
Current liabilities		
Accounts payable	14,351	41,157
Accrued salaries and benefits	49,522	47,823
Deferred revenue	1,958	3,146
Deferred property tax revenue	1,304,000	1,298,000
Long-term obligations, current portion	25,062	25,391
Total Current liabilities	1,394,893	1,415,517
Non-current liabilities		
Long-term obligations, non-current portion	24,823	19,058
TOTAL LIABILITIES	1,419,716	1,434,575
NET ASSETS		
Invested in capital assets	9,472,692	9,741,831
Restricted for emergencies	77,000	76,000
Unrestricted	9,950,422	9,337,166
TOTAL NET ASSETS	\$ 19,500,114	\$ 19,154,997

These financial statements should be read only in connection with the accompanying notes to financial statements.

**PLATTE CANYON WATER AND SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
ENTERPRISE FUND**

For the Year Ended December 31, 2010

(with comparative totals for December 31, 2009)

	2010	2009
OPERATING REVENUE		
Contract Services	\$ 1,009,165	\$ 929,403
Other	8,176	26,817
Total operating revenue	1,017,341	956,220
OPERATING EXPENSES		
Water operations	478,768	462,807
Sewer operations	397,893	386,861
Contract services	941,889	840,170
General and administrative	390,302	415,939
Total operating expenses	2,208,852	2,105,777
(LOSS) FROM OPERATIONS	(1,191,511)	(1,149,557)
NONOPERATING REVENUE (EXPENSES)		
Property taxes	1,296,274	1,308,371
Specific ownership taxes	85,899	92,398
Net investment income	94,909	155,186
Gain on sale of property and equipment	8,885	4,475
County Treasurer's collection fees	(19,470)	(19,644)
Total nonoperating revenue (expenses)	1,466,497	1,540,786
INCOME BEFORE CAPITAL CONTRIBUTIONS	274,986	391,229
CAPITAL CONTRIBUTIONS		
Tap fees	1,200	2,900
Annexation fees	68,931	-
Contributed assets	-	415,203
Total capital contributions	70,131	418,103
CHANGE IN NET ASSETS	345,117	809,332
NET ASSETS - BEGINNING OF YEAR	19,154,997	18,345,665
NET ASSETS - END OF YEAR	\$ 19,500,114	\$ 19,154,997

These financial statements should be read only in connection with the accompanying notes to financial statements.

PLATTE CANYON WATER AND SANITATION DISTRICT
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
For the Year Ended December 31, 2010

(with comparative totals for December 31, 2009)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contract services and customers	\$ 1,023,288	\$ 972,408
Cash payments to suppliers for goods and services	(486,418)	(420,197)
Cash payments to employees for services	(1,180,238)	(1,158,399)
Cash flows used for operating activities	(643,368)	(606,188)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes - Net	1,276,724	1,289,150
Specific ownership taxes	85,899	92,398
Cash flows provided by noncapital financing activities	1,362,623	1,381,548
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributed capital - Tap fees	1,200	2,900
Annexation fees	68,931	-
Acquisition of capital assets	(282,510)	(457,268)
Proceeds from sale of capital assets	8,885	4,475
Cash flows used for capital and related financing activities	(203,494)	(449,893)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	215,216	262,744
Purchase of investments	(5,148,968)	(3,589,590)
Matured investments	5,349,000	3,809,000
Cash flows provided for (used by) investing activities	415,248	482,154
NET INCREASE IN CASH AND CASH EQUIVALENTS	931,009	807,621
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	908,443	100,822
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,839,452	\$ 908,443

(Continued)

These financial statements should be read only in connection with the accompanying notes to financial statements

PLATTE CANYON WATER AND SANITATION DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2010

(with comparative totals for December 31, 2009)

(Continued)

	2010	2009
Reconciliation of (loss) from operations to net cash used for operating activities		
(Loss) from operations	\$ (1,191,511)	\$ (1,149,557)
Adjustments to reconcile (loss) from operations to net cash used for operating activities		
Depreciation and amortization	567,109	531,671
Effects of changes in operating assets and liabilities:		
Receivables	7,135	14,554
Prepaid expenses	(5,242)	(246)
Accounts payable	(26,806)	(4,015)
Accrued salaries and benefits	1,699	2,789
Compensated absences	5,436	(3,018)
Deferred revenue	(1,188)	1,634
Total adjustments	548,143	543,369
Net cash used for operating activities	\$ (643,368)	\$ (606,188)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Contributions of capital assets	\$ -	\$ 415,203

These financial statements should be read only in connection with the accompanying notes to financial statements

PLATTE CANYON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 1 – DEFINITION OF REPORTING ENTITY

The District, a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Jefferson and Arapahoe Counties, Colorado. The District was established to provide water and sanitation services.

The District has maintenance agreements with Southwest Metropolitan Water and Sanitation District and other water and sanitation districts. The contracts provide that the District will perform administration and maintenance services using the District's personnel and equipment, with reimbursement to the District for labor, materials and use of equipment and general and administration expenses (See Note 9).

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

Blended Component Units

Platte Canyon Water and Sanitation Subdistrict No. 1 (Subdistrict No. 1) was established in 2005 pursuant to the provisions of § 32-1-1101(f) of the Colorado Revised Statutes. The area of the Subdistrict No. 1, located entirely within the District boundaries, is known as the Columbine Townhouses III Subdivision (Subdivision). The Subdistrict No. 1 was formed for the purpose of financing certain public water distribution system improvements needed to serve the Subdivision. The Subdistrict No. 1 will assess a levy against all real property within its boundaries for the payment of principal and interest on the loan. The Subdistrict No. 1 is included as a blended component unit of the District because the District's board members are the same, the District provides substantial support to the Subdistrict No. 1, and the improvements within the Subdistrict No. 1 ultimately benefit the District as a whole. Separate financial statements are not prepared for the Subdistrict No. 1.

PLATTE CANYON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 1 – DEFINITION OF REPORTING ENTITY (CONTINUED)

In 2007 the District Board of Directors established the Platte Canyon Water and Sanitation Subdistrict No. 2 (Subdistrict No. 2) pursuant to the provisions of § 32-1-1101(f) of the Colorado Revised Statutes. The area of Subdistrict No. 2, located entirely within the District boundaries, is known as the Colombine Townhouses Four Subdivision (Subdivision). Subdistrict No. 2 was formed for the purpose of financing certain public water distribution system improvements needed to serve the Subdivision. The Subdistrict No. 2 will assess a levy against all real property within its boundaries for the payment of principal and interest on the loan. The Subdistrict No. 2 is included as a blended component unit of the District because the District's board members are the same, the District provides substantial support to Subdistrict No. 2, and the improvements will ultimately benefit the District as a whole. Separate financial statements are not prepared for the Subdistrict No. 2.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-wide and fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, 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 a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or entities who 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 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*.

Separate financial statements are provided for the governmental funds and the proprietary fund because all are considered major funds.

PLATTE CANYON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 2 – 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 accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

Governmental fund financial statements are reported using the *current financial resources measurement focus and 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 period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenue to be available if they are collected within 60 days of the end of the current fiscal period.

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

Property and specific ownership taxes as well as investment income associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

Subdistrict No. 1 Fund and Subdistrict No. 2 Fund – These funds are included as blended component units of the District. The funds are used to account for the financing of certain public water distribution system improvements needed to serve specific subdivisions located in the District. The costs of the improvements are confined to the individual subdivisions by a separate tax levy than that of the District as a whole.

The District reports the following major proprietary fund:

Enterprise Fund – This fund is used to account for the effective and economical operation of water and sewer systems within the jurisdictional boundaries of the District.

The District has elected to follow Governmental Accounting Standards Board pronouncements in the enterprise fund statements. Therefore, statements issued by the Financial Accounting Standards Board (FASB) after November 30, 1989 are not applied.

PLATTE CANYON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional expenses for business-type activities in the government-wide and proprietary fund financial statements include allocated indirect overhead expense.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating revenues of the District's enterprise fund consist of charges to other local governments for services provided. Operating expenses for the enterprise fund include cost of service, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenue and expenses or capital contributions.

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.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. A budget is legally adopted for each fund of the District. The budgets for the Special Revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgetary comparisons for the Proprietary Fund are presented on a non-GAAP budgetary basis. Capital outlay is budgeted as an expenditure and depreciation is not budgeted. Budgeted amounts in the financial statements are as originally adopted, or as amended by the Directors.

Cash Equivalents and Investments

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents. Investments are recorded at fair value.

Receivables

All receivables are recorded at their gross value and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

PLATTE CANYON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Expenses

Payments made to vendors for services which will benefit periods after December 31 are recorded as prepaid items.

Property Taxes

Property taxes are levied by the District Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurers collect the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are normally held in November or December. The County Treasurers remit the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected (the year that it is levied for).

Capital Assets

Capital assets which include property, 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. Such assets are recorded at cost except for those assets which have been contributed which are recorded at estimated fair value at the date of contribution or at developer's cost. Capital assets are defined by the District as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of three years. Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Distribution and Collection Systems	20 – 40 years
Maintenance and Office Equipment	3 – 10 years

PLATTE CANYON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The District accrues accumulated unpaid vacation and sick leave when earned by the employee. The District has a policy which allows employees to accumulate unused vacation and sick leave up to a certain maximum number of hours. The accumulated vacation and sick leave are recorded as an accrued liability and current salary expense when incurred in the proprietary fund financial statements. In the event of termination, an employee is reimbursed for the accumulated hours up to the maximum amounts.

Deferred Revenues

Deferred revenues include funds that have been collected by the District before it has legal claim to them. In subsequent periods, when the District has legal claim to the resources, the liability for the deferred revenue is removed from the government-wide and proprietary fund Statements of Net Assets or the governmental fund balance sheet and revenue is recognized.

Net Assets / Fund Balance

In the government-wide and proprietary 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.

Comparative Data

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, comparative data has not been presented in all statements because such inclusion would make certain statements unduly complex and difficult to understand. Also, certain amounts presented in the prior year data have been reclassified to be consistent with current year presentation.

PLATTE CANYON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 3 – CASH AND INVESTMENTS

At December 31, 2010 the District had the following cash and investments:

Cash on hand	\$ 300
Deposits	3,384,539
Investments	6,152,037
Total	\$ 9,536,876

Cash deposits and investments are reflected on the December 31, 2010 Statement of Net Assets as follows:

Cash and cash equivalents	\$ 1,859,580
Investments	7,677,296
Total	\$ 9,536,876

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires deposits of all units of local government to be made 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 institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to the 102% of the uninsured deposits.

Investments

The District is required to comply with State statutes and the District’s investment policy which specify instruments meeting defined rating, maturity, and concentration risk criteria in which the District may invest, which include the following. State statute does not address custodial risk.

- . Obligations of the U.S. and certain U.S. government agency securities and the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Bankers’ acceptances of certain banks
- . Commercial paper
- . Certain reverse repurchase agreements
- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market mutual funds
- . Guaranteed investment contracts
- . Local government investment pools

PLATTE CANYON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

At December 31, 2010 the District had the following investments:

Investment	Rating	Maturities (in Years)		Total
		Less than 1	1 - 5	
U.S. Government Instrumentalities	AAA	\$ 1,317,887	\$ 2,764,753	\$ 4,082,640
U.S. Treasury Notes	N/A	402,688	-	402,688
Local Government Investment Pool	AAAm	1,666,709	-	1,666,709
		<u>\$ 3,387,284</u>	<u>\$ 2,764,753</u>	<u>\$ 6,152,037</u>

Interest Rate Risk – The District’s investment policy limits investment maturities by investment type. Maturities for investments in U.S. Treasuries and U.S. Agencies are limited to a maximum of 10 years.

Credit risk – The District’s investment policy limits investments to U.S. Treasury obligations, U.S. Government Agency and Instrumentality securities, local government investment pools, and certain money market mutual funds approved by the Board of Directors. State statutes limit investments in U.S. Agency and Instrumentality securities to the highest rating issued by two or more nationally recognized statistical rating organizations (NRSROs).

Concentration of Credit Risk – It is the policy of the District to diversify its investment portfolio to eliminate risk of loss resulting from over concentration of assets in a specific maturity, a specific class, and specific issuer of securities. The District policy includes cash deposits in the total portfolio when determining concentration of investments. The policy provides that the total portfolio of the District may be comprised of 100% U.S. Treasury Notes. However, investment in U.S. Government instrumentalities may not exceed 50% of the District’s total portfolio and investment in any one issuer may not exceed 20% of the total portfolio. Investments in local government investment pools as well as money market mutual funds may not exceed 25% of the District’s total portfolio. The policy provides for variances in the stated maximum percentage limitations not to exceed 5% at any given time. At December 31, 2010, the District’s investment in Federal National Mortgage Association, Federal Home Loan Bank, and Federal Home Loan Mortgage Corporation were 24.7%, 21.4%, and 20.4%, respectively, of the District’s total investments and 15.9%, 13.8%, and 13.1%, respectively, of the District’s total portfolio.

Local Government Investment pool – The District has investments in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. A designated custodial bank serves as custodian for the COLOTRUST portfolios pursuant to a custodian agreement. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial banks. The custodian acts as safekeeping agent for COLOTRUST investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by each participating government.

PLATTE CANYON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 4 – CAPITAL ASSETS

<u>By Classification</u>	Balance at January 1, 2010	Additions	Deletions	Balance at December 31, 2010
Business-type Activities				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Total non-depreciable assets	5,000	-	-	5,000
Water distribution system	11,767,491	167,517	7,951	11,927,057
Sewage collection system	8,334,124	57,821	2,127	8,389,818
Maintenance equipment	1,183,610	32,107	22,255	1,193,462
Office equipment	265,996	25,065	35,380	255,681
Total capital assets being depreciated	21,551,221	282,510	67,713	21,766,018
Less Accumulated Depreciation Business-type Activities				
Water distribution system	(5,701,733)	(259,359)	(7,951)	(5,953,141)
Sewage collection system	(5,226,262)	(144,414)	(2,127)	(5,368,549)
Maintenance equipment	(647,797)	(126,455)	(22,255)	(751,997)
Office equipment	(238,598)	(21,421)	(35,380)	(224,639)
Total Accumulated Depreciation	(11,814,390)	(551,649)	(67,713)	(12,298,326)
Total capital assets being depreciated, net	9,736,831	(269,139)	-	9,467,692
Net Capital Assets	\$ 9,741,831	\$ (269,139)	\$ -	\$ 9,472,692

Depreciation expense for the years ended December 31, 2010 was charged to the following programs:

Business-type Activities:	
Water operations	\$ 284,118
Sewer operations	179,308
Contract services	88,223
Total	<u>\$ 551,649</u>

PLATTE CANYON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 5 – LONG-TERM OBLIGATIONS

The following is an analysis of changes in the governmental activities and business-type activities long-term obligations for the year ended December 31, 2010:

	<u>January 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2010</u>	<u>Due within one year</u>
Governmental Activities:					
Subdistrict No. 1					
(2006) - \$400,000					
CWRPDA Loan	\$ 356,185	\$ -	\$ 15,310	\$ 340,875	\$ 15,890
Subdistrict No. 2					
(2008) - \$475,000					
CWRPDA Loan	401,176	-	15,176	386,000	15,712
	<u>\$ 757,361</u>	<u>\$ -</u>	<u>\$ 30,486</u>	<u>\$ 726,875</u>	<u>\$ 31,602</u>
Less current portion	<u>(30,486)</u>			<u>(31,602)</u>	
	<u>\$ 726,875</u>			<u>\$ 695,273</u>	
Business-type Activities:					
Accrual for compensated absences	\$ 44,449	<u>\$ 69,642</u>	<u>\$ 64,206</u>	\$ 49,885	<u>\$ 25,062</u>
Less current portion	<u>(25,391)</u>			<u>(25,062)</u>	
	<u>\$ 19,058</u>			<u>\$ 24,823</u>	

Accrual for compensated absences (see Note 2) is liquidated from the Enterprise fund.

The detail of the District's governmental activities long-term obligation is as follows:

Colorado Water Resources and Power Development Authority:

\$400,000 Loan, dated June 30, 2006, with interest of 3.75%, due semi-annually through 2026. Loan repayments may be prepaid, in whole or in part, upon prior written notice of not less than ninety (90) days to the Authority. This loan was entered into by the Subdistrict No. 1 for the purpose of financing water system improvements. The District is in no way obligated to repay the loan.

\$475,000 Loan, dated July 15, 2008, with interest of 3.50%, due semi-annually through 2028. Loan repayments may be prepaid, in whole or in part, upon prior written notice of not less than ninety (90) days to the Authority. This loan was entered into by the Subdistrict No. 2 for the purpose of financing water system improvements. The District is in no way obligated to repay the loan.

PLATTE CANYON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

The District’s long-term obligations of the governmental activities will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 31,602	\$ 26,009	\$ 57,611
2012	32,757	24,853	57,610
2013	33,955	23,653	57,608
2014	35,198	22,412	57,610
2015	36,486	21,124	57,610
2016-2020	203,462	84,589	288,051
2021-2025	243,522	44,526	288,048
2026-2028	109,893	5,888	115,781
	<u>\$ 726,875</u>	<u>\$ 253,054</u>	<u>\$ 979,929</u>

NOTE 6 – SERVICE CONTRACTS

Water

The District has a distributor’s contract with the Denver Water Board whereby the Denver Water Department provides water in the District’s service area and charges the users directly (“read and bill” type of distributor’s contract).

Sewer

The District has a contract with the City of Littleton whereby the City provides sewage treatment for the District and bills the users directly.

NOTE 7 – PENSION PLAN

The District has adopted a single employer defined contribution pension plan administered by Colorado Counties Officials and Employees Retirement Association (CCOERA) which covers substantially all employees (minimum eligibility requirements of 20 or more hours of work per week and one full year of continuous service). Contribution requirements of the District and eligible employees are established and may be amended by the District Board of Directors. Eligible employees must participate in the plan with an elected contribution between 3% and 8% of gross wages less overtime pay. The District matches the employees elected contribution level. Withdrawal from the Plan may occur only upon retirement, death, disability or termination of employment. Employees vest 100% in personal contributions and 20% for each year of employment in employer contributions. District contributions for employees who leave employment before five years of participation are used to reduce the District’s current period contribution requirement. There is no liability for benefits under the plan beyond the District’s matching payments.

PLATTE CANYON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 7 – PENSION PLAN (CONTINUED)

The number of active plan members and contributions made by the District for the years ended December 31, 2010, 2009 and 2008 are as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Plan members	<u>13</u>	<u>13</u>	<u>13</u>
Plan member contributions	<u>\$ 59,793</u>	<u>\$ 56,318</u>	<u>\$ 54,731</u>
District contributions	<u>\$ 59,793</u>	<u>\$ 56,318</u>	<u>\$ 51,522</u>

NOTE 8 – DEFERRED COMPENSATION PLAN

The District has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is administered by Colorado County Officials and Employees Retirement Association (CCOERA). Participation in the plan is optional for all employees. The plan allows the employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement or death or unforeseen emergencies.

NOTE 9 – COMMITMENTS

Management and Maintenance Agreement

The District has an intergovernmental agreement with Southwest Metropolitan Water and Sanitation District (Southwest) to provide management, maintenance, inspection and clerical services. Under the agreement, the District bills Southwest monthly for its proportionate share of costs. During 2004 the contract was renewed for ten years with an option to renew for successive five year periods after December 31, 2014. During 2010 the District earned reimbursement for contract services from Southwest in the amount of \$794,453.

PLATTE CANYON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 9 – COMMITMENTS (CONTINUED)

Operating Lease Agreement

The District has an agreement for office and storage space with Southwest. The District jointly funded the expansion and renovation of Southwest's office space being used for District operations. The District paid 30% of the construction costs and began amortizing the prepaid lease payment of \$618,417 on July 1, 2000. The District amortizes the prepaid lease costs over 40 years. At December 31, 2010, the balance of the prepaid lease amounted to \$458,392. The District pays Southwest a monthly rent and a proportionate share of the operation and maintenance expense determined on a quarterly basis. The Intergovernmental Agreement for Joint Office and Garage Facility will be effective until December 31, 2018. Upon termination, the District will be entitled to 30% of the appraised replacement value of the joint facility excluding land value. Operation and maintenance costs paid to Southwest during 2010 amounted to \$18,446.

Contracts for Services

The District has entered into intergovernmental agreements with Bow Mar Water and Sanitation District (Bow Mar), Columbine Water and Sanitation District (Columbine), Lochmoor Water and Sanitation District (Lochmoor), and Valley Sanitation District (Valley) to provide certain administrative and maintenance services. The District bills Bow Mar, Columbine, Lochmoor, and Valley monthly for work performed based on agreed upon rates of hours worked and cost of materials. During 2010 the District earned \$214,712 which is recorded as contract services.

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors or omissions, injuries to employees, or acts of God. The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for property, general and automobile liability, public officials, auto physical damage, inland marine, and boiler and machinery. In the event aggregate losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds, which the Pool determines are not needed for purposes of the Pool, may be returned to the members pursuant to a distribution formula.

PLATTE CANYON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 11 – TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer’s Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year’s Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

On November 4, 2003, a majority of the District’s electors authorized the District to collect, retain and spend all revenues and other funds received from all sources, including without limitation the District’s existing general operating property tax rate of 7.104 mills, commencing January 1, 2004, for general operations and capital improvements as a voter-approved revenue change, offset and exception to the limits which would otherwise apply under Article X, Section 20 and as a permanent waiver of the 5.5 percent limitation under Section 29-1-301 C.R.S.

The District’s management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualification as an Enterprise will require judicial interpretation.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. At December 31, 2010, the District’s reserve of \$77,000 was recorded as a restriction of net assets in the enterprise fund.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTARY INFORMATION

**PLATTE CANYON WATER AND SANITATION DISTRICT
SCHEDULE OF OPERATING EXPENSES
ENTERPRISE FUND
Years Ended December 31, 2010**

(with comparative totals for December 31, 2009)

	2010	2009
WATER OPERATIONS		
Personnel	\$ 90,218	\$ 98,259
Operations and maintenance	92,668	83,528
Depreciation and amortization	277,539	262,718
Equipment and vehicles	11,659	11,361
Insurance	5,004	5,054
Communications	1,680	1,887
Total water operations	478,768	462,807
SEWER OPERATIONS		
Personnel	155,741	149,369
Operations and maintenance	37,399	40,446
Depreciation and amortization	175,797	171,269
Equipment and vehicles	17,417	15,227
Insurance	8,638	7,682
Communications	2,901	2,868
Total sewer operations	397,893	386,861
CONTRACT SERVICES		
Personnel	708,387	659,925
Operations and maintenance	11,712	10,617
Depreciation and amortization	90,974	74,730
Equipment and vehicles	43,002	35,215
Insurance	7,727	7,932
Office Expenses	73,312	45,452
Communications	6,775	6,299
Total contract maintenance	941,889	840,170
GENERAL AND ADMINISTRATIVE		
Personnel	233,027	250,617
Professional and consulting	61,041	82,149
Operations and maintenance	6,317	8,099
Depreciation and amortization	22,799	22,954
Insurance	12,925	12,890
Office expenses	48,096	33,406
Other	6,097	5,824
Total general and administrative	390,302	415,939
Total operating expenses	\$ 2,208,852	\$ 2,105,777

**PLATTE CANYON WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUNDS AVAILABLE
BUDGET AND ACTUAL (Non-GAAP BUDGETARY BASIS)
ENTERPRISE FUND**

Year Ended December 31, 2010

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUE			
Contract Services	\$ 901,000	\$ 1,009,165	\$ 108,165
Property taxes	1,297,867	1,296,274	(1,593)
Specific ownership taxes	90,596	85,899	(4,697)
Net investment income	179,269	94,909	(84,360)
Sale of property and equipment	3,500	8,885	5,385
Tap fees	-	1,200	1,200
Annexation fees	-	68,931	68,931
Other	5,580	8,176	2,596
Total revenue	2,477,812	2,573,439	95,627
EXPENDITURES			
OPERATIONS AND ADMINISTRATION			
Operations and Maintenance			
Water	106,725	92,458	14,267
Sewer	57,200	37,192	20,008
Equipment and vehicles	80,500	72,078	8,422
Communications	11,600	11,356	244
Building maintenance	23,000	18,446	4,554
Personnel			
Wages	886,700	876,825	9,875
Benefits	361,881	310,547	51,334
Office Expenses	103,650	102,346	1,304
Professional and consulting	121,000	80,103	40,897
Insurance	38,400	34,294	4,106
Other	25,468	25,568	(100)
Total operations and maintenance	1,816,124	1,661,213	154,911
CAPITAL OUTLAY			
Water distribution system	180,601	167,517	13,084
Sewage collection system	181,301	57,821	123,480
Vehicles	28,000	27,172	828
Maintenance equipment	10,000	4,935	5,065
Office equipment	35,000	25,065	9,935
Contingency	128,470	-	128,470
Total capital outlay	563,372	282,510	280,862
Total expenditures	2,379,496	1,943,723	435,773
EXCESS OF REVENUE OVER EXPENDITURES	98,316	629,716	531,400
FUNDS AVAILABLE - BEGINNING OF YEAR	8,963,465	8,939,314	(24,151)
FUNDS AVAILABLE - END OF YEAR	\$ 9,061,781	\$ 9,569,030	\$ 507,249

Funds available at December 31, 2010 is computed as follows:

Current assets	\$ 11,004,206
Current portion of prepaid lease	(15,460)
Current liabilities	(1,394,893)
Non-current portion of compensated absences	(24,823)
	\$ 9,569,030

**PLATTE CANYON WATER AND SANITATION DISTRICT
RECONCILIATION OF ACTUAL (Non-GAAP BUDGETARY BASIS) TO STATEMENT
OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year Ended December 31, 2010**

REVENUE (BUDGETARY BASIS)	<u>\$ 2,573,439</u>
Total revenue per statement of revenues, expenses and changes in net assets	<u>2,573,439</u>
 EXPENDITURES (BUDGETARY BASIS)	 1,943,723
Depreciation and amortization	567,109
Acquisition of plant and equipment	<u>(282,510)</u>
Total expenses per statement of revenues, expenses, and changes in net assets	<u>2,228,322</u>
Changes in net assets	<u><u>\$ 345,117</u></u>

PLATTE CANYON WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
GOVERNMENTAL ACTIVITIES LONG-TERM OBLIGATIONS
December 31, 2010

Year Ending December 31,	Subdistrict No.1 \$400,000 General Obligation Loan Dated June 30, 2006 Interest rate 3.75%		Subdistrict No. 2 \$475,000 General Obligation Loan Dated July 15, 2008 Interest rate 3.50%		Totals		
	Interest Due May 1 and November 1	Principal Due May 1 and November 1	Interest Due May 1 and November 1	Principal Due May 1 and November 1	Total Interest	Total Principal	Total
	2011	\$ 12,635	\$ 15,890	\$ 13,374	\$ 15,712	\$ 26,009	\$ 31,602
2012	12,034	16,491	12,819	16,266	24,853	32,757	57,610
2013	11,409	17,115	12,244	16,840	23,653	33,955	57,608
2014	10,762	17,763	11,650	17,435	22,412	35,198	57,610
2015	10,089	18,435	11,035	18,051	21,124	36,486	57,610
2016	9,392	19,133	10,398	18,688	19,790	37,821	57,611
2017	8,667	19,858	9,738	19,348	18,405	39,206	57,611
2018	7,916	20,609	9,054	20,030	16,970	40,639	57,609
2019	7,136	21,389	8,347	20,738	15,483	42,127	57,610
2020	6,326	22,199	7,615	21,470	13,941	43,669	57,610
2021	5,486	23,039	6,857	22,229	12,343	45,268	57,611
2022	4,614	23,911	6,072	23,013	10,686	46,924	57,610
2023	3,709	24,816	5,259	23,825	8,968	48,641	57,609
2024	2,769	25,755	4,418	24,666	7,187	50,421	57,608
2025	1,794	26,730	3,548	25,538	5,342	52,268	57,610
2026	783	27,742	2,646	26,439	3,429	54,181	57,610
2027	-	-	1,713	27,373	1,713	27,373	29,086
2028	-	-	746	28,339	746	28,339	29,085
	<u>\$ 115,521</u>	<u>\$ 340,875</u>	<u>\$ 137,533</u>	<u>\$ 386,000</u>	<u>\$ 253,054</u>	<u>\$ 726,875</u>	<u>\$ 979,929</u>