

PAGOSA AREA WATER AND SANITATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2008

(Note 2 continued)

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. water and wastewater lines), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Assets capitalized have an original cost of \$5,000 or more and are expected to last more than three years. Such assets are stated at cost, except for donated assets, which are stated at their fair market value at the time of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed. Interest costs on bond issues during 2008 were \$1,518,798. In 2008, interest expense of \$801,577 was capitalized into water projects and \$258,580 into wastewater projects. Interest income of \$158,619 and \$10,602 was capitalized into water projects and wastewater projects respectively.

Depreciation of all exhaustible capital assets except infrastructure is charged as an expense against their operations or functions, whereas the infrastructure depreciation is unallocated. Property, plant and equipment in the primary government is depreciated using the straight-line method over the estimated useful lives as follows:

	<u>Estimated Useful Lives in Years</u>
Source of supply	10 - 50
Water treatment plants	30 - 50
Sewage treatment plants	30 - 50
Collection, transmission and distribution system	30 - 50
Buildings	40 - 50
General equipment	5 - 10
Transportation equipment	5 - 10
Computer software	3 - 5

Compensated Absences:

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and compensatory leave.

The District allows employees to carry over vacation leave up to 160 hours from year to year. At December 31, 2008, the District has recorded a payable of \$37,920 for vacation pay.

Employees are allowed to carry over unused sick days from year to year. An employee who has been employed for a minimum of 10 years of completed continuous service may receive the following:

- 1) Retirement at age 65 or after 20 years of service entitles the employee to one-half of the accumulated sick leave.
- 2) Those employees who quit and have been employed for a minimum of 10 years are entitled to receive one-quarter of the accumulated sick leave.

PAGOSA AREA WATER AND SANITATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2008

(Note 2 continued)

3) An employee who is dismissed receives no sick leave pay.

Sick leave accrued based on the maximum payable at December 31, 2008, was \$105,215.

Compensatory leave based on the maximum accrual allowed of 80 hours at December 31, 2008 was \$14,570.

Long-Term Debt:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities. Long-term debt and other long-term liabilities are also reported as liabilities in the proprietary fund type statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the bonds-outstanding method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Net Assets/Fund Balances:

The difference between assets and liabilities is "Net Assets" on the government-wide and proprietary fund financial statements and "Fund Balance" on the governmental fund financial statements. Net assets are divided into invested in capital assets (net of related debt), restricted, and unrestricted. Net assets are reported as restricted when constraints are placed upon them by external parties or are imposed by constitutional provisions or enabling legislation.

In the governmental fund financial statements, fund balances are classified as reserved, unreserved designated, or unreserved undesignated. Reserves represent amounts that can not be appropriated or legally segregated for a specific future use. Designations of fund balance represent tentative management plans for future use of financial resources that are subject to change.

Property Taxes:

In the government fund financial statements property tax revenue is accounted for using the modified accrual basis of accounting. Property tax receivable is recognized on the levy or lien date. This receivable represents taxes certified by the county to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied in the governmental fund statements. In the government-wide financial statements, which are prepared using full accrual, the revenue is not deferred and is recognized in the current year financial statements.

The District's property taxes, levied by December 15, are due and payable in the subsequent calendar year. Assessed values are established by the county assessor. Property taxes attach as an enforceable lien on property as of January 1 of the year in which they are payable. The taxes are payable under two methods: 1) in full on or before April 30, or 2) one-half on or before February 28,

PAGOSA AREA WATER AND SANITATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2008

(Note 2 continued)

and the remaining one-half on or before June 15. All unpaid taxes levied December 31 become delinquent June 16.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Deposits and Investments

A. Deposits

The Colorado Public Deposit Protection Act (PDPA) governs the District's cash deposits. The statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance on deposits held. Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets, to be maintained by another institution or held in trust for all of its local government depositors as a group, with a market value at least equal to 102% of the uninsured deposits. The State Regulatory Commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and the reporting of uninsured deposits and assets maintained in the collateral pools.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District's policy requires all deposits to be held in PDPA approved financial institutions. At December 31, 2008, \$10,615,253 of the District's deposits was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution in accordance with the PDPA.

B. Investments

The District has invested in U. S. Treasury notes and a local government investment pool (COLOTRUST). These investments are not subject to collateralization because they are not evidenced by physical securities.

At December 31, 2008, the District had the following investments:

Investments	Fair Market Value
Local Government Investment Pool	\$3,390,122
U. S. Treasury notes	473,334
Total	<u><u>\$3,863,456</u></u>

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2008, the District's investments in COLOTRUST were rated AAAm by Standard & Poor's.

PAGOSA AREA WATER AND SANITATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2008

(Note 3 continued)

The District is regulated by the Colorado Division of Securities, and their position in the pool is the same as the value of the pool shares. The District's other investments in U.S. Treasury notes do not require a credit rating.

The District's investment policy is to apply the prudent person rule where investments are made as a prudent person would be expected to act. The District's investment policy limits investments in fixed income securities to U. S. Treasury Bills, Notes, and Bonds, certificates of deposit, commercial paper, money market funds and Colorado public investment pools.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy is to manage this risk by investing in short term maturities.

C. Funds Held in Trust

On June 1, 2008, the District entered into a loan agreement with Colorado Water Resources and Power Development Authority (the Authority) for \$7,158,870 to finance the costs of drinking water facilities for the District. Under terms of the agreement the Authority holds the funds in trust for the District in State and local government securities (SLGS). The District draws on these funds as needed for its construction project. The SLGS investment is in the authority's name.

Interest earned on the investments belongs to the Authority. The investments are held in trust accounts by the Authority. Trust accounts are exempt from the PDPA rules.

At December 31, 2008, the balance in this trust account was \$6,175,741. This amount is included in the Water Fund's balance sheet as restricted cash.

A portion of these funds are considered Federal Grant Revenues. As funds are withdrawn by the District, 46.04% are considered Federal funds. For 2008, requisitions paid were \$880,238. The Federal funds included in these requisitions were \$379,522.

4. Cash Flow Statement

For purposes of the cash flow statement in the proprietary fund types, cash and cash equivalents are shown below:

	Water Fund	Wastewater Fund	Total
Unrestricted			
Cash	\$16,389	\$66,551	\$82,940
Investments	651,158	88,408	739,566
Restricted Assets			
Cash	11,878,048	3,328,951	15,206,999
Less certificates of deposit with maturities of more than 3 months and restricted money markets	(8,347,019)	(3,328,951)	(11,675,970)
Investments	1,571,001	885,973	2,456,974
Less U. S. Treasury notes and restricted funds	(1,571,001)	(193,353)	(1,764,354)
Total for Cash Flows Statement	\$4,198,576	\$847,579	\$5,046,155

**PAGOSA AREA WATER AND SANITATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2008**

5. Interfund Transactions

Transfers between funds represent the amounts used to offset allocations between assets and liabilities in any given year.

All transactions between funds represent “due to/from other funds” caused by cash from one fund paying for expenditures or expenses of another. The District’s outstanding funds that would represent lending/borrowing arrangements outstanding at the end of the year are as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$14,500	\$26,414
Special Revenue Fund		820,921
Debt Service Fund		14,500
Capital Projects Fund	847,335	
Water Fund	205,715	
Wastewater Fund		205,715
	\$1,067,550	\$1,067,550

Operating transfers between funds during the year ended December 31, 2008 are as follows:

	Transfers In	Transfers Out
General Fund	\$64,500	\$660,941
Special Revenue Fund		3,569,008
Capital Projects Fund	3,614,449	
Debt Service Fund	64,500	64,500
Water Fund	396,000	
Wastewater Fund	155,000	
	\$4,294,449	\$4,294,449

6. Commitments and Construction Work in Process

The District’s construction work in process which is reported in the proprietary funds consists primarily of work being done on water and wastewater lines. Construction of \$11,217,031 was scheduled in 2008, and \$14,744,629 was expended. In 2009, planned construction is \$11,149,074.

Each year the District has various on going construction projects. The costs of these projects are recorded as current year expenditures in the Capital Projects Fund or the appropriate enterprise fund. Interest revenues and interest expenses as well as bond issuance expenses on these projects are recorded in the Special Revenue Fund, the Debt Service Fund, the Water Fund or the Wastewater Fund. At the end of the year, the expenses associated with each construction project are aggregated and recorded in the proprietary fund types as contributed capital from other funds. As the projects are completed, they are transferred into fixed assets in either the Water Fund or the Wastewater Fund and depreciated over the asset’s estimated useful life.

The following is a summary of the construction work in process for each enterprise fund at December 31, 2008:

PAGOSA AREA WATER AND SANITATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2008

(Note 6 continued)

	Water	Wastewater	Total
Beginning balance	\$2,500,188	\$2,309,053	\$4,809,241
Additions	2,360,785	618,985	2,979,770
Contributed from other funds			
Capital projects	3,569,108		3,569,108
Debt service	353,965	189,430	543,395
Special Revenue	(155,954)		(155,954)
Less transfers to fixed assets	(1,373,648)	(3,117,468)	(4,491,116)
Ending Balance	<u>\$7,254,444</u>	<u>\$0</u>	<u>\$7,254,444</u>

7. Capital Assets

Capital asset activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Land and improvements	\$113,056	\$0	\$0	\$113,056
Buildings	554,835	19,461		574,296
Capital equipment	63,959		20,139	43,820
Transportation equipment	64,259			64,259
Total	796,109	19,461	20,139	795,431
Less accumulated depreciation	254,879	19,878	20,139	254,618
Total Governmental Assets	<u>\$541,230</u>	<u>(\$417)</u>	<u>\$0</u>	<u>\$540,813</u>
Business-Type Activities				
Water augmentation	\$217,639	\$0	\$0	\$217,639
Water rights	7,301,157	21,449		7,322,606
Source of supply	5,063,076	79,449		5,142,525
Land and improvements	389,832			389,832
Treatment plants	16,639,570	341,486		16,981,056
Collection, transmission and distribution systems	43,548,137	13,049,095		56,597,232
Buildings	468,102			468,102
Capital equipment	1,398,888	21,258	25,840	1,394,306
Transportation equipment	380,834	142,366	19,739	503,461
Total	75,407,235	13,655,103	45,579	89,016,759
Less accumulated depreciation	15,144,092	1,503,791	45,579	16,602,304
Total Business-Type Assets	<u>\$60,263,143</u>	<u>\$12,151,312</u>	<u>\$0</u>	<u>\$72,414,455</u>

PAGOSA AREA WATER AND SANITATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2008

(Note 7 continued)

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

Governmental Activities	
Administrative services	\$19,878
Business-Type Activities	
Water	964,028
Wastewater	<u>539,763</u>
 Total Depreciation Expense	 <u><u>\$1,523,669</u></u>

8. Accounts Payable, Accrued Liabilities and Deferred Revenues

Accounts Payable as shown on the District's financial statements reflect amounts due to vendors for services rendered or goods purchased by December 31, 2008.

Accrued expenses consist of payroll tax liabilities accrued vacation and sick pay, and other miscellaneous amounts due on behalf of employees.

Deferred revenues consist of capital investment fees and connection charges collected in advance for construction of residences or commercial buildings being completed.

9. Long-Term Liabilities

Governmental Activities:

The District issues general obligation bonds to provide for the acquisition, development and construction of major water and wastewater projects. All general obligation bonds are collateralized by the full faith, credit and taxing power of the District and principal and interest requirements are appropriated by the Debt Service Fund when due. Long-term liabilities for the general obligation bonds are recorded as long-term debt in the government-wide statements.

General Obligation Bonds Issued July 15, 2002:

On July 15, 2002, the District issued \$4,995,000 in General Obligation Bonds for the purpose of constructing numerous wastewater projects including the Vista wastewater treatment plant expansion, phase 1B. The bonds are obligations of the District payable from the levy of ad valorem taxes or from other legally available funds.

Payment of the principal and interest on the bonds is insured by a municipal bond insurance policy.

PAGOSA AREA WATER AND SANITATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2008

(Note 9 continued)

General obligation bonds issued July 15, 2002, currently outstanding are as follows:

Calendar Year	Principal Maturities	Interest Rate	Interest Payments	Annual Debt Service Requirements
2009	\$220,000	3.75%	\$181,555	\$401,555
2010	230,000	4.00%	173,305	403,305
2011	235,000	4.00%	164,105	399,105
2012	245,000	4.00%	154,705	399,705
2013	250,000	4.10%	144,905	394,905
2014-2018	1,455,000	4.20% - 4.60%	553,390	2,008,390
2019-2022	1,430,000	4.70% - 5.00%	182,260	1,612,260
	<u>\$4,065,000</u>		<u>\$1,554,225</u>	<u>\$5,619,225</u>

Interest payments are due semiannually on June 1 and December 1. Principal payments are due December 1.

Bonds maturing on and before December 1, 2012, are not subject to redemption prior to their respective maturity dates. Bonds maturing on and after December 1, 2013, are subject to redemption prior to maturity at the option of the District in whole or in part in integral multiples of \$5,000 at a redemption price equal to the principal amount thereof (with no redemption premium), plus accrued interest to the redemption date.

General Obligation Bonds Issued December 15, 2002:

On December 15, 2002, the District issued \$4,675,000 in General Obligation Bonds for the purpose of acquiring, constructing and improving numerous water projects including the Dutton Ditch Pipeline and enlargement of Stevens Reservoir and water treatment plant. The bonds are obligations of the District payable from the levy of ad valorem taxes or from other legally available funds.

Payment of the principal and interest on the bonds is insured by a municipal bond insurance policy.

General obligation bonds issued December 15, 2002, currently outstanding are as follows:

Calendar Year	Principal Maturities	Interest Rate	Interest Payments	Annual Debt Service Requirements
2009	\$215,000	3.50%	\$152,430	\$367,430
2010	225,000	3.40%	144,905	369,905
2011	230,000	3.70%	137,255	367,255
2012	240,000	3.80%	128,630	368,630
2013	250,000	3.70%	119,750	369,750
2014-2018	1,355,000	4.00% - 4.40%	445,585	1,800,585
2019-2022	1,160,000	4.53% - 4.70%	142,455	1,302,455
	<u>\$3,675,000</u>		<u>\$1,271,010</u>	<u>\$4,946,010</u>

PAGOSA AREA WATER AND SANITATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2008

(Note 9 continued)

Interest payments are due semiannually on June 1 and December 1. Principal payments are due December 1.

Bonds maturing on and before December 1, 2012, are not subject to redemption prior to their respective maturity dates. Bonds maturing on and after December 1, 2013, are subject to redemption prior to maturity at the option of the District in whole or in part in integral multiples of \$5,000 at a redemption price equal to the principal amount thereof (with no redemption premium), plus accrued interest to the redemption date.

General Obligation Bonds Issued January 15, 2003:

On January 15, 2003, the District issued \$5,680,000 in General Obligation Bonds for the purpose of acquiring, constructing and improving numerous water projects including the Dutton Ditch Pipeline and enlargement of Stevens Reservoir and water treatment plant. The bonds are obligations of the District payable from the levy of ad valorem taxes or from other legally available funds.

Payment of the principal and interest on the bonds is insured by a municipal bond insurance policy.

General obligation bonds issued January 15, 2003, currently outstanding are as follows:

Calendar Year	Principal Maturities	Interest Rate	Interest Payments	Annual Debt Service Requirements
2009	\$240,000	3.00%	\$188,085	\$428,085
2010	250,000	3.50%	180,885	430,885
2011	260,000	3.50%	172,135	432,135
2012	270,000	3.70%	163,035	433,035
2013	280,000	3.80%	153,045	433,045
2014-2018	1,605,000	3.90% - 4.30%	587,695	2,192,695
2019-2022	1,705,000	4.40% - 4.50%	191,590	1,896,590
	<u>\$4,610,000</u>		<u>\$1,636,470</u>	<u>\$6,246,470</u>

Interest payments are due semiannually on June 1 and December 1. Principal payments are due December 1.

Bonds maturing on and before December 1, 2012, are not subject to redemption prior to their respective maturity dates. Bonds maturing on and after December 1, 2013, are subject to redemption prior to maturity at the option of the District in whole or in part in integral multiples of \$5,000 at a redemption price equal to the principal amount thereof (with no redemption premium), plus accrued interest to the redemption date.

Business-Type Activities:

Revenue bonds are issued by the proprietary type funds to finance specific projects and are payable from availability of service charges revenues and other revenues derived from operations. Long-term liabilities are recorded in the appropriate enterprise fund.

PAGOSA AREA WATER AND SANITATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2008

(Note 9 continued)

Water Enterprise Fund - Revenue Bonds, Series 1998:

On June 15, 1998, the District issued Revenue Bonds, Series 1998, in the amount of \$4,815,000 to finance the design, construction and installation of a new water treatment plant and pipeline to enable the District to utilize its water rights in the San Juan River.

The bonds are special revenue obligations of the District and are payable from availability of service charge revenues; other revenues derived from operations and, if necessary, from a special account designated as the reserve account.

Payment of the principal and interest on the bonds is insured by a municipal bond insurance policy.

The bonds constitute an irrevocable and first lien on adjusted net revenue (net operating revenues plus availability of service charge revenues), but are not an exclusive lien.

Registered Special Revenue Bonds issued June 15, 1998, with denominations of \$5,000 or integral multiples thereof, currently outstanding are as follows:

Calendar Year	Principal Maturities	Interest Rate	Interest Payments	Annual Debt Service Requirements
2009	\$370,000	4.60%	\$96,102	\$466,102
2010	385,000	4.70%	79,083	464,083
2011	405,000	4.70%	60,987	465,987
2012	420,000	4.85%	41,953	461,953
2013	445,000	4.85%	21,582	466,582
	<u>\$2,025,000</u>		<u>\$299,707</u>	<u>\$2,324,707</u>

Bonds maturing on and after December 1, 2009, are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$5,000, in any order of maturity or in whole or partial maturities, on December 1, 2008, and on any date thereafter, upon payment of par and accrued interest, without redemption premium.

Interest is paid semiannually on June 1 and December 1 of each year. Principal payments are due on December 1.

Enterprise Revenue Refunding and Improvement Bonds, Series 2006

On February 15, 2006, the District issued Enterprise Revenue Refunding and Improvement Bonds, Series 2006, in the amount of \$7,320,000 to be used as follows:

1. Advance refunding for a portion of the Enterprise Revenue Bonds, Series 2000 issued in the original aggregate principal amount of \$2,950,000 and outstanding in the aggregate principal amount of \$2,085,000. The Series 2000 bonds maturing on and after December 1, 2009, and currently outstanding in the aggregate principal amount of \$1,565,000 are being refunded. As mentioned above the \$1,565,000 is no longer considered debt of the District. The refunding provided an economic gain (the difference between the present values of the debt service payments on the refunded and refunding bonds) of \$74,418 and a decrease in debt service payments of \$208,475.

PAGOSA AREA WATER AND SANITATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2008

(Note 9 continued)

2. The balance of the bond proceeds are expected to be used for capital improvements that include the construction and enlargement of the existing Stevens Reservoir, construction of a one million gallon potable water storage tank, modifications to the Hatcher water treatment plant necessary to meet new state drinking water regulations, and as funds allow, upgrades to the existing structures, replacement of certain facilities and various improvements to the system.

The bonds are special revenue obligations of the District, acting by and through its Water Activity Enterprise, payable from availability of service charge revenues; other revenues derived from operations; and if necessary, from a special account designated as the reserve account.

Payment of the principal and interest on the bonds is insured by a municipal bond insurance policy.

The bonds constitute an irrevocable and first lien on adjusted net revenue (net operating revenues plus availability of service charge revenues), but are not an exclusive lien.

Registered Special Revenue Bonds issued February 15, 2006, with denominations of \$5,000 or integral multiples thereof, currently outstanding are as follows:

Refunding Sewer Bonds:
Series 2006

Calendar Year	Principal Maturities	Interest Rate	Interest Payments	Annual Debt Service Requirements
2009	\$215,000	4.00%	\$59,675	\$274,675
2010	225,000	4.00%	51,075	276,075
2011	235,000	4.00%	42,075	277,075
2012	245,000	4.00%	32,675	277,675
2013	255,000	4.00%	22,875	277,875
2014-2015	<u>320,000</u>	4.00% - 3.75%	<u>14,550</u>	<u>334,550</u>
	<u>\$1,495,000</u>		<u>\$222,925</u>	<u>\$1,717,925</u>

Water Improvement Revenue Bonds:
Series 2006

Calendar Year	Principal Maturities	Interest Rate	Interest Payments	Annual Debt Service Requirements
2009	\$35,000	4.00%	\$229,036	\$264,036
2010	25,000	4.00%	227,636	252,636
2011	35,000	4.00%	226,636	261,636
2012	40,000	4.00%	225,236	265,236
2013	35,000	4.00%	223,636	258,636
2014-2018	1,815,000	4.00% - 3.88%	976,638	2,791,638
2019-2023	2,195,000	4.00% - 4.13%	593,644	2,788,644
2024-2026	<u>1,535,000</u>	4.13% - 4.20%	<u>129,615</u>	<u>1,664,615</u>
	<u>\$5,715,000</u>		<u>\$2,832,077</u>	<u>\$8,547,077</u>

PAGOSA AREA WATER AND SANITATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2008

(Note 9 continued)

Enterprise Revenue Note, Series 2007

On October 23, 2008, the District issued Enterprise Revenue Note, Series 2008, in the amount of \$8,600,000 to finance the purchase of property for future water diversion, treatment, reservoir facilities construction and related capital projects. On January 3, 2008, the District used these proceeds to purchase the Weber property.

This note is a special revenue obligation of the District and is payable from availability of service charge revenues; other revenues derived from operations and, if necessary, from a special account designated as the reserve account.

Payment of the principal and interest on the bonds is insured by a municipal bond insurance policy.

The note constitutes an irrevocable and first lien on adjusted net revenue (net operating revenues plus availability of service charge revenues), but is not an exclusive lien.

The note is issued as a fully registered note without coupons. Interest is payable semiannually on June 1 and December 1. The first interest payment was due on June 1, 2008. The principal payment is due in one payment on December 1, 2009.

The amount currently outstanding on this note is as follows:

<u>Calendar Year</u>	<u>Principal Maturities</u>	<u>Interest Rate</u>	<u>Interest Payments</u>	<u>Annual Debt Service Requirements</u>
2009	<u>\$8,600,000</u>	3.95%	<u>\$339,700</u>	<u>\$8,939,700</u>

Drinking Water Revenue Bond – Series 2008

On June 1, 2008, the District entered into a loan agreement with Colorado Water Resources and Power Development Authority (the Authority) for \$7,158,870 to finance the costs of drinking water facilities for the District. The Authority was created to initiate, acquire, construct, maintain, repair and operate or cause to be operated water management projects which include water facilities and to issue its bonds to pay the cost of such projects.

The bonds are special revenue obligations of the District, acting by and through its Water Activity Enterprise, payable from availability of service charge revenues and other revenues derived from operations.

The note constitutes an irrevocable and first lien on adjusted net revenue (net operating revenues plus availability of service charge revenues), but is not an exclusive lien.

The note is issued as a fully registered note without coupons. Interest, administrative fees and principal are payable semiannually on each June 1 and December 1, commencing December 1, 2008.

The amount currently outstanding on this note is as follows:

PAGOSA AREA WATER AND SANITATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2008

(Note 9 continued)

Calendar Year	Principal Maturities	Interest Rate	Interest Payments	Annual Servicing Fee	Annual Debt Service Requirements
2009	\$117,543	3.50%	\$76,591	\$53,691	\$130,282
2010	55,972	3.50%	122,433	71,588	194,021
2011	69,966	3.50%	121,298	75,168	196,466
2012	64,369	3.50%	120,012	89,486	209,498
2013	55,973	3.50%	118,839	89,486	208,325
2014-2018	1,463,677	3.50% - 4.00%	552,589	447,430	1,000,019
2019-2023	1,942,241	4.00% - 4.25%	397,975	447,430	845,405
2024-2028	3,319,163	4.125% - 4.25%	219,964	377,631	597,595
	<u>\$7,088,904</u>		<u>\$1,729,701</u>	<u>\$1,651,910</u>	<u>\$3,381,611</u>

Capital Leases:

The District had two capital leases at the end of 2008 with Wells Fargo Brokerage Service. These leases were set up so that if funds are not allotted by the District for any fiscal period sufficient to continue making the payments, the District may terminate the agreements.

On May 17, 2006, the District entered into a capital lease agreement with Wells Fargo Brokerage Services, LLC for the lease purchase of two Chevrolet 2500 HD trucks and utility bodies. The lease is for \$61,050 for a term of 5 years. Payments are due annually in the amount of \$13,264. The interest rate is 3.35%. There is one payment left.

Calendar Year	Principal Payments	Interest Payments	Annual Lease Requirements
2009	<u>\$12,834</u>	<u>\$430</u>	<u>\$13,264</u>

On February 15, 2008, the District entered into a capital lease agreement with Wells Fargo Brokerage Services, LLC for the lease purchase of two 2008 Chevrolet Silverado 2500 trucks, a 2008 Ford F-550 4 x 4 truck, and the refinance of a 1998 long track dozer. The lease is for \$227,995 for a term of 6 years. Payments are due annually in the amount of \$47,107 for five years and the final payment will be \$13,882. The interest rate is 3.587%.

Calendar Year	Principal Payments	Interest Payments	Annual Lease Requirements
2009	\$40,496	\$6,611	\$47,107
2010	41,948	5,159	47,107
2011	43,453	3,654	47,107
2012	45,012	2,095	47,107
2013	13,401	481	13,882
	<u>\$184,310</u>	<u>\$18,000</u>	<u>\$202,310</u>

PAGOSA AREA WATER AND SANITATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2008

(Note 9 continued)

Changes in Long-Term Debt:

Governmental Activities	<u>Beginning Balance</u>	<u>Payments</u>	<u>Additions (Deletions)</u>	<u>Ending Balance</u>
General Obligation Bonds				
Series 2002 dated July 15	\$4,275,000	\$210,000	\$0	\$4,065,000
Series 2002 dated December 15	3,875,000	200,000		3,675,000
Series 2003 dated January 15	4,845,000	235,000		4,610,000
Total	<u>12,995,000</u>	<u>645,000</u>	<u>0</u>	<u>12,350,000</u>
 Business-Type Activities				
Revenue Bonds				
1998 San Juan Pipeline	2,375,000	350,000		2,025,000
2000 Vista WWTP	180,000	180,000		
2006 Revenue and Refunding	7,260,000	50,000		7,210,000
2007 Revenue Note	8,600,000			8,600,000
2008 Revenue Bond		69,966	7,158,870	7,088,904
Total	<u>18,415,000</u>	<u>649,966</u>	<u>7,158,870</u>	<u>24,923,904</u>
Capital Leases				
Lease - Wells Fargo	25,252	12,418		12,834
Lease - Century Equipment	16,443	16,443		
Lease - Century Equipment	73,922	73,922		
Lease - Wells Fargo		42,785	227,095	184,310
Total	<u>115,617</u>	<u>145,568</u>	<u>227,095</u>	<u>197,144</u>
Total Long-Term Debt	<u><u>\$31,525,617</u></u>	<u><u>\$1,440,534</u></u>	<u><u>\$7,385,965</u></u>	37,471,048
Less Current Portion				
General Obligation Bonds				675,000
Revenue Bonds				9,337,543
Capital Lease				53,330
				<u><u>\$27,405,175</u></u>

PAGOSA AREA WATER AND SANITATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2008

(Note 9 continued)

Annual Debt Requirements (Principal Only):

	<u>Bonds</u>	<u>Capital Leases</u>	<u>Total</u>
2009	\$10,012,543	\$53,330	\$10,065,873
2010	1,395,972	41,948	1,437,920
2011	1,469,966	43,453	1,513,419
2012	1,524,369	45,012	1,569,381
2013	1,570,973	13,401	1,584,374
2014-2018	8,013,677		8,013,677
2019-2023	8,432,241		8,432,241
2024-2026	4,854,163		4,854,163
TOTAL	<u><u>\$37,273,904</u></u>	<u><u>\$197,144</u></u>	<u><u>\$37,471,048</u></u>

10. Risk Management

The District is exposed to various risks of loss related to torts; thefts of, damages to, or destruction of assets; errors or omissions; injuries to employees; or acts of God. Commercial insurance is purchased by the District to cover losses or claims arising from such matters. It is not possible to estimate any losses which would not be covered by the commercial insurance; however, settled claims have not exceeded this commercial coverage in any of the three preceding years.

11. Pension Plans

The District contributes to the Colorado County Officials and Employees Retirement Plan, a defined contribution pension plan administered by the Colorado County Officials and Employees Retirement Association. The Colorado County Officials and Employees Retirement Association (the "Association") was established in 1968 under 24-54-101 et. seq. Colorado Revised Statutes as amended, to serve as trustee and provide continuing administration of a trust fund for retirement benefits of eligible county and municipal officers and county, municipal, and special district employees.

In the defined contribution pension plan, contributions of the employers are combined with employee contributions and invested in income earning instruments for the benefit of plan participants. Any county, municipality, or special district of the State of Colorado may, with the consent of the Association, become a member of the Association and participate in the plan by adopting it for its officers and employees. Employees and officers of association members are required to participate in the plan after the completion of one year of service, but participation is optional for all elected officials. Pagosa Area Water and Sanitation District requires employee participation upon employment; elected officials do not participate in their plan.

This retirement benefit is available to all employees and is funded by a contribution from the District equal to 6% of the participant's payroll. The District shows 3% of their contributions on behalf of the employee subject to FICA and Medicare taxes; the other 3% is not subject to these payroll taxes.

Net earnings or losses are allocated quarterly to plan participants. The allocation is based on each participant's balance as of the beginning of that quarter. Participants receiving benefit payments upon retirement or termination are allocated earnings through the date of the distribution.

PAGOSA AREA WATER AND SANITATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2008

(Note 11 continued)

Benefit payments are made as of the effective date of each participant's retirement or termination. At retirement, each participant has the option of receiving his or her vested balance in cash or having the Association place the funds in a bank account maintained under the joint control of the Association and the retiring individual. Any employer contribution forfeited by a participant due to termination of employment before becoming fully vested is returned to the member county, municipality, or special district.

For the year ended December 31, 2008, the District's salaries were \$1,278,748 and contributions were \$66,162.

In addition to participating in the plan, each participant may elect to contribute to a deferred compensation plan established pursuant to IRC Section 457. Through the deferred compensation plan, a member employer defers payment of a portion of an employee's current salary and deposits the deferred payment with the Association. Upon a participant's retirement or termination of employment, the Association may begin payment of this deferred amount. The District's participating employee's contributions amounted to \$71,911 for 2008.

All plan administrative expenses are borne by the participants.

12. Bond Reserves

1998 Revenue Bond Issue:

The District has established a reserve account as required in the 1998 Revenue Bond Issue. The maximum amount that may be credited to this reserve account is \$469,407. The funds from this account can only be used for bond and principal payments in the event that the District's net revenues are not sufficient to make the required debt payments. This account shall always equal the lesser of an amount equal to the maximum annual principal and interest requirements of the bonds or \$469,407. For 2008, the reserve requirement is \$464,478.

2006 Revenue Bond Issue:

The District has established a reserve account as required in the 2006 Revenue Bond Issue. The maximum amount that may be credited to this reserve account is \$428,617. The funds from this account can only be used for bond and principal payments. This account shall always equal the lesser of an amount equal to the maximum annual principal and interest requirements of the bond or \$428,617. For 2008, the reserve requirement is \$340,711.

13. Operating Leases

The District is committed under the following operating lease:

Copy machine with Xerox - The lease was signed on March 25, 2006 and runs for a term of 60 months. The lease has a base charge of \$319 per month plus a \$.0969 charge for each copy and is renewable at the end of the lease term. In 2008, the amount paid to Xerox was \$5,509. At the end of the lease term the District will have paid \$22,968 for the base charges. At December 31, 2008 the remaining base charges are as follows:

**PAGOSA AREA WATER AND SANITATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2008**

(Note 13 continued)

2009	\$3,828
2010	3,828
2011	3,828
2012	3,828
	957
Total	\$16,269

14. Reserves, Restrictions and Designations of Fund Balances and Net Assets

As of December 31, 2008, the District had set aside the following reserves and restrictions:

	General Fund	Proprietary Funds	Total
1998 Revenue Bond Reserve	\$0	\$464,478	\$464,478
2006 Revenue Bond Reserve		340,711	340,711
Emergency Reserve	40,932		40,932
Total Reserved and Restricted	\$40,932	\$805,189	\$846,121

The District has designated the following amounts from fund balances or net assets for 2009 expenditures. These designated amounts are expected to cover continuing capital projects, debt service payments and any unexpected decrease in operating revenues.

Governmental Funds	
Special Revenue Fund	\$818,202
Total Amount Designated	\$818,208

15. Prior Period Adjustment

A change from one accepted method of accounting for capitalized interest to another accepted method was determined to be a preferable method of accounting for capitalized interest in 2008 and future years. This change increased fixed assets and increased net assets in the Water Fund by \$120,270 and in the Wastewater Fund by \$217,728. The net effect of this change was that assets were understated and expenses were overstated in 2007 by those amounts in the respective funds.

PAGOSA AREA WATER AND SANITATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2008

16. Taxpayer's Bill of Rights (TABOR)

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments.

The District's financial activity provides the basis for calculation of limitations adjusted for allowable increases tied to inflation and local growth.

The amendment excludes "Enterprises" from its provisions. Enterprises, defined as government-owned business authorized to issue revenue bonds and receiving less than 10 percent of their annual revenue in grants from all state and local governments combined, are excluded from the provisions of the amendment. The District is of the opinion that the water and wastewater operations qualify for this exclusion.

Fiscal year spending and revenue limits are determined based on the prior year's spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. In effect, it has been generally interpreted that fiscal year spending approximates nonexempt revenue or receipts. Spending excludes spending from certain revenue and financial sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves.

The amendment requires, with certain exceptions, voter approval prior to imposing new taxes, increasing tax rates, increasing a mill levy above that for the prior year, extending an expiring tax or implementing tax policy change directly causing a net tax revenue gain to any local government.

Except for bond refinancing at lower interest rates or adding employees to existing pension plans, the amendment specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or irrevocably pledging present cash reserves for all future payments.

The amendment requires that emergency reserves be established. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service) in years after 1994.

Emergency reserves as of December 31, 2008, totaling \$40,932 have been presented as a reservation of fund balance in the General Fund. This emergency reserve was calculated in the District's General Fund, and is not a required reserve in any other funds. Under TABOR, the District is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The amendment is complex and is subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, certain interpretations in the amendment's language have been made in order to determine its compliance.

In May of 2000, Pagosa Area Water and Sanitation District asked its voters to allow the District to collect, retain, and spend all revenues and other funds collected from any source not excluded from fiscal year spending, effective January 1, 2000, and continuing thereafter. A permanent waiver of the 5.5% limitation was also requested. The requests were approved by the District's voters.

PAGOSA AREA WATER AND SANITATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2008

17. Joint Venture

The District is a participant in the Colorado Special Districts Property and Liability Pool (The Pool). The Pool is a joint venture between the Special District Association of Colorado and various special districts in Colorado. The Pool provides property and general liability, automobile physical damage and liability, public officials' liability, inland marine, money and security and boiler and machinery coverages to its members. Pagosa Area Water and Sanitation District has not had losses of a material amount in any of the preceding three years. The District does not know its percentage share of the joint venture.

The Pool has contracted with other third parties to operate, administer and manage the Pool. The Pool is responsible for its own budgets. In the event aggregated losses incurred by the Pool exceed amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, the Pool may require additional contributions from the Pool members. The joint venture summary audited financial information as of December 31, 2008, is as follows:

Admitted Assets	<u>\$27,093,162</u>
Liabilities	10,778,248
Surplus	<u>16,314,914</u>
Total Liabilities and Surplus	<u>\$27,093,162</u>
Revenues	\$10,760,892
Expenses	<u>8,175,165</u>
Net Income	<u>\$2,585,727</u>

Audited Financial Statements for the Colorado Special Districts Property and Liabilities Pool can be obtained by contacting the Special District Association of Colorado.

18. Deficit Fund Balance

The Debt Service Fund's deficit fund balance of \$8,489 is due to the fact that property tax collections for 2008 did not cover the debt service payments due for 2008. It is anticipated that future tax revenue collections will be sufficient to cover required payments.

19. Related Party Transactions

Pagosa Area Water and Sanitation District has agreed to share the costs on specified water projects with San Juan Water Conservancy District. Pagosa Area Water and Sanitation District also provides administrative support and other services for San Juan Water Conservancy District.

The two districts have three board members in common, Windsor Chacey, Karen Wessels and Harold Slavinski. In addition, the manager of Pagosa Area Water and Sanitation District, Carrie Weiss, is also a board member of San Juan Water Conservancy District.

Pagosa Area Water and Sanitation District has entered into four intergovernmental agreements with San Juan Water Conservancy District.

PAGOSA AREA WATER AND SANITATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2008

(Note 19 continued)

1. Administrative Services Agreement – San Juan Water Conservancy District has agreed to pay Pagosa Area Water and Sanitation District for administrative services. In 2008, Pagosa Area Water and Sanitation District received \$4,584 for providing these services and \$1,500 for office supplies and postage. This agreement has an automatic continuation for one year periods, unless cancelled by either party.
2. Cost Sharing Agreement – The two districts have agreed to share some costs associated with the enlargement of Stevens Reservoir. At December 31, 2008, Pagosa Area Water and Sanitation District has expended \$5,309,847 to date for this enlargement and the amount that will be expended in the future is estimated at \$775,880. There is no expiration date for this agreement.
3. Memorandum of Understanding and Confidentiality Agreement – This agreement is for the acquisition, planning, permitting, design and construction of a water resources development known as the Dry Gulch Project. At December 31, 2008, Pagosa Area Water and Sanitation District has expended funds in the amount of \$8,947,296 for this project, which includes land acquisition. Depending upon the growth of the community and future water demands, it is anticipated that this project will cost more than \$204,519,000 over the next 14 to 25 years. The funding will be provided in part by grants, loans, water resource fees and other revenues. The amount that Pagosa Area Water and Sanitation District will provide cannot be estimated at this date.
4. Intergovernmental Agreement concerning Colorado Water Conservation Board Loan Financing for land acquisition and development of the Dry Gulch Project – This agreement is to facilitate the financing arrangements for the Dry Gulch Project. Pagosa Area Water and Sanitation District has agreed to apply to Colorado Water Conservation Board (CWCB) for a loan of \$11,217,000 to fund estimated pre-construction expenditures through 2019.

20. Compliance with State Statutes

Expenditures in the General Fund exceeded appropriations by \$8,918 at December 31, 2008. This is a violation of Colorado State Statutes.

21. Subsequent Events

On July 21, 2008, the District entered into a loan agreement with Colorado Water Conservation Board for \$11,217,000. The proceeds of this loan will be used to fund land acquisitions for the Dry Gulch Reservoir Project. The first disbursement occurred January 6, 2009 in the amount of \$9,219,363.70 and was used to pay the bridge loan of \$8,600,000 plus interest of \$339,700 for purchase of the Weber property. The District also reimbursed itself for other out of pocket expenses. The first payment is due on January 1, 2012. The loan was considered effective at the date of the first draw which was January 6, 2009.

REQUIRED SUPPLEMENTARY INFORMATION

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PAGOSA AREA WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
(BUDGETARY BASIS)
GENERAL FUND
Year Ended December 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
General property taxes	\$1,122,086	\$1,096,277	\$1,092,325	\$ (3,952)
Delinquent taxes	2,000	7,500	6,742	(758)
Specific ownership taxes	230,000	175,000	196,998	21,998
Other interest	40,781	19,000	16,173	(2,827)
Other operating revenues	2,500	2,500	52,158	49,658
Total Revenues	<u>1,397,367</u>	<u>1,300,277</u>	<u>1,364,396</u>	<u>64,119</u>
Expenditures				
Audit	44,200	47,000	47,505	(505)
Bad debts			10,009	(10,009)
Board expense	24,000	14,000	21,201	(7,201)
Contributions	850	500	375	125
Dues and permits	16,195	20,500	19,638	862
Employee expense	7,000	7,000	8,435	(1,435)
Fees	23,550	23,550	23,006	544
Fringe benefits	48,967	50,500	50,464	36
Insurance - general	6,900	5,500	5,485	15
Legal fees	19,000	36,000	51,138	(15,138)
Office expense	10,000	15,000	15,926	(926)
Office maintenance and landscape	16,500	12,500	12,038	462
Outside services	30,000	58,220	68,104	(9,884)
Payroll taxes, vacation and sick pay	15,500	14,500	19,916	(5,416)
Personnel	175,144	171,000	169,625	1,375
Publications and recording fees	4,000	2,800	1,636	1,164
Repairs and maintenance	600	350	360	(10)
Telephone and utilities	17,500	20,948	21,061	(113)
Travel and training	5,500	2,000	1,217	783
Total Expenditures	<u>465,406</u>	<u>501,868</u>	<u>547,139</u>	<u>(45,271)</u>
Excess of Revenues over Expenditures	<u>931,961</u>	<u>798,409</u>	<u>817,257</u>	<u>18,848</u>
Other Financing Sources (Uses)				
Emergency fund	(13,962)	(15,056)	(2,446)	12,610
Transfers from other funds		64,500	64,500	
Transfers to other funds	(698,225)	(684,684)	(660,941)	23,743
Total Other Financing Sources (Uses)	<u>(712,187)</u>	<u>(635,240)</u>	<u>(598,887)</u>	<u>36,353</u>
Net Change in Fund Balance	219,774	163,169	218,370	55,201
Fund Balance, Beginning	416,986	454,986	454,986	-
Fund Balance, Ending - Budgetary Basis	<u>\$ 636,760</u>	<u>\$ 618,155</u>	673,356	<u>\$ 55,201</u>
Adjustments to GAAP Basis				
Emergency fund			2,446	
Fund Balance, Ending - GAAP Basis			<u>\$ 675,802</u>	

**PAGOSA AREA WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
(BUDGETARY BASIS)
SPECIAL REVENUE FUND
Year Ended December 31, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Interest income				
2003 water bond	\$ 190,000	\$ 163,000	\$ 155,955	\$ (7,045)
Total Revenues	<u>190,000</u>	<u>163,000</u>	<u>155,955</u>	<u>(7,045)</u>
Other Financing Uses				
Transfers to other funds	<u>3,721,559</u>	<u>3,569,008</u>	<u>3,569,008</u>	<u>-</u>
Net Change in Fund Balance	(3,531,559)	(3,406,008)	(3,413,053)	(7,045)
Fund Balance, Beginning	<u>4,183,023</u>	<u>4,231,255</u>	<u>4,231,255</u>	<u>-</u>
Fund Balance, Ending - Budgetary Basis and GAAP Basis	<u>\$ 651,464</u>	<u>\$ 825,247</u>	<u>\$ 818,202</u>	<u>\$ (7,045)</u>

PAGOSA AREA WATER AND SANITATION DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2008

Budgets and Budgetary Accounting:

The Board of Directors adopts an annual legal budget, which covers the General Fund, the Special Revenue Fund, the Capital Projects Fund, the Debt Service Fund and the Water and Wastewater Enterprise Funds. The budgets for the General Fund, the Special Revenue Fund, the Capital Projects Fund and the Debt Service Fund are prepared on the modified accrual basis. The budgets for the two enterprise funds are prepared on the modified accrual basis and include debt principal retirements and capital outlays as expenses. Additionally, the enterprise funds do not include depreciation as a budgetary expense. The statements comparing budget and actual amounts for these governmental funds include adjustments to those budgetary bases for the differences noted above and for certain other items which are reported in the District's budget differently than they are reported for accounting principles generally accepted in the United States. Budgetary level of control is exercised at the departmental level. The District Manager is authorized to transfer budgeted amounts within and among departments; however any revisions that alter total expenditures for any of the funds must be approved by the Board of Directors.

The Budgetary Comparison Schedules included in the required supplementary information present a comparison of budgetary data to actual results of operations for the General Fund and Special Revenue Fund, for which an annual operating budget is legally adopted. This fund utilizes the same basis of accounting for both budgetary purposes and actual results, with the following exceptions:

1. The General Fund recognizes an expenditure for the increase in the Emergency Reserve in its budget basis expenditures. Generally accepted accounting principles treat this as a reserve of fund balance.
2. The Special Revenue Fund excludes unrealized gains or losses from its budgetary basis revenues.

Annual budgets are established for all funds of the District as required by Colorado law. Budgets reported in the accompanying financial statements are on the same basis of accounting as described above.

Expenditures may not legally exceed appropriations at the fund level. Budget amounts included in the financial statements are based on the final amended budget. After budget approval, the District's Board of Directors may approve supplemental appropriations if an occurrence, condition, or need exists which was not known at the time the budget was adopted. There were supplemental appropriations made during 2008 and 2009 as follows:

On December 9, 2008 the District amended its 2008 water fund budget to reflect additional loan proceeds of \$3,139,432 over the original budget and the corresponding planned expenditures. In addition, the District amended the budgets for other funds to reflect the additional or corrected revenues and expenses for 2008. On April 14, 2009, the 2008 budget was amended for the second time to reflect unanticipated expenditures in the General Fund, Debt Service Fund, Special Revenue Fund and the Capital Projects Fund.

**PAGOSA AREA WATER AND SANITATION DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2008**

The following is a summary of budget appropriations and expenditures by fund:

	Original Budget	Final Budget	Expenditures (Budgetary) Basis	Variance Favorable (Unfavorable)
General Fund	\$1,177,593	\$1,201,608	\$1,210,526	(\$8,918)
Special Revenue Fund	3,721,559	3,569,008	3,569,008	
Debt Service Fund	1,216,395	1,262,395	1,252,895	9,500
Capital Projects Fund	3,779,784	3,614,449	3,614,449	
Water Fund	11,855,410	22,768,474	14,291,906	8,476,568
Wastewater Fund	3,314,736	2,277,504	2,062,754	214,750
Totals	<u>\$25,065,477</u>	<u>\$34,693,438</u>	<u>\$26,001,538</u>	<u>\$8,691,900</u>

As mentioned in Note 20 to the financial statements and as shown above, the General Fund overspent its final 2008 appropriation by \$8,918. This is a violation of Colorado State Statutes.

On or before October 15th of each year, the District's budget officer must prepare and submit a proposed budget to the Board for the next fiscal year. Thereupon, notice must be published stating, among other things, that the budget is open to inspection by the public and that interested electors may file or register any objection to the budget. Subject to certain exceptions and exclusions discussed hereafter, the District must submit a request for property tax increases in excess of the statutory limitation to the Division of Local Government (if within TABOR limits) or submit the question of an increased levy directly to the electors of the District at a general or special election. State law requires that the District adopt a budget prior to the certification of its mill levy to the county and file a certified copy of its budget with the Division of Local Government within 30 days of such adoption. Failure to do so can result in the County Treasurer withholding future property tax revenues pending compliance by the District. The District filed the certified copy of its budget timely for 2008.

Budget appropriations lapse at the end of each year. The encumbrance method is not used.

OTHER SUPPLEMENTARY INFORMATION

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**PAGOSA AREA WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
(BUDGETARY BASIS)
CAPITAL PROJECTS FUND
Year Ended December 31, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Expenditures				
Inspection				
Fringe benefits	\$ -	\$ 6,623	\$ 6,623	\$ -
Insurance		688	688	
Repairs and maintenance		85	85	
Payroll taxes, vacation and sick pay		1,507	2,583	(1,076)
Personnel		19,907	18,831	1,076
	<u>-</u>	<u>28,810</u>	<u>28,810</u>	<u>-</u>
General Fund Capital Projects				
Buildings and improvements	15,000	24,001	24,001	7,793
Water conservation program	23,225	16,208	16,208	(7,793)
Computer support	20,000	5,233	5,233	
	<u>58,225</u>	<u>45,442</u>	<u>45,442</u>	<u>-</u>
Bond Issue Projects				
2002-2003 bond issue	<u>3,721,559</u>	<u>3,540,197</u>	<u>3,540,197</u>	
Total Expenditures	<u>3,779,784</u>	<u>3,614,449</u>	<u>3,614,449</u>	<u>-</u>
Other Financing Sources				
Transfers from other funds				
Special Revenue Fund	3,721,559	3,569,008	3,569,008	
General Fund	58,225	45,441	45,441	
Total Other Financing Sources	<u>3,779,784</u>	<u>3,614,449</u>	<u>3,614,449</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance, Beginning			<u>-</u>	
Fund Balance, Ending - Budgetary Basis and GAAP Basis			<u>\$ -</u>	

**PAGOSA AREA WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
(BUDGETARY BASIS)
DEBT SERVICE FUND
Year Ended December 31, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues				
Restricted property taxes - water	\$ 794,116	\$ 782,204	\$ 776,960	\$ (5,244)
Restricted property taxes - wastewater	401,410	395,388	390,981	(4,407)
Interest	28,000	9,500	8,882	(618)
Total Revenues	<u>1,223,526</u>	<u>1,187,092</u>	<u>1,176,823</u>	<u>(10,269)</u>
Expenditures				
Debt Service				
General obligation bonds:				
2002 Wastewater				
Interest	189,430	189,430	189,430	
Principal	210,000	210,000	210,000	
2002 water				
Interest	158,830	158,830	158,830	
Principal	200,000	200,000	200,000	
2003 water				
Interest	195,135	195,135	195,135	
Principal	235,000	235,000	235,000	
Total Expenditures	<u>1,188,395</u>	<u>1,188,395</u>	<u>1,188,395</u>	<u>-</u>
Other Financing Sources (Uses)				
Transfers from other funds		64,500	64,500	
Transfers to other funds	(28,000)	(74,000)	(64,500)	9,500
Total Other Financing Sources (Uses)	<u>(28,000)</u>	<u>(9,500)</u>	<u>-</u>	<u>9,500</u>
Net Change in Fund Balance	7,131	(10,803)	(11,572)	(769)
Fund Balance, Beginning	<u>1,035</u>	<u>3,083</u>	<u>3,083</u>	<u>-</u>
Fund Balance, Ending - Budgetary Basis and GAAP Basis	<u>\$ 8,166</u>	<u>\$ (7,720)</u>	<u>\$ (8,489)</u>	<u>\$ (769)</u>

PAGOSA AREA WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BUDGET AND ACTUAL
(BUDGETARY BASIS)
ENTERPRISE FUND - WATER FUND
Year Ended December 31, 2008

Page 1 of 4

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Availability charges	\$ 497,640	\$ 469,000	\$ 469,179	\$ 179
Customer hookups	140,000	140,000	175,601	35,601
Water resource fee	650,000	293,000	336,920	43,920
Capital investment fee	350,000	385,107	438,512	53,405
Service fees	2,707,389	2,740,844	2,696,461	(44,383)
Tap fees	500,000	275,000	285,224	10,224
Irrigation and other water sales	63,500	57,000	68,110	11,110
Late charges and interest	32,000	38,000	44,994	6,994
Interest from revenue bond issues	400,450	169,000	173,051	4,051
Interest on certified accounts	5,000	10,300	11,828	1,528
Interest on delinquent taxes	6,500	5,800	15,100	9,300
Other interest	157,450	104,000	98,701	(5,299)
Realized gain on investments	14,000	14,000	2,459	(11,541)
Other revenues	142,115	82,000	91,859	9,859
Total Revenues	<u>5,666,044</u>	<u>4,783,051</u>	<u>4,907,999</u>	<u>124,948</u>
Expenses				
Sources of Supply				
Ditches	6,000	4,500	4,235	265
Reservoirs	19,000	10,000	9,399	601
Raw water line	17,000	3,500	1,679	1,821
Power	152,300	56,220	45,197	11,023
	<u>194,300</u>	<u>74,220</u>	<u>60,510</u>	<u>13,710</u>
Water Treatment Plant				
Chemicals	347,350	238,000	248,157	(10,157)
Employee fringe benefits	38,573	39,000	36,980	2,020
Fuel and power	148,875	149,333	148,429	904
Insurance	4,402	4,402	4,142	260
Operating supplies	3,000	1,500	36	1,464
Payroll taxes	10,346	9,100	8,948	152
Personnel	116,912	114,000	113,738	262
Repairs and maintenance	67,000	80,000	86,706	(6,706)
Training	3,000	2,000	1,686	314
Utilities	4,800	1,900	1,540	360
	<u>744,258</u>	<u>639,235</u>	<u>650,362</u>	<u>(11,127)</u>
Distribution Systems				
Employee fringe benefits	120,069	114,665	120,922	(6,257)
Fire hydrant maintenance	27,000	27,000	35,302	(8,302)
Fuel and power	25,400	28,400	29,125	(725)
Insurance	12,282	12,282	11,734	548
Interest on leases	477	1,946	1,946	
Payroll taxes	24,796	22,800	22,595	205
Personnel	316,683	324,183	320,880	3,303

PAGOSA AREA WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BUDGET AND ACTUAL
(BUDGETARY BASIS)
ENTERPRISE FUND - WATER FUND
Year Ended December 31, 2008

Page 2 of 4

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Distribution Systems (continued)				
Repairs and maintenance	\$ 8,700	\$ 9,700	\$ 9,423	\$ 277
Training	3,600	3,600	3,653	(53)
Water line repair	85,000	75,000	87,425	(12,425)
	<u>624,007</u>	<u>619,576</u>	<u>643,005</u>	<u>(23,429)</u>
Maintenance Department				
Building maintenance	2,200	2,200	2,094	106
Equipment and vehicle maintenance	7,800	8,500	9,572	(1,072)
Fringe benefits	13,010	13,010	11,694	1,316
Gas, diesel and oil	45,000	65,000	64,361	639
Insurance	1,421	1,421	1,266	155
Operating supplies	15,000	15,500	16,909	(1,409)
Payroll taxes	3,212	3,100	2,682	418
Personnel	36,296	34,500	33,852	648
Tools and small equipment	24,820	20,000	19,779	221
Training	200	200	200	200
Utilities	1,500	1,500	1,368	132
	<u>150,459</u>	<u>164,931</u>	<u>163,577</u>	<u>1,354</u>
Laboratory Services				
Fringe benefits	4,673	4,673	4,179	494
Insurance	445	445	426	19
Payroll taxes	1,067	1,067	944	123
Personnel	12,065	12,065	11,728	337
Repairs and maintenance	150	150	24	126
Supplies	50,000	40,000	36,678	3,322
	<u>68,400</u>	<u>58,400</u>	<u>53,979</u>	<u>4,421</u>
Billing				
Bad debts	1,500	175,532	169,735	5,797
Collection past due accounts	2,000	1,000	305	695
Data processing	25,000	20,000	21,709	(1,709)
Fringe benefits	49,508	49,428	47,813	1,615
Insurance	350	300	244	56
Payroll taxes	7,935	7,935	7,376	559
Personnel	89,671	95,000	94,245	755
Postage	23,000	20,000	19,332	668
Training	1,900	1,900	1,158	742
	<u>200,864</u>	<u>371,095</u>	<u>361,917</u>	<u>9,178</u>
Administration				
Audit	5,200	5,600	5,589	11
Dues and permits	8,875	9,200	9,166	34
Employee expense	4,400	4,400	5,742	(1,342)
Contributions	680	680	255	425
Fringe benefits	47,640	47,110	39,496	7,614
Inclusion expense	6,000	300	229	71
Insurance - general	61,982	47,000	46,450	550

PAGOSA AREA WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BUDGET AND ACTUAL
(BUDGETARY BASIS)
ENTERPRISE FUND - WATER FUND
Year Ended December 31, 2008

Page 3 of 4

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Administration (continued)				
Legal fees	\$ 9,000	\$ 20,000	\$ 28,019	\$ (8,019)
Office expense	6,650	10,200	10,808	(608)
Office maintenance and landscape	9,500	7,880	8,098	(218)
Outside services	20,400	54,690	60,882	(6,192)
Payroll taxes, vacation and sick pay	11,882	11,000	26,394	(15,394)
Publications and recording fees	2,000	2,000	1,188	812
Repairs and maintenance	300	300		300
Personnel	134,261	131,000	129,197	1,803
Telephone and utilities	18,120	22,400	23,015	(615)
Travel and training	2,500	2,500	794	1,706
	<u>349,390</u>	<u>376,260</u>	<u>395,322</u>	<u>(19,062)</u>
Inspection Services				
Fringe benefits	9,793	6,528	6,791	(263)
Insurance	1,208	680	706	(26)
Payroll taxes, vacation and sick pay	2,528	1,685	1,545	140
Personnel	28,559	19,039	19,306	(267)
Repairs and maintenance	500	333	65	268
	<u>42,588</u>	<u>28,265</u>	<u>28,413</u>	<u>(148)</u>
Capital Expenditures				
Construction projects	1,034,670	496,687	481,621	15,066
CIF expenditures	521,993	435,195	416,568	18,627
Bond issue construction projects				
2006 Bond issue	1,000,000			
2008 Bond issue	3,075,000	982,864	969,022	13,842
Water resource fee projects	2,147,000	8,695,292	8,684,496	10,796
	<u>7,778,663</u>	<u>10,610,038</u>	<u>10,551,707</u>	<u>58,331</u>
Debt Service				
Principal, revenue bonds	375,000	375,000	375,000	
Interest, revenue bonds	344,514	344,514	342,873	1,641
Bond issue costs	198,057		98,574	(98,574)
Principal, bridge loan		8,600,000		8,600,000
Interest, bridge loan	324,131	375,557	375,274	283
Principal, CWDPA loan	146,150	69,966	69,966	
Interest, CWDPA loan	298,184	12,527	72,538	(60,011)
Administrative fees, CWDPA loan		17,898	17,897	1
Lease payments	16,445	30,992	30,992	
	<u>1,702,481</u>	<u>9,826,454</u>	<u>1,383,114</u>	<u>8,443,340</u>
Total Expenses	<u>11,855,410</u>	<u>22,768,474</u>	<u>14,291,906</u>	<u>8,476,568</u>
Excess of Revenues over Expenses	<u>(6,189,366)</u>	<u>(17,985,423)</u>	<u>(9,383,907)</u>	<u>8,601,516</u>

**PAGOSA AREA WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BUDGET AND ACTUAL
(BUDGETARY BASIS)**

ENTERPRISE FUND - WATER FUND

Page 4 of 4

Year Ended December 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Other Financing Sources (Uses)				
Unappropriated surplus	\$14,581,768	\$24,987,692	\$15,755,010	\$ (9,232,682)
Bond issue and lease proceeds	6,836,025	10,051,824	1,018,272	(9,033,552)
Transfers from other funds	<u>486,040</u>	<u>426,460</u>	<u>396,000</u>	<u>(30,460)</u>
Total Other Financing Sources (Uses)	<u>21,903,833</u>	<u>35,465,976</u>	<u>17,169,282</u>	<u>(18,296,694)</u>
Change in Net Assets (Budgetary Basis)	<u>\$15,714,467</u>	<u>\$17,480,553</u>	7,785,375	<u>\$ (9,695,178)</u>

Reconciliation of Budgetary Basis to GAAP

Increase (Decrease) in Revenues and
Other Financing Sources

Contributed capital from other funds	3,767,018
Proceeds from bond issue and lease	(1,018,272)
Unappropriated surplus	<u>(15,755,010)</u>

Net (Decrease) in Revenues and
Other Financing Sources to GAAP Basis

(13,006,264)

(Increase) Decrease in Expenses and
Other Financing Sources

Construction project expenditures	10,580,388
Principal payments on revenue bonds	375,000
Principal payments on CWDPA loan	69,966
Capitalized interest expense	445,147
Lease payments	30,992
Bond issue costs amortized	86,870
Bond discount	(11,018)
Depreciation	<u>(964,028)</u>

Net Increase in Expenses and
Other Financing Uses to GAAP Basis

10,613,317

Change in Net Assets GAAP Basis

\$ 5,392,428

PAGOSA AREA WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BUDGET AND ACTUAL
(BUDGETARY BASIS)
ENTERPRISE FUND - WASTEWATER FUND
Year Ended December 31, 2008

Page 1 of 4

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Availability charges	\$ 326,520	\$ 274,950	\$ 275,229	\$ 279
Customer hookups	30,000	20,000	20,498	498
Capital Investment fees	260,000	198,000	421,917	223,917
Service fees	1,086,282	1,088,000	1,092,319	4,319
Tap fees	300,000	308,000	354,143	46,143
Waste hauling	10,000	11,000	13,333	2,333
Late charges and interest	5,000	28,000	36,392	8,392
Interest from revenue bond issues	5,000	11,000	10,602	(398)
Interest on delinquent taxes	1,350	2,100	3,277	1,177
Other interest	288,500	210,000	168,983	(41,017)
Realized gain on investments			96	96
Other operating revenues	47,080	3,000	4,200	1,200
Total Revenues	<u>2,359,732</u>	<u>2,154,050</u>	<u>2,400,989</u>	<u>246,939</u>
Expenses				
Wastewater Collection				
Employee fringe benefits	70,429	75,305	74,830	475
Fuel and power	29,000	36,000	34,845	1,155
Insurance	4,220	4,400	4,577	(177)
Interest on leases	4,172	3,698	5,269	(1,571)
Payroll taxes	14,356	13,500	13,014	486
Personnel	164,018	165,818	164,138	1,680
Repairs and maintenance	80,700	70,700	72,352	(1,652)
Training	2,500	1,600	1,280	320
	<u>369,395</u>	<u>371,021</u>	<u>370,305</u>	<u>716</u>
Wastewater Treatment				
Chemicals	600	600		600
Employee fringe benefits	18,211	18,635	18,624	11
Fuel and power	118,950	123,500	124,654	(1,154)
Insurance	980	980	974	6
Payroll taxes	3,066	3,300	2,924	376
Personnel	34,654	38,021	38,022	(1)
Repairs and maintenance	48,250	33,200	26,149	7,051
Sludge removal	80,000	60,000	52,758	7,242
Training	2,500	1,500	956	544
	<u>307,211</u>	<u>279,736</u>	<u>265,061</u>	<u>14,675</u>

PAGOSA AREA WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BUDGET AND ACTUAL
(BUDGETARY BASIS)
ENTERPRISE FUND - WASTEWATER FUND
Year Ended December 31, 2008

Page 2 of 4

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Maintenance Department				
Building maintenance	\$ 1,000	\$ 1,000	\$ 888	\$ 112
Equipment and vehicle maintenance	4,600	5,100	4,618	482
Fringe benefits	6,122	6,122	5,503	619
Gas, diesel and oil	24,000	31,000	30,264	736
Insurance	465	465	412	53
Operating supplies	7,000	7,000	7,669	(669)
Payroll taxes	1,511	1,500	1,262	238
Personnel	17,080	17,080	15,931	1,149
Tools and small equipment	11,680	9,000	6,820	2,180
Training	100	100		100
Utilities	500	1,000	913	87
	<u>74,058</u>	<u>79,367</u>	<u>74,280</u>	<u>5,087</u>
Laboratory Services				
Fringe benefits	14,023	14,023	12,538	1,485
Insurance	920	920	885	35
Payroll taxes	3,203	3,203	2,832	371
Personnel	36,195	36,195	35,184	1,011
Repairs and maintenance	300	300	206	94
Supplies	10,000	10,000	11,009	(1,009)
	<u>64,641</u>	<u>64,641</u>	<u>62,654</u>	<u>1,987</u>
Billing				
Collection and bad debts	1,000	73,395	80,546	(7,151)
Data processing	10,000	10,000	10,094	(94)
Fringe benefits	23,297	24,531	22,172	2,359
Insurance	175	175	115	60
Payroll taxes	3,734	3,734	3,474	260
Personnel	42,198	45,500	44,350	1,150
Postage	11,000	8,500	9,098	(598)
Training	900	900	545	355
	<u>92,304</u>	<u>166,735</u>	<u>170,394</u>	<u>(3,659)</u>
Inspection Services				
Fringe benefits	9,793	6,528	6,876	(348)
Insurance	832	680	507	173
Personnel	28,559	19,039	18,831	208
Payroll taxes, vacation and sick pay	2,527	1,685	1,254	431
Repairs and maintenance	500	333	32	301
	<u>42,211</u>	<u>28,265</u>	<u>27,500</u>	<u>765</u>

PAGOSA AREA WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BUDGET AND ACTUAL
(BUDGETARY BASIS)
ENTERPRISE FUND - WASTEWATER FUND
Year Ended December 31, 2008

Page 3 of 4

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Administration				
Audit	\$ 2,600	\$ 3,000	\$ 2,795	\$ 205
Contributions	320	320	120	200
Dues and permits	7,520	10,425	10,472	(47)
Employee expense	2,100	2,100	2,702	(602)
Fringe benefits	22,023	20,300	18,218	2,082
Inclusion expense	3,000			
Insurance - general	27,110	21,000	20,730	270
Legal fees	3,000	9,600	9,908	(308)
Office expense	3,130	4,800	5,080	(280)
Office maintenance and landscape	5,200	3,920	3,813	107
Outside services and fiscal agent fees	9,600	3,530	6,666	(3,136)
Payroll taxes, vacation and sick pay	5,431	5,200	10,676	(5,476)
Personnel	61,373	61,000	58,961	2,039
Publications and recording fees	1,000	1,000	448	552
Repairs and maintenance	150	150		150
Telephone and utilities	9,180	11,200	11,389	(189)
Travel and training	1,100	500	336	164
	<u>163,837</u>	<u>158,045</u>	<u>162,314</u>	<u>(4,269)</u>
Capital Expenditures				
Construction projects	709,958	311,682	205,179	106,503
CIF expenditures	658,350	315,768	250,621	65,147
Bond issue construction projects				
2000 Bond issue	120,501	170,000	168,115	1,885
2008 Bond issue	375,000	16,643		16,643
	<u>1,863,809</u>	<u>814,093</u>	<u>623,915</u>	<u>190,178</u>
Debt Service				
Principal, revenue bonds	213,850	205,000	205,000	
Interest, revenue bonds	88,003	69,945	60,675	9,270
Bond issue costs	11,994			
Lease payments	23,423	40,656	40,656	
	<u>337,270</u>	<u>315,601</u>	<u>306,331</u>	<u>9,270</u>
Total Expenses	<u>3,314,736</u>	<u>2,277,504</u>	<u>2,062,754</u>	<u>214,750</u>
Excess of Revenues over Expenses	<u>(955,004)</u>	<u>(123,454)</u>	<u>338,235</u>	<u>461,689</u>

PAGOSA AREA WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BUDGET AND ACTUAL
(BUDGETARY BASIS)
ENTERPRISE FUND - WASTEWATER FUND
Year Ended December 31, 2008

Page 4 of 4

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Other Financing Sources (Uses)				
Unappropriated surplus	\$4,173,171	\$4,681,964	\$3,449,129	\$ (1,232,835)
Bond issue and lease proceeds	413,975	150,508	150,508	
Transfers from other funds	<u>181,960</u>	<u>158,040</u>	<u>155,000</u>	<u>(3,040)</u>
Total Other Financing Sources (Uses)	<u>4,769,106</u>	<u>4,990,512</u>	<u>3,754,637</u>	<u>(1,235,875)</u>
Change in Net Assets (Budgetary Basis)	<u>\$3,814,102</u>	<u>\$4,867,058</u>	4,092,872	<u>\$ (774,186)</u>

**Reconciliation of Budgetary Basis to GAAP
Basis Financial Statements**

Increase (Decrease) in Revenues and Other Financing Sources				
Contributed capital from other funds			189,431	
Bond issue and lease proceeds			(150,508)	
Unappropriated surplus			<u>(3,449,129)</u>	
Net increase in Revenues and Other Financing Sources to GAAP Basis			<u>(3,410,206)</u>	
(Increase) Decrease in Expenses and Other Financing Sources				
Construction projects capitalized			646,471	
Principal payments on revenue bonds			205,000	
Lease payments			40,656	
Capitalized interest expense			50,073	
Depreciation			<u>(539,763)</u>	
Net (Increase) in Expenses and Other Financing Uses to GAAP Basis			<u>402,437</u>	
Change in Net Assets GAAP Basis			<u>\$1,085,103</u>	