

# Town of Erie, Colorado

Comprehensive Annual Financial Report  
For the fiscal year ended  
December 31, 2008

Prepared by the Finance Department:

*Molly M. W. Kostecky, CPA, Finance Director*  
*Christine M. Morrison, Chief Accountant*

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**Town of Erie, Colorado**  
 Comprehensive Annual Financial Report  
 For the fiscal year ended December 31, 2008

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# Introductory Section

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May 6, 2009

To the Honorable Mayor, members of the Board of Trustees, and Citizens of the Town of Erie:

State Law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of the Town of Erie (the Town) for the fiscal year ended December 31, 2008.

This report consists of management's representations concerning the finances of the Town. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Town has established a comprehensive internal control framework that is designed both to protect the Town's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town's internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Johnson, Holscher & Company, a firm of licensed certified public accountants, has audited the Town's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town for the fiscal year ended December 31, 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Erie's financial statements for the fiscal year ended December 31, 2008, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and

should be read in conjunction with it. The Town of Erie's MD&A can be found immediately following the report of the independent auditors.

## **Profile of the Town**

The Town, incorporated in 1874, is located on the northern fringe of the Denver-Boulder Metropolitan Area of Colorado. The Town currently occupies a land planning area of 45 square miles and serves a population of about 17,250. The Town is located in two counties: Boulder and Weld. The Town is empowered to levy a property tax on real properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council and voter approval.

The Town has operated under the Trustees-Administrator form of government since its first meeting on November 16, 1874, as a statutory town. Policy-making and legislative authority are vested in the Board of Trustees (the Board) consisting of the mayor and six trustees. The Town's board is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the Town's administrator, clerk, treasurer, and attorney. The Town's administrator is responsible for carrying out the goals, policies, and ordinances of the Board, for overseeing the day-to-day operations of the Town, and for appointing the heads of the various departments. The Board is elected on a nonpartisan basis. The mayor is elected for a two-year term and the trustees are elected for four-year terms. The mayor and trustees are elected at-large.

The Town provides a full range of services, including police protection; the construction and maintenance of streets; municipal airport; parks; recreational activities; trails and open space; and utilities. Utilities for the Town consist of water, sewer, and storm drainage. Other utility services, such as electricity, gas, and trash, are provide by organizations not affiliated with the Town, and therefore, are not reported in the Town's financial statements.

The annual budget serves as the foundation for the Town's financial planning and control. All departments of the Town are required to submit requests for appropriation to the Town's finance director on or before the last day of August each year. The finance director and administrator use these requests as the starting point for developing a proposed budget. The town administrator then presents the proposed budget to the board for review prior to October 15. The Board is required to hold public hearings on the proposed budget and to adopt a final budget by no later than December 15. The Town's fiscal year is based on the calendar year. The appropriated budget is prepared by fund (e.g., general), department (e.g., police), and division (e.g., patrol). Department heads may make transfers of appropriations within a division. Transfers of appropriations between divisions, however, require the approval of the Board.

Budget-to-actual comparisons are provided in this report for each individual fund for which an appropriated annual budget has been adopted. For the general fund, the comparison is presented on page 40, as part of the basic financial statements for the governmental funds. For all other governmental funds, these comparisons are presented in the nonmajor governmental funds subsection of this report, which begins on page 77.

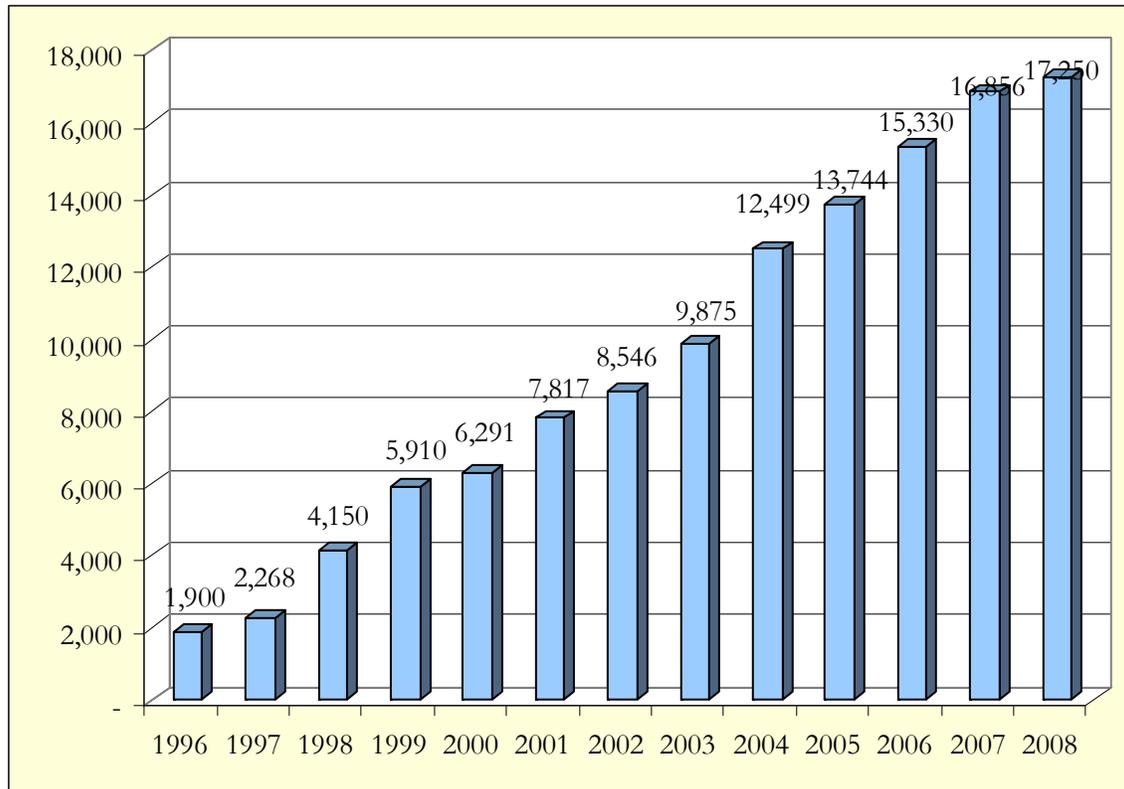
## Factors Affecting Financial Condition

A government's finances are related to the local and national economies. For example, a downturn in the local economy may reduce the government's revenues as well as increase the demand for services from its citizens. The information presented in the financial statements is perhaps best understood when it is considered from a broader perspective.

### Local Economy

The Town of Erie has seen the community grow over the last ten years. In the early 1990s, the Town had a population of 1,300 and today the Town has a population estimated at 17,250. The following chart reflects the population growth.

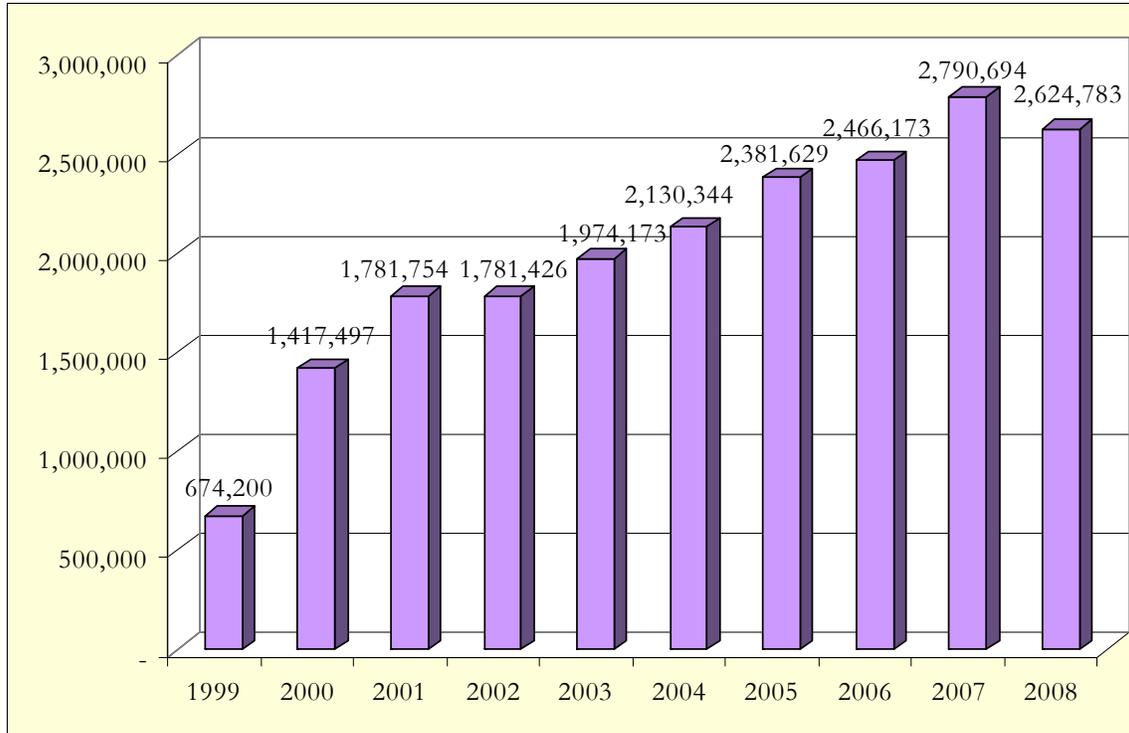
Town of Erie Estimated Population



The Town has been able to provide the necessary services to its residents. It has done this by optimizing the water reclamation facility operations during 2008. The Town has also constructed necessary improvements to the transportation and storm drainage systems, including installing several traffic signals. In 2006, Erie voters authorized the construction of a recreation/senior center. This facility is financed with general obligation bonds issued in 2006 and opened in January 2008. In addition, in 2008 the Town issued debt of excess of \$8,000,000 to construct the new northern water reclamation facility and plans to issue an additional \$10,000,000 in 2009 to complete the project.

Town sales tax revenues have been growing. Although cities and towns in surrounding areas have experienced declining or only moderate growth in this area, the Town's sales tax revenues have shown constant growth over the last ten years. Although Erie did experience a slight decrease in sales tax revenues in 2008, the Town does not expect this trend to continue because of the continued increase in the Town's commercial development. The Town does expect to compete with surrounding communities for any future significant increase in sales tax revenues. Below is a chart reflecting the change in sales tax revenues over the last ten years.

Town of Erie Sales Tax Revenues



The Town's commercial property increased in 2008 with the addition of various businesses ranging from retail shops to eating establishments. Other businesses that have come into the Town during the last several years include medical offices, veterinarian services, a private golf course, salons and a heavy construction equipment facility. The Town is currently working to increase the number of businesses throughout the community including initiatives to enhance the economic success of Historic Downtown Erie and the Highway 7 corridor.

The region, which includes the Town, Boulder County, and Weld County, has an employed labor force of about 300,000. The Town's major employers range from retail to engineering to education to childcare. The Town has about 100 full-time employees and 140 part-time employees, making it one of Erie's top five employers. The community is expected to maintain moderate growth of quality residential construction. This corresponds to the growth in number and variety of businesses expected in the community.

## **Long-term Financial Planning**

The Board and management are currently working on several major projects that will impact the Town's financial position. In January of 2006, the Board authorized management to proceed with securing financing for the construction of the Northern Water Reclamation Facility. The Town issued \$8,000,000 in debt to begin the project in 2008 and plans to issue approximately \$10,000,000 in 2009 to complete the project. Construction is estimated to begin in the spring of 2009.

Additionally, the Board and Erie's voters approved the construction of a new recreation/senior center. The facility, the Erie Community Center, opened in January 2008. In anticipation of the opening, the Town created a new Parks and Recreation department to consolidate and better provide leisure services and outdoor recreation amenities for Erie's residents. The department includes a new director position and additional operational costs for the new center and additional programs.

## **Cash Management Policies and Practices**

The Finance Department maximizes investment earnings on temporarily idle cash while ensuring that adequate moneys are available to make full and timely payments to vendors. During 2008, the Town invested idle cash in federal agency coupon securities and local government investment pools. The maturities of the investments range from 1 day to 51 months with a weighted average maturity of 14.1 months.

Investment income includes appreciation in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments the Town intends to hold to maturity.

## **Risk Management**

In 1983, the Town became a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA) for property and casualty insurance. CIRSA is an organization created by intergovernmental agreement in 1982 solely to provide property and casualty coverage to its members. Coverage is provided through the pooling of self-insured losses and the purchase of stop loss insurance coverage.

In 1994, the Town became a member of the Colorado Intergovernmental Risk Sharing Agency/Worker's Compensation (CIRSA/WC). CIRSA/WC was formed as a separate pool by an intergovernmental agreement to provide coverage to members under the Colorado Worker's Compensation Act.

A seven-member board elected by and from its members governs both CIRSA and CIRSA/WC. The governing board is autonomous as to budgeting and fiscal matter.

## **Pension and Other Post-employment Benefits**

The Town contributes to a statewide-defined benefit pension plan, a cost-sharing multiple-employer defined benefit pension plan, which is administered by the Fire and Police Pension Association of Colorado (FPPA). Assets of the plan are commingled for investment purposes in the Fire and Police Member's Benefit Fund. The plan provides retirement benefits for members and beneficiaries according to plan provisions as enacted and governed by the Pension Fund Board of Trustees.

## **Awards and Acknowledgements**

The Government Financial Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Report to the Town for its comprehensive annual financial report for the fiscal year ended December 31, 2007. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Town received the GFOA's Distinguished Budget Presentation Award for its annual budget document for fiscal year beginning January 1, 2008. This is the fifth consecutive year that the Town has received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the Town's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The Town received the GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting for its annual popular financial report fiscal year ended December 31, 2007. This is the first year the Town applied and received this prestigious award. In order to qualify for the Award for Outstanding Achievement in Popular Annual Financial Reporting, the Town's annual popular financial report was judged to be proficient in several categories, including reader appeal, understandability, and distribution.

We would like to express our appreciation to all staff members who assisted and contributed to the preparation of this report. The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration departments. Credit also must be given to the Mayor and the Board of Trustees for their unfailing support for maintaining the highest standards of professionalism in the management of the Town of Erie's finances.

Respectfully submitted,

A handwritten signature in black ink on a light-colored background. The signature is cursive and appears to read "Mike N. Acimovic".

Mike N. Acimovic  
Town Administrator

A handwritten signature in black ink on a light-colored background. The signature is cursive and appears to read "Molly M. W. Kostelecky".

Molly M. W. Kostelecky, CPA  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Erie  
Colorado

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



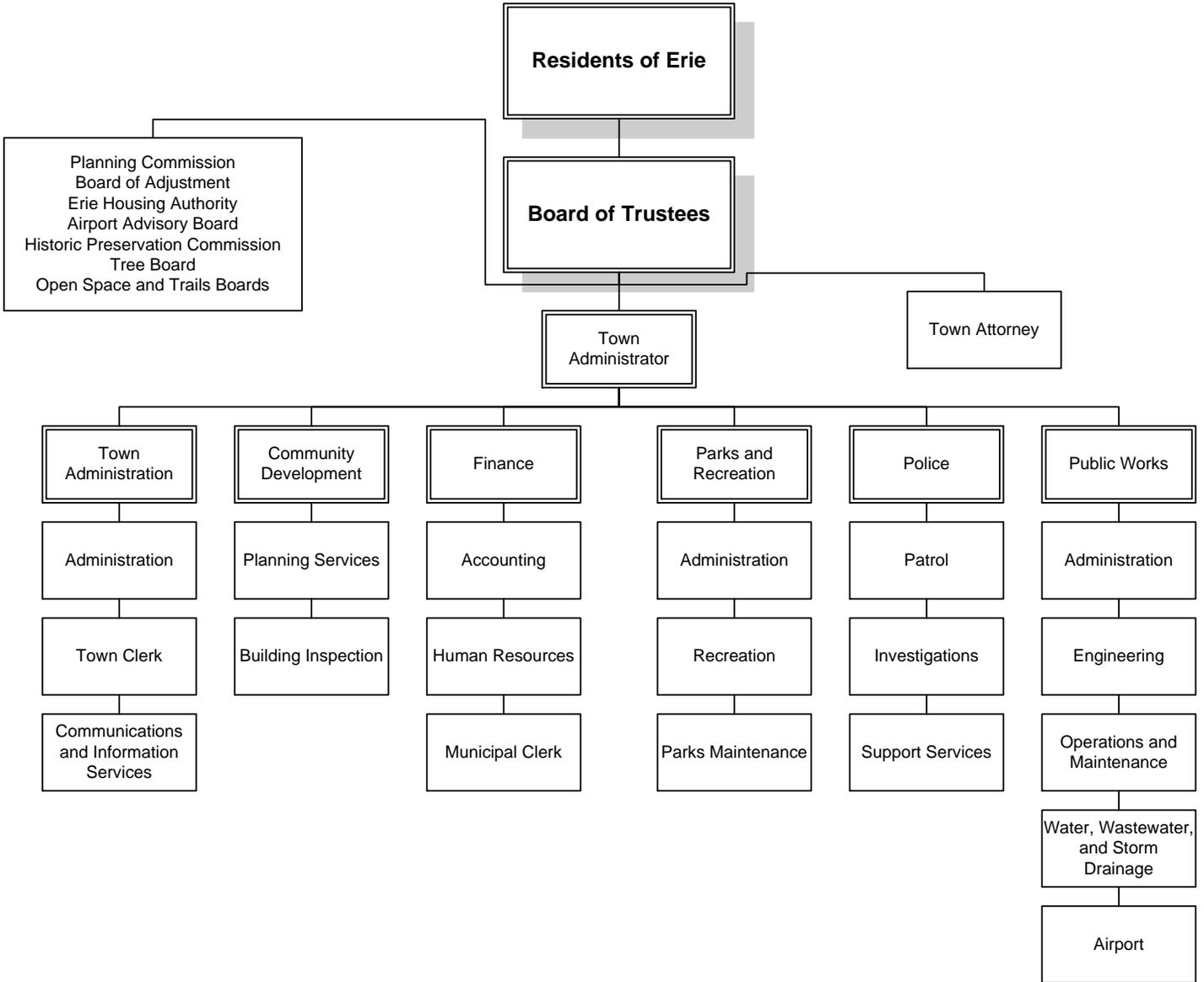
A handwritten signature in black ink, appearing to read "M. L. Runt".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emery".

Executive Director

# Organizational Chart



**Town of Erie, Colorado**  
List of Town Officials

Elected Officials: Mayor and Board of Trustees

Andrew Moore	Mayor
Glenn Massarotti	Mayor Pro-Tem
Tina Harris	Trustee
Cheryl Hauger	Trustee
Paul Ogg	Trustee
Harry Pink	Trustee
Colin Towner	Trustee

Town Administration Officials

Mike Acimovic	Town Administrator
Mark Shapiro	Town Attorney
Nancy Parker	Town Clerk
John Hall	Chief of Police
Marty Ostholthoff	Community Development Director
Molly Kostelecky	Finance Director
Gary Behlen	Public Works Director
Jill Wait	Parks and Recreation Director

**Financial Section**

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(Independent Auditor's Report)



## Management's Discussion and Analysis

Within this section of the Town of Erie, Colorado (the Town) annual financial report, the Town's management is pleased to provide this narrative discussion and analysis of the financial activities for the Town for the fiscal year ended December 31, 2008. The Town encourages readers to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal and the Town's financial statements, which can be found beginning on page 3 and 33 of this report, respectively.

### Financial Highlights

- ❖ The assets of the Town exceeded its liabilities at the end of the fiscal year ended December 31, 2008 by \$253 million (net assets). Of this amount, \$36 million (unrestricted net assets) may be used to meet the Town's ongoing obligations in accordance with financial policies.
- ❖ The Town's net assets increased by \$15 million (6%). The governmental net assets increased by \$8 million (8%) and the business-type net assets increased by \$7 million (4%).
- ❖ At December 31, 2008, the Town's governmental funds reported combined ending fund balances of \$42 million, an increase of \$3 million in comparison with the prior year.
- ❖ The general fund, the Town's operating fund, reported an unreserved fund balance of \$16.5 million, or 122% of the total general fund expenditures.
- ❖ The Town issued \$8.9 million in new wastewater revenue bonds and \$.985 million in refunding wastewater revenue bonds during the current fiscal year. These bond issues are accounted for in the wastewater fund.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements, which consist of three components: (1) 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.

#### Government-wide Financial Statements

The government-wide financial statements provide both long-term and short-term information about the Town's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis of accounting and elimination or reclassification of activities between funds.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reports reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. Evaluation of the overall health of the Town would extend to other non-financial factors such as diversification of the taxpayer base or the

condition of the Town's infrastructure, in addition to the financial information provided in this report.

The statement of activities presents information showing how the Town's net assets changed during the current fiscal year. All changes in net assets are reported as soon as the underlying event given rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. One purpose of the design of the statement of activities is to show the financial reliance of the Town's distinct functions on revenues provided by the Town's taxpayers.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through users fees and charges (business-type activities). The governmental activities of the Town include general government, parks and recreation, public safety, and public works. Business-type activities include the water system, wastewater system, drainage system, municipal airport, and housing authority.

The government-wide financial statements can be found on pages 33-35 of this report.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Within the basic financial statements, fund financial statements focus on the Town's more significant funds rather than the Town as a whole. Major funds are reported separately while all others are combined into a single, aggregated presentation. Individual fund data for nonmajor funds is provided in the form of combining statements in a later section of this report. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

### *Governmental Funds*

Governmental funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements, providing a distinct view of the Town's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the fiscal year. These statements may be useful in evaluating annual financing requirements of governmental programs and the commitment of the spendable resources for the near-term.

Since the focus of governmental funds is narrower than that of government-wide financial statements, comparisons between these two perspectives may provide an insight into the long-term impact of the short-term financing decisions. Both the governmental fund balance

sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The Town has eleven individual governmental funds. The general fund is a major fund and the fund information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The remaining individual governmental fund statements are provided in the form of combining statements in a later section of this report.

The Town adopts an annual appropriated budget for each of its governmental funds. Budgetary comparison statements for the major governmental funds are included in the basic financial statements.

The basic governmental fund financial statements can be found on pages 36-39 of this report.

#### *Proprietary Funds*

Proprietary funds are used to account for essentially the same function and information as business-type activities in the government-wide financial statements, only in more detail. The Town has six proprietary funds, all of which are classified as enterprise funds. Of the six enterprise funds, two are reported individually as major funds, including the water fund and the wastewater fund. The remaining individual enterprise fund statements are provided in the form of combining statements in a later section of this report.

The Town adopts an annual appropriated budget for four of its enterprise funds. Budgetary comparison statements for the major enterprise funds are included in the basic financial statements.

The basic proprietary fund financial statements can be found on pages 41-43 of this report.

#### *Fiduciary Fund*

Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the activities of the Town's functions. The accounting used for these types of funds is similar to that used for proprietary funds. In previous years, the Town classified three funds as fiduciary funds. During 2006, these funds were reclassified as governmental funds and are reported as such in this report.

### **Notes to the Financial Statements**

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 47-71 of this report.

## **Supplementary Information**

The statement of revenues, expenditures, and changes in fund balances – actual and budget has been included in the supplementary information for the General Fund. This schedule is required to show the General Fund budget to actual at the legally appropriated level. This information can be found on page 75.

## **Combining Statements**

The combining statements referred to earlier in connection with nonmajor governmental funds and nonmajor enterprise funds are presented following the notes to the financial statements. In addition, budget statements for the major enterprise funds are also presented following the notes to the financial statements. This information can be found on pages 77-100.

## **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the Town's compliance with debt covenants. The compliance information can be found on pages 129-143.

## **Government-wide Financial Analysis**

As stated earlier, the Town's net assets at fiscal year end are \$253 million. The largest portion of the Town's net assets (70%) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The capital assets are used to provide necessary services to citizens. These assets are not available for future spending. It should be noted that the resources to repay the debt must be provided from other sources, since capital assets themselves cannot be liquidated to provide the resources.

Additionally, approximately \$38 million of the net assets represents resources that are subject to external restrictions on how they may be used. The remainder of the net assets balance, approximately \$36 million, may be used to meet the Town's ongoing obligations.

The following table provides a summary of the Town's net assets.

Statement of Net Assets							
	Governmental Activities		Business-Type Activities		Total		Percent of Total
	2008	2007	2008	2007	2008	2007	2008
<b>Assets</b>							
Current Assets	\$ 48,442,463	\$ 49,048,180	\$ 46,173,367	\$ 46,996,932	\$ 94,615,830	\$ 96,045,112	26%
Other Assets	372,869	391,579	861,145	666,469	1,234,014	1,058,048	0%
Capital Assets	76,557,317	72,093,624	193,399,150	178,098,484	269,956,467	250,192,108	74%
<b>Total Assets</b>	<b>125,372,649</b>	<b>121,533,383</b>	<b>240,433,662</b>	<b>225,761,885</b>	<b>365,806,311</b>	<b>347,295,268</b>	<b>100%</b>
<b>Liabilities</b>							
Current Liabilities	7,230,000	10,864,263	4,892,271	4,947,096	12,122,271	15,811,359	11%
Noncurrent Liabilities	18,939,597	19,634,126	81,409,353	73,751,688	100,348,950	93,385,814	89%
<b>Total Liabilities</b>	<b>26,169,597</b>	<b>30,498,389</b>	<b>86,301,624</b>	<b>78,698,784</b>	<b>112,471,221</b>	<b>109,197,173</b>	<b>100%</b>
<b>Net Assets</b>							
Invested in Capital Assets, net of debt	57,152,274	53,190,093	121,520,053	112,940,934	178,672,327	166,131,027	71%
Restricted	22,628,014	21,364,804	15,722,590	14,328,718	38,350,604	35,693,522	15%
Unrestricted	19,422,764	16,480,097	16,889,395	19,793,449	36,312,159	36,273,546	14%
<b>Total Net Assets</b>	<b>\$ 99,203,052</b>	<b>\$ 91,034,994</b>	<b>\$ 154,132,038</b>	<b>\$ 147,063,101</b>	<b>\$ 253,335,090</b>	<b>\$ 238,098,095</b>	<b>100%</b>

The Town reported positive balances in net assets for both governmental and business-type activities. Net assets increased by about \$8 million in the governmental activities and \$7 million in the business-type activities.

In the governmental activities, the increase in net assets is attributed to the acquisition of the capital assets through Town construction projects and developer-built contributed capital. Additionally, the increase in net assets can also be attributed to one-time infusion of resources from impact fees (cash capital contributions). The Town will use these resources in future years to build capital assets to provide services to additional citizens.

In the business-type activities, the increase in net assets is attributed to the acquisition of the capital assets through Town construction projects and developer-built contributed capital. Additionally, the increase in net assets can also be attributed to one-time infusion of resources from tap fees (cash capital contributions) and the issuance of wastewater revenue bonds issued during 2008. The Town will use these resources in future years to build capital assets to provide services to additional citizens.

The following table provides a summary of the Town's statement of activities and changes in net assets.

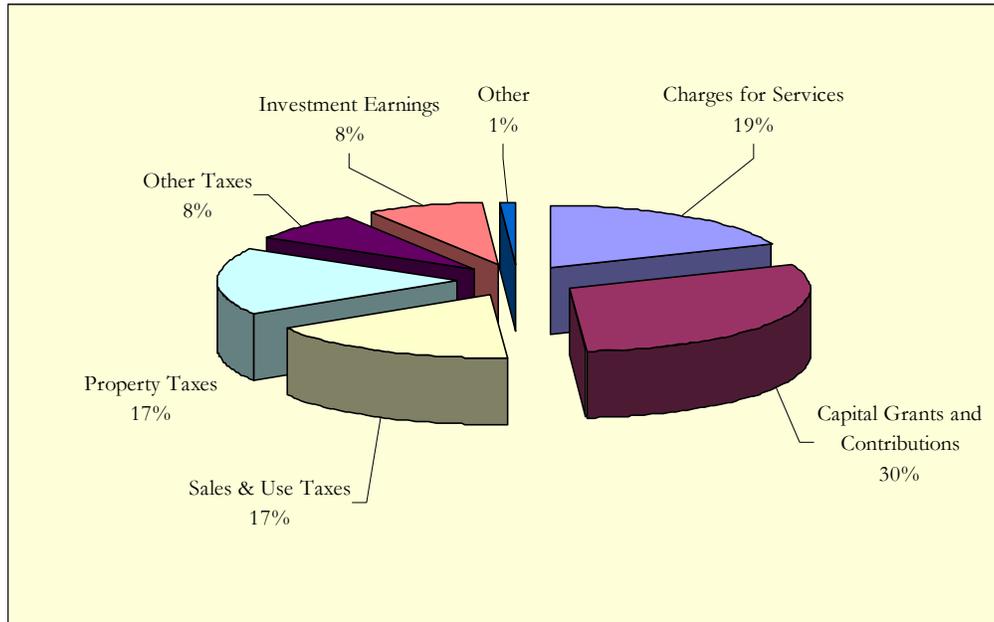
**Statement of Activities and Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total		Percent of Total 2008
	2008	2007	2008	2007	2008	2007	
<b>Revenues</b>							
Program Revenues							
Charges for Services	\$ 3,853,144	\$ 1,796,366	\$ 8,093,903	\$ 7,570,989	\$ 11,947,047	\$ 9,367,355	32%
Operating Grants and Contributions	-	8,632	-	-	-	8,632	0%
Capital Grants and Contributions	6,269,316	10,684,131	6,312,796	12,481,218	12,582,112	23,165,349	34%
General Revenues							0%
Taxes	8,736,002	8,457,618	-	-	8,736,002	8,457,618	24%
Investment Earnings	1,633,905	2,734,514	1,405,388	2,063,478	3,039,293	4,797,992	8%
Other	204,953	789,859	271,320	249,360	476,273	1,039,219	1%
<b>Total Revenues</b>	<b>20,697,320</b>	<b>24,471,120</b>	<b>16,083,407</b>	<b>22,365,045</b>	<b>36,780,727</b>	<b>46,836,165</b>	<b>100%</b>
<b>Expenses</b>							
General Government	2,542,611	2,852,921	-	-	2,542,611	2,852,921	12%
Parks and Recreation	4,178,321	1,833,112	-	-	4,178,321	1,833,112	19%
Public Safety	2,070,326	1,934,542	-	-	2,070,326	1,934,542	10%
Public Works	2,830,931	2,457,612	-	-	2,830,931	2,457,612	13%
Interest on Long-term Debt	907,069	1,177,219	-	-	907,069	1,177,219	4%
Water	-	-	5,920,041	5,849,291	5,920,041	5,849,291	27%
Wastewater	-	-	2,370,152	2,060,713	2,370,152	2,060,713	11%
Storm Drainage	-	-	359,817	345,266	359,817	345,266	2%
Airport	-	-	246,451	479,946	246,451	479,946	1%
Housing Authority	-	-	118,011	107,822	118,011	107,822	1%
<b>Total Expenses</b>	<b>12,529,258</b>	<b>10,255,406</b>	<b>9,014,472</b>	<b>8,843,038</b>	<b>21,543,730</b>	<b>19,098,444</b>	<b>100%</b>
<b>Increase in Net Assets</b>	<b>8,168,062</b>	<b>14,215,714</b>	<b>7,068,935</b>	<b>13,522,007</b>	<b>15,236,997</b>	<b>27,737,721</b>	
<b>Net Assets - Beginning</b>	<b>91,034,990</b>	<b>76,819,280</b>	<b>147,063,103</b>	<b>133,541,094</b>	<b>238,098,093</b>	<b>210,360,374</b>	
<b>Net Assets - Ending</b>	<b>\$ 99,203,052</b>	<b>\$ 91,034,994</b>	<b>\$ 154,132,038</b>	<b>\$ 147,063,101</b>	<b>\$ 253,335,090</b>	<b>\$ 238,098,095</b>	

**Governmental Revenues**

The Town is reliant on taxes to support governmental operations. Taxes total approximately 42% of total governmental revenues. In addition, capital contributions make up approximately 30% of total governmental revenues while charges for services only make up 19%. Note that program revenues are less than expenses by \$2.4 million. This is an ordinary occurrence for many governments and indicates that taxes provide revenues to support governmental operations.

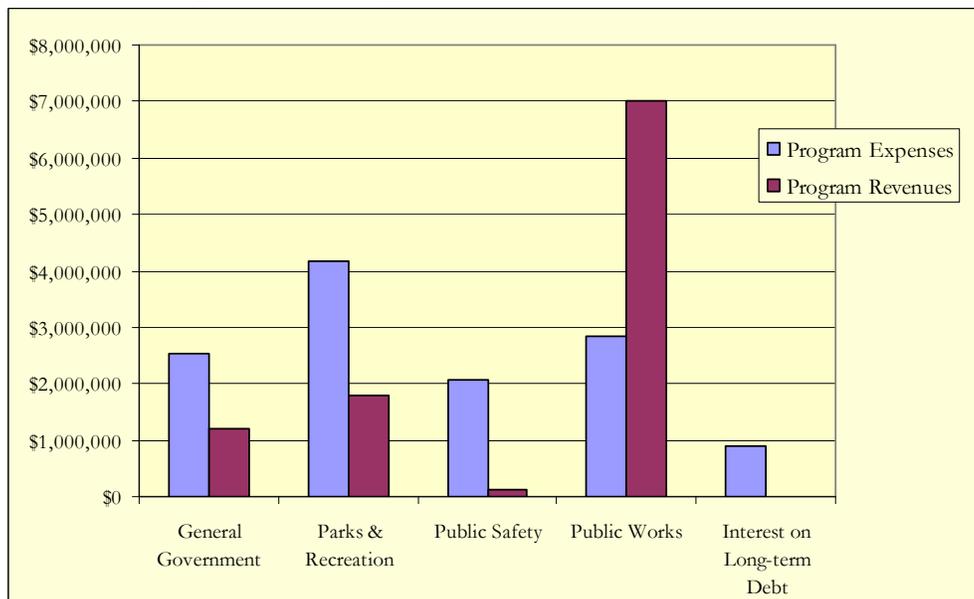
2008 Revenues by Source – Governmental Activities



**Governmental Expenses**

Parks and recreation expenses represent the largest area of governmental expenses at 33% and 19% of total expenses. General government expenses comprise 20% of the Town’s total governmental expenses. Public works expenses make up 22% of the Town’s total governmental expenses and 13% of total expenses. Public safety expenses comprise 16% of governmental expenses.

2008 Expenses and Program Revenues – Governmental Activities

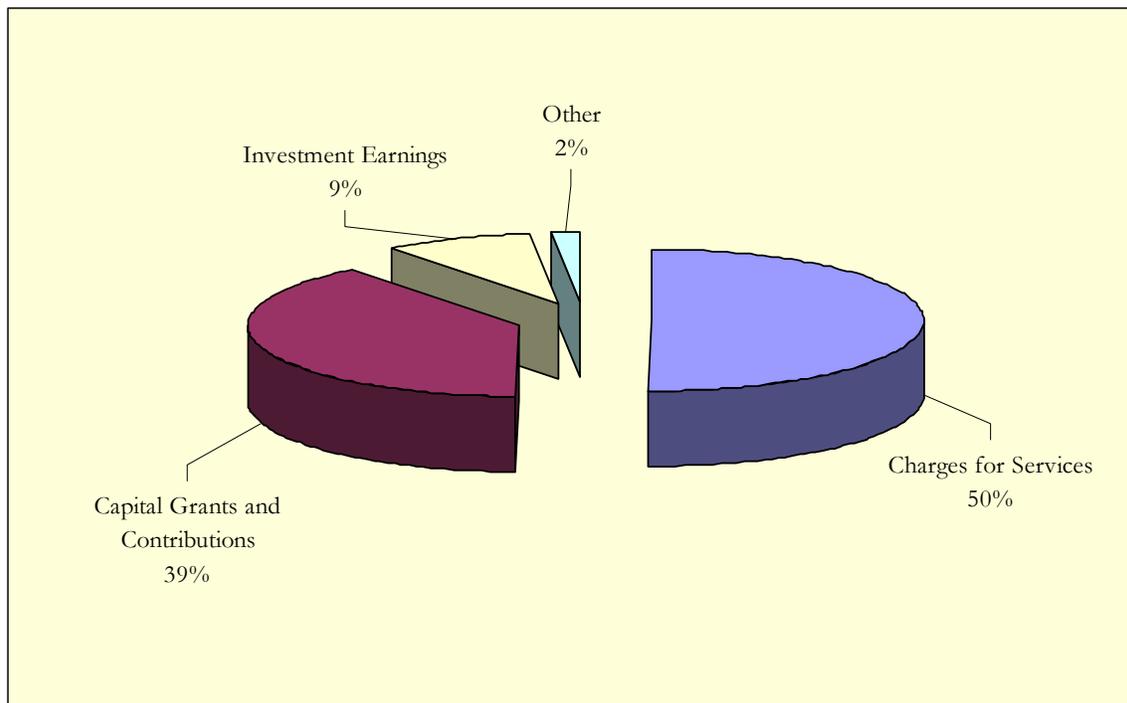


## Business-type Activities

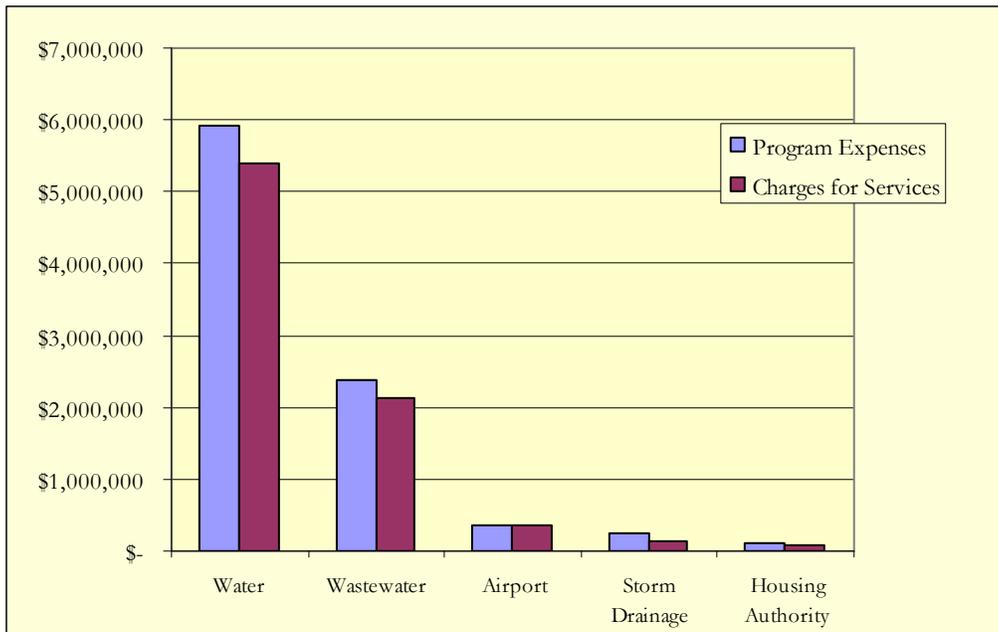
Business-type activities primarily rely on charges for services to support function expenses. Charges for services were about 50% of total business-type activities revenue. This represents an increase in charges for services of 5% over the prior year. This increase is due to an increase in the number of users for most functions.

The other primary source of revenue comes from capital contributions in the form of tap fees and developer-constructed donated capital. The Town will use these resources in future years to build capital assets to provide services to additional citizens. This is also the primary reason for the increase in business-type net assets of \$7 million.

2008 Revenues by Source – Business-type Activities



2008 Program Expenses and Charges for Services Revenues – Business-type Activities



**Financial Analysis of the Town’s Funds**

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

**Governmental Funds**

The focus of the Town’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable revenues. This information is useful in assessing resources available at the end of year in comparison with upcoming financing requirements. Unreserved fund balance may, in particular, serve as a useful indicator of the Town’s net resources available for spending at the end of the fiscal year.

At December 31, 2008, the Town’s governmental funds reported combined ending fund balances of \$42.4 million, an increase of \$3.1 million, or 7%, over the prior fiscal year. Approximately \$17 million, or 39%, of the total governmental ending fund balances represents unreserved fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed (1) to liquidate contracts and purchase orders (\$1.3 million), (2) to fund a state constitution mandated emergency reserve (\$562,200) and (3) to fund future capital projects (\$23.9 million). The amount reserved to liquidate contracts and purchase orders is primarily made up of the estimated remaining construction costs of the community recreation/senior center, the remaining construction costs of a roundabout at 119<sup>th</sup> Street and Erie Parkway, and the design and management of the Erie Community Park project. The amount reserved for future capital projects are primarily capital contributions in the form of impact fees and will fund future capital projects to provide services to future citizens.

The general fund, which serves as the primary operating fund of the Town, had an ending fund balance of \$20.2 million, of which \$16.5 million is unreserved fund balance. The fund balance increased \$1.9 million over the prior fiscal year. The increase in fund balance in the general fund can be attributed to the following key factors:

- Spending the general obligation bond proceeds issued in 2006 on the construction of the Erie Community Center.
- Increase in property taxes based on the increase in number of property tax generating properties with no increase in tax rate.
- Decrease in investment income because of the reduction in yield available because of national and global economic factors.
- Several projects budgeted in 2008 were not completed reducing expenditures by \$1.4 million.
- Cash-in-lieu payments received from developers to pay for future transportation capital improvements.

### **Proprietary Funds**

The Town's proprietary fund financial statements provide the same type of information as found in the government-wide financial statements, but in more detail. All of the Town's proprietary funds are enterprise funds.

The total net assets of all enterprise funds are \$154 million, of which \$17 million is unrestricted net assets. This is an increase in total net assets of \$7 million, or 4%, over the prior year.

In the water enterprise fund, operating revenues (charges for services) are \$5.4 million, which represents an increase of \$0.6 million, or 12%, over the prior fiscal year. This increase can be attributed to a modest increase in customer base and additional usage from commercial water customers. Additionally, water fund operating expenses are \$4.0 million, which represents no change from the prior year. This can be attributed to an increase in depreciation expense and a decrease in operations and maintenance expenses.

In the wastewater enterprise fund, operating revenues (charges for services) are \$2.1 million, which represents an increase of \$0.1 million, or 5%, over the prior fiscal year. This increase can be attributed to an increase in customer base. Additionally, wastewater fund operating expenses are \$2.2 million, which represents an increase of \$0.3 million, or 13%, over the prior year. This increase can be attributed to an increase in depreciation expense, personnel services and operations and maintenance expenses.

### **Budgetary Highlights**

#### **Governmental Funds**

##### *General Fund*

The general fund final budget totaled \$16.7 million, which represents a decrease of \$11.3 million over the original budget. This decrease can be attributed to the following items:

- Decrease in capital outlay budget of \$13.7 million in 2008. The construction of the community recreation/senior center of \$15.0 million was budgeted in 2007.
- Increase in parks and recreation expenses of \$2.4 million, primarily to fund the operation of the community recreation/senior center.
- Decrease in governmental activities of \$154,300

## Capital Assets and Debt Administration

### Capital Assets

The Town's investment of capital assets as of December 31, 2008 for its governmental and business-type activities amounted to \$178 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles and water, wastewater, airport, and storm drainage infrastructure.

Major capital improvements during this fiscal year included the following:

#### *Governmental Activities*

- ❖ Construction of a roundabout on Erie Parkway (formerly Leon A Wurl Parkway) (\$889,600)
- ❖ Construction of the Erie Community Center (\$600,000)
- ❖ Construction of signals on Highway 7 (\$593,000)
- ❖ Contribution of capital assets from developers (\$1.3 million)

#### *Business-type Activities*

- ❖ Acquisition of water shares (\$4.2 million)
- ❖ Construction of a new raw water line (\$9.6 million)
- ❖ Design and engineering of the North Water Reclamation Facility (\$826,300)
- ❖ Contribution of capital assets and water rights from developers (\$5.2 million)

#### Town of Erie Capital Assets Net of Depreciation as of December 31,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Land	\$ 6,689,287	\$ 6,689,287	\$ 3,759,396	\$ 3,759,396	\$ 10,448,683	\$ 10,448,683
Water Shares	-	-	74,915,585	72,040,585	74,915,585	72,040,585
Buildings/Plants	3,004,408	2,963,833	92,210,288	90,000,200	95,214,696	92,964,033
Improvements other than Buildings	44,343,501	40,001,660	-	-	44,343,501	40,001,660
Machinery and Equipment	790,102	368,698	192,541	247,396	982,643	616,094
Vehicles	160,818	168,638	-	-	160,818	168,638
Construction in Progress	21,569,201	21,901,508	22,321,340	12,050,907	43,890,541	33,952,415
<b>Total Capital Assets</b>	<b>\$ 76,557,317</b>	<b>\$ 72,093,624</b>	<b>\$ 193,399,150</b>	<b>\$ 178,098,484</b>	<b>\$ 269,956,467</b>	<b>\$ 250,192,108</b>

Additional information on the Town's capital assets can be found in Note V.C. on pages 60-62 of this report.

### Long-term Debt

At the end of the fiscal year, the Town had total debt outstanding of \$70,013,728 in bonds and loans. Of the amount, \$19,071,095 represents general obligation bonds secured by all available Town revenue. The remainder is primarily revenue bonds and loans, secured by specific revenue sources. Additionally, the Town has entered into a \$32 million lease purchase with the Erie Finance Corporation for water rights.

Town of Erie Outstanding Debt  
as of December 31,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
General Obligation Bonds	\$ 19,071,095	\$ 19,871,095	\$ -	\$ -	\$ 19,071,095	\$ 19,871,095
Revenue Bonds	-	-	36,731,000	28,550,000	36,731,000	28,550,000
Revenue Loans	-	-	13,355,305	14,036,862	13,355,305	14,036,862
Mortgage Revenue Bonds	-	-	796,328	808,703	796,328	808,703
Capital Lease Purchase	-	-	30,515,000	31,045,000	30,515,000	31,045,000
Other	-	-	60,000	60,000	60,000	60,000
<b>Total Debt Outstanding</b>	<b>\$ 19,071,095</b>	<b>\$ 19,871,095</b>	<b>\$ 81,457,633</b>	<b>\$ 74,500,565</b>	<b>\$ 100,528,728</b>	<b>\$ 94,371,660</b>

State statute limits the amount of general obligation debt the Town may issue to 3% of estimated actual valuation. The current debt limitation for the Town is \$61,243,273.

Additional information on the Town's long-term debt can be found in Note V.D. on pages 62-67 of this report.

### Economic Factors

There are several factors that drive the Town's budget and financial performance. The factors include, but are not limited to, the following: area employment rates, sales and use tax revenues, building permit valuation and issuance, population growth, and capital asset construction requirements. Currently, the Town's building permit valuation and issuance drives a large part of the budget revenue and spending. The Town also received an influx of contributed capital revenue (tap and impact fees) during the fiscal year, which will be spent in future years to acquire or construct capital assets to serve future residents. During 2008, the Town experienced a decrease in new residential construction, which was offset by an influx of new commercial construction.

## **Currently Known Facts, Decisions, or Conditions with Significant Effect on Position or Operation**

During the 2007 budget process, the Town created a new Parks and Recreation department, that combine the current Recreation division and the Parks Maintenance division into one department. In addition to hiring a new parks and recreation director in 2007, the Town constructed a new recreation/senior facility and hired additional staff to run the facility, adding approximately 30 FTE or an increase of 31%. The first year of operation for the department and the Erie Community Center was 2008.

## **Financial Contact**

The Town's financial statements are designed to provide users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the Town's finances and to demonstrate the Town's accountability. Questions concerning any of the information presented in this report or requesting additional information should be addressed to the Town of Erie Finance Director, PO Box 750, 645 Holbrook St, Erie, CO, 80516.

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## **Basic Financial Statements**

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## Notes to the Financial Statements

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**Notes to the Financial Statements**  
**As of and for the year end December 31, 2008**

**Note I.** Summary of Significant Accounting Policies

The Town of Erie, Colorado (the Town) was incorporated in 1874 and has the Trustees-Administrator form of government. The Town provides the following services: police, water, wastewater, street, storm drainage, airport, parks, recreation, trails and natural areas.

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting.

A. Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the Town's financial statements are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Town. Component units are legally separate organizations for which the Town is considered to be financially accountable.

The Town is financially accountable for an organization if the Town appoints a voting majority of the organization's governing board and (1) the Town is able to significantly influence the programs or services performed or provided by the organizations; or (2) the Town is legally entitled to or can otherwise access the organization's resources; the Town is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Town is obligated for the debt of the organization.

The Town's component units are presented either as "blended" or "discretely presented." If blended, it is reported as if it were a fund of the Town throughout the year. It is included at both the government-wide and fund financial reporting levels.

A brief description of the blended component unit follows:

*Town of Erie Housing Authority (Housing Authority)* – The Town Board of Trustees also serves as the Board of Commissioners of the Housing Authority. The activities of the Housing Authority directly benefit the citizens of the Town. The Housing Authority constructed and manages the senior housing complex.

*Erie Community Civic Fund* – The Town Board of Trustees appoint the Board of Directors for the Erie Community Civic Fund, consisting solely of members of the Town Board of Trustees. The Erie Community Civic Fund (ECCF) is a 501(c)(3) not-for-profit corporation established by the Board of Trustees for charitable and educational purposes solely for the benefit of the Town's citizens. The ECCF may receive funding from certain foundations for the purpose of providing charitable and educational programs to the Town.

**Note I.** Summary of Significant Accounting Policies *(continued)*

**B.** Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information on all of the non-fiduciary activities of the Town and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

The statement of net assets presents the financial position of the governmental and business-type activities of the Town at year-end.

The statement of activities demonstrates the degree, to which the direct expenses, of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Town does not allocate indirect expenses to functions in the statement of activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operating 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.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

**C.** Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Deferred revenue arises when assets are recognized before the revenue recognition criteria have been satisfied. Deferred revenue is reclassified as unearned revenue on the government-wide statement of net assets.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be

**Note I.** Summary of Significant Accounting Policies (*continued*)

available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due.

Property taxes, highway users' tax, auto use taxes, franchise taxes, sales taxes, cigarette taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenue of all proprietary funds is charges for services to customers. Operating expenses from proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. All of the Town's proprietary funds are classified as enterprise funds.

The Town reports the following major enterprise funds:

The *water fund* accounts for the acquisition, treatment, and distribution of the Town's water supply.

The *wastewater fund* accounts for the collection and treatment of gray water in the Town's wastewater system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Town has elected not to follow subsequent private-sector guidance.

**Note I.** Summary of Significant Accounting Policies *(continued)*

Interfund transactions are treated and classified as revenues, expenditures, or expenses (the same as if these same transactions involved external organizations). These include interfund transfers and billings from one fund to another for the purchase of goods or services. In the government-wide statement of activities, interfund transactions are eliminated.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The Town maintains pooled cash and pooled investment accounts for all funds of the Town. Each fund's positive equity in the pooled cash and pooled investment accounts are presented as "cash and cash equivalents" and "investments" in the financial statements. Interest earned on the pooled cash and investments is prorated to individual funds at the end of each month on the basis of their monthly ending balance. At December 31, 2008, the cash equity balance for all funds were in fact positive balances. A negative equity balance would be reclassified and reflected as an interfund accounts payable.

Town and component unit investments are reported at fair value.

2. Receivables and Payables

Activities between funds that represent lending/borrowing arrangements at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

All trade and property tax receivables are reported net of any allowance for uncollectibles, where applicable.

Property taxes levied in a particular year are collected the subsequent year. The property tax calendar is as follows:

	<u>Tax Year</u>
Tax Levy certified to County Commissioners	December 15
County Commissioners certify levy to County Assessor	December 22
	<u>Ensuing Collection Year</u>
Taxes attach as an enforceable lien on property	January 1
First installment due date (one-half of taxes due)	February 28

**Note I.** Summary of Significant Accounting Policies *(continued)*

Taxes due in full (unless installments elected by taxpayer)	April 30
Second installment due date (second half due)	June 15

The taxes are collected by the Boulder County and Weld County Treasurers on behalf of the Town and are remitted by the 15<sup>th</sup> day of the month following collection. A 1% collection fee is retained by the Counties as compensation for collecting the taxes.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The items are accounted for using the purchases method.

4. Restricted Assets

Certain proceeds from the issuance of bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

5. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The Town reports these assets in the governmental activities column of the government-wide statement of net assets but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and the enterprise funds' statements of net assets.

Capital assets include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The Town has capitalized infrastructure prospectively, beginning January 1, 2004, and all Town constructed infrastructure since January 1, 1997. The Town has elected to not capitalize all other governmental infrastructure as allowed by GASB 34.

The costs 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.

**Note I.** Summary of Significant Accounting Policies *(continued)*

Property, plant, and equipment of the Town is depreciated using the straight line method over the following useful lives:

Assets	Years
Buildings and Improvements	5-50
Infrastructure	20-50
Improvements other than Buildings	5-40
Machinery and Equipment	3-10
Vehicles	3-5

6. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused paid time off and extended sick leave benefits. There is no liability for unpaid accumulated extended sick leave since the Town does not have a policy to pay any amounts when employees separate from service with the Town. All paid time off is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations.

7. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, the governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the 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, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Equity

Fund equity in the governmental fund financial reporting level is classified as fund balance. Fund equity for all other reporting is reported as net assets.

**Note I.** Summary of Significant Accounting Policies *(continued)*

Generally, fund balance represents the difference between the current assets and current liabilities. The Town reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available, spendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of the fund balance that is available for appropriation in future periods. Designations are management's intent to set aside these resources for specific services.

Net assets represent the difference between the assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. This net asset amount also is adjusted by any bond issuance deferral amounts. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

The Town applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

9. Capital Contributions

Contributions of capital in proprietary fund financial statements arise from internal and external contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction.

Contributions of capital in the governmental activities of the government-wide financial statements arise from external contributions of capital assets from developers.

10. Estimates

The preparation of the financial statements, in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note II.** Changes in Accounting Principles, Fund Reclassifications, and Restatement of Equity Balances

A. Changes in Accounting Principles

For fiscal year 2008, the Town implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations." GASB Statement No. 49 provides standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups account for sales and pledges of revenues and future revenues.

**Note II.** Changes in Accounting Principles, Fund Reclassifications, and Restatement of Equity Balances *(continued)*

For fiscal year 2008, the Town implemented GASB Statement No. 50, ‘Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27.’ GASB Statement No. 50 enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits.

**Note III.** Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that ‘‘Long-term liabilities, including bonds and loans payable, are not due and payable in the current period and therefore are not reported in the funds.’’ The details of this amount are as follows:

Bonds Payable	\$ 19,071,095
Plus: Issuance premium (to be amortized over life of debt)	420,286
Less: Deferred charge for issuance costs (to be amortized over the life of the debt)	(372,869)
Accrued Interest Payable	74,144
Arbitrage Payable	137,900
Compensated Absences	<u>408,489</u>
Net adjustments to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$ 19,739,045</u></u>

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that ‘‘Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.’’ The details of this difference are as follows:

**Note III.** Reconciliation of Government-wide and Fund Financial Statements *(continued)*

Capital Outlay	\$ 4,148,560
Depreciation Expense	<u>(1,591,151)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 2,557,409</u>

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.” The details of this difference are as follows:

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources	<u>\$ 1,906,284</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 1,906,284</u>

Another element of that reconciliation states that “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this amount are as follows:

Principal Repayments	
General obligation debt	<u>800,000</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 800,000</u>

Another element of that reconciliation states that “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 governmental funds.” The details of this difference are as follows:

**Note III.** Reconciliation of Government-wide and Fund Financial Statements *(continued)*

Compensated Absences	\$	(49,589)
Accrued Interest		15,563
Arbitrage		(137,900)
Amortization of Bond Issuance Costs		<u>(18,711)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$	<u><u>(190,637)</u></u>

**Note IV.** Stewardship, Compliance, and Accountability

A. Budgetary Information

The Town adopts annual budgets on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds. The budgets for proprietary funds are adopted on a non-GAAP modified accrual budgetary basis. All annual appropriations lapse at fiscal year end. The Town does not adopt a budget for the Erie Housing Authority and the Erie Community Civic Fund.

On or before October 15 of each year, the Town Administrator submits to the Town Board of Trustees a proposed operating budget for the fiscal year commencing on the following January 1. Study sessions and public hearings are conducted during Town Trustee meetings to obtain taxpayer comments. By December 15, the final budget is adopted.

The appropriated budget is adopted by fund. The budget is prepared, by fund, department, and division, and, therefore, is the legal level of control. Managers can make transfers of appropriations within divisions without board approval. All other transfers of appropriations require Board approval. The Board made several supplemental appropriations throughout the year as detailed below for each fund.

**Note IV. Stewardship, Compliance, and Accountability** *(continued)*

<b>Fund</b>	<b>Original Budget</b>	<b>Supplemental Appropriations</b>	<b>Final Budget</b>
General Fund	\$ 13,708,200	\$ 3,383,900	\$ 17,092,100
Special Revenue Funds:			
Conservation Trust Fund	15,000	-	15,000
DARE/SADD Fund	-	6,100	6,100
Parks Improvement Impact Fund	1,617,600	3,648,000	5,265,600
Police Forfeiture & Seizure Fund	44,800	-	44,800
Public Facilities Impact Fund	385,900	4,425,000	4,810,900
Storm Drainage Impact Fund	825,000	1,696,300	2,521,300
Trails & Natural Areas Fund	590,000	732,100	1,322,100
Transportation Impact Fund	179,200	3,294,700	3,473,900
Tree Impact Fund	235,500	85,200	320,700
Enterprise Funds:			
Water Fund	20,186,600	15,398,900	35,585,500
Wastewater Fund	5,356,000	29,981,300	35,337,300
Storm Drainage Fund	200,600	115,000	315,600
Airport Fund	298,100	51,600	349,700
	<u>\$ 43,642,500</u>	<u>\$ 62,818,100</u>	<u>\$ 106,460,600</u>

Note: No expenditures were budgeted in the following fund:  
Cemetery Fund

Encumbrance accounting is employed in the governmental funds. Encumbrances (e.g., purchase orders) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because of the commitments will be reappropriated and honored during the subsequent fiscal year.

**Note V. Detailed Notes on All Funds**

**A. Deposits and Investments**

**1. Deposits**

The carrying amount of the Town's deposits as of December 31, 2008, was \$5,962,509. The bank balances were \$6,169,857 of which \$301,220 was covered by federal deposit insurance and \$5,868,637 was collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At December 31, 2008, State regulatory commissioners have indicated that all the financial institutions holding deposits for the Town are eligible public

**Note V.** Detailed Notes on All Funds *(continued)*

depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposit.

## 2. Investments

The Town adopted, by ordinance, an investment policy on December 13, 2005. This ordinance governs the Town's investments and investment risks, including: interest rate risk, concentration of credit risk, custodial credit risk, and credit risk.

Investments of the Town may include:

- Obligations of the United States and certain U.S. government agency securities.
- Certificates of deposit.
- Bankers' acceptances of certain banks.
- Commercial paper.
- Investment grade obligations of state, provincial and local governments.
- Repurchase agreements collateralized by certain authorized securities.
- Certain money market funds.
- Local government investment pools.

In accordance with GASB Statement No. 40, the Town's investments are subject to interest rate risk, custodial risk, and credit risk as described below.

### Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's investment ordinance limits the Town's investment portfolio to maturities of less than five years and a weighted average maturity of less than 3 years. Additionally, the Town structures its investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

### Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. More than 4.99% of the Town's investments are in Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), and Federal National Mortgage Association (FNMA). These investments are 27.09%, 25.13%, 25.13%, and 22.66% respectively, of the Town's total investments in securities. These investments were rated AAA.

**Note V.** Detailed Notes on All Funds *(continued)*

Custodial Credit Risk for Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's investment policy manages the risk by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the Town does business.

Credit Risk

The Town's investment policy limits investments to certain types of investments and diversifies the investment portfolio so the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

As of December 31, 2008, the Town had the following investments and maturities:

Investment Type	Rating	Fair Value	Investment Maturities	
			Up to 120 Days	121 Days to 5 Years
Federal Farm Credit Bank (FFCB)	AAA	\$ 10,889,156	\$ -	\$ 10,889,156
Federal Home Loan Bank (FHLB)	AAA	10,102,500	1,001,875	9,100,625
Federal National Mortgage Association (FNMA)	AAA	10,100,975	1,000,000	9,100,975
Federal Home Loan Mortgage Corporation (FHLMC)	AAA	9,108,148	2,013,466	7,094,682
ColoTrust	AAA	34,309,960	34,309,960	-
CSAFE	AAA	7,066,644	7,066,644	-
Total Investments Controlled by Town		81,577,383	\$ 45,391,945	\$ 36,185,438
Percent of Total			56%	44%
Reconciliation to Total Deposits and Investments				
Cash on Hand and in Banks		6,004,558		
Total Deposits and Investments		\$ 87,581,941		

The Town had invested a total of \$34,309,960 and \$7,066,644 respectively, in the Colorado Government Liquid Asset Trust (COLOTRUST) and Colorado Surplus Asset Fund Trust (CSAFE) at year-end. COLOTRUST and CSAFE are investment vehicles established for local government entities in Colorado to pool surplus funds. These funds were established under the authority of, and in conformity with, Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes. The State of Colorado provides regulatory oversight for these funds. These funds operate similarly to money market funds and each share is equal in value to \$1.00. Investments in these funds consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services to these funds in connection with the direct investment and withdrawal functions of these funds. Substantially all securities owned by

**Note V.** Detailed Notes on All Funds *(continued)*

these funds are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by these funds. The COLOTRUST financial statements can be obtained at [www.colotrust.com](http://www.colotrust.com). The CSAFE financial statements can be obtained at [www.csafe.org](http://www.csafe.org). The investments were rated AAA.

The carrying amounts of the deposits and investments are reflected in the accompanying financial statements as:

	<u>Total</u>
Statement of Net Assets:	
Cash and Cash Equivalents	\$ 6,004,558
Investments	<u>81,577,383</u>
	<u><u>\$87,581,941</u></u>

**B. Receivables**

Receivables as of year end for the Town's individual major funds and nonmajor funds in aggregate, including the applicable allowances for uncollectible accounts, are as follow:

	<u>General</u>	<u>Water</u>	<u>Wastewater</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables					
Interest	\$ 429,203	\$ 5,182	\$ 5,373	\$ -	\$ 439,758
Taxes	2,888,974	-	-	838,904	3,727,878
Accounts	<u>571,787</u>	<u>1,163,835</u>	<u>683,457</u>	<u>50,132</u>	<u>2,469,211</u>
Gross Receivables	3,889,964	1,169,017	688,830	889,036	6,636,847
Less: Allowance for Uncollectible	<u>(8,769)</u>	<u>(785)</u>	<u>-</u>	<u>(624)</u>	<u>(10,178)</u>
Total Net Receivables	<u><u>\$ 3,881,195</u></u>	<u><u>\$ 1,168,232</u></u>	<u><u>\$ 688,830</u></u>	<u><u>\$ 888,412</u></u>	<u><u>\$ 6,626,669</u></u>

**C. Capital Assets**

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

**Note V. Detailed Notes on All Funds (continued)**

	Beginning Balance	Additions	Dispositions	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ 6,689,287	\$ -	\$ -	\$ 6,689,287
Construction in Progress	21,901,508	2,790,768	3,123,075	21,569,201
Total Capital Assets, not being depreciated:	<u>28,590,795</u>	<u>2,790,768</u>	<u>3,123,075</u>	<u>28,258,488</u>
Capital Assets, being depreciated:				
Buildings & Improvements	3,755,010	114,374	-	3,869,384
Improvements other than Buildings	43,286,526	5,643,261	-	48,929,787
Machinery & Equipment	2,402,785	539,698	-	2,942,483
Vehicles	1,260,719	89,818	-	1,350,537
Total Capital Assets, being depreciated:	<u>50,705,040</u>	<u>6,387,151</u>	<u>-</u>	<u>57,092,191</u>
Less Accumulated Depreciation for:				
Buildings & Improvements	(791,177)	(73,799)	-	(864,976)
Improvements other than Buildings	(3,284,866)	(1,301,420)	-	(4,586,286)
Machinery & Equipment	(2,034,087)	(118,294)	-	(2,152,381)
Vehicles	(1,092,081)	(97,638)	-	(1,189,719)
Total Accumulated Depreciation	<u>(7,202,211)</u>	<u>(1,591,151)</u>	<u>-</u>	<u>(8,793,362)</u>
Total Capital Assets, being depreciated, net	<u>43,502,829</u>	<u>4,796,000</u>	<u>-</u>	<u>48,298,829</u>
Governmental Activities Capital Assets, net	<u>\$ 72,093,624</u>	<u>\$ 7,586,768</u>	<u>\$ 3,123,075</u>	<u>\$ 76,557,317</u>
	Beginning Balance	Additions	Dispositions	Ending Balance
<b>Business-type Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ 3,759,396	\$ -	\$ -	\$ 3,759,396
Water Shares	72,040,585	2,875,000	-	74,915,585
Construction in Progress	12,050,907	12,463,030	2,192,597	22,321,340
Total Capital Assets, not being depreciated:	<u>87,850,888</u>	<u>15,338,030</u>	<u>2,192,597</u>	<u>100,996,321</u>
Capital Assets, being depreciated:				
Plants, Buildings & Improvements	102,290,660	4,709,762	-	107,000,422
Machinery & Equipment	543,455	-	-	543,455
Total Capital Assets, being depreciated:	<u>102,834,115</u>	<u>4,709,762</u>	<u>-</u>	<u>107,543,877</u>
Less Accumulated Depreciation for:				
Plants, Buildings & Improvements	(12,277,685)	(2,512,449)	-	(14,790,134)
Machinery & Equipment	(308,836)	(42,078)	-	(350,914)
Total Accumulated Depreciation	<u>(12,586,521)</u>	<u>(2,554,527)</u>	<u>-</u>	<u>(15,141,048)</u>
Total Capital Assets, being depreciated, net	<u>90,247,594</u>	<u>2,155,235</u>	<u>-</u>	<u>92,402,829</u>
Business-type Activities Capital Assets, net	<u>\$ 178,098,482</u>	<u>\$ 17,493,265</u>	<u>\$ 2,192,597</u>	<u>\$ 193,399,150</u>

**Note V.** Detailed Notes on All Funds *(continued)*

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

Governmental Activities:	
General Government	\$ 79,723
Parks & Recreation	332,521
Public Safety	81,876
Public Works	1,097,031
	<hr/>
Total Depreciation Expense - Governmental Activities	\$ 1,591,151
	<hr/>
Business-type Activities:	
Water	\$ 1,421,661
Wastewater	763,332
Storm Drainage Operating	225,972
Airport	114,540
Housing Authority	29,022
	<hr/>
Total Depreciation Expense - Business-type Activities	\$ 2,554,527
	<hr/>

**D. Long-term Debt**

**1. General Obligation Bonds**

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for only governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds.

**2. Revenue Bonds and Loans**

The Town also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The Town can also receive loans and pledge the income derived from the acquired or constructed assets to pay debt service.

**3. Long-term Debt Summary**

The following is a summary of all general and revenue obligations outstanding long-term debt issues at December 31, 2008:

**Note V. Detailed Notes on All Funds (continued)**

Year Issued	Purpose	Interest Rate (%)	Maturity Date	Authorized & Issued	Retired	Outstanding Balance
1978	Water revenue bonds	5.00	2019	\$ 290,000	\$ 149,000	\$ 141,000
1996	Housing Authority FHLB forgivable loan	0.00	2015	60,000	-	60,000
1996	Storm Drainage revenue loan from CWCB	2.00	2035	498,512	121,160	377,352
1997	Wastewater revenue loan from CWRPDA	4.54	2017	1,821,690	854,752	966,938
1997	Wastewater revenue loan from CWRPDA	4.50	2017	500,000	213,985	286,015
1997	Wastewater revenue bonds	4.00-6.00	2008	1,635,000	1,635,000	-
1998	Transportation general obligation bond	3.60-5.15	2018	4,500,000	4,500,000	-
1998	Water revenue refunding/improvement bonds	3.70-5.00	2023	16,240,000	8,770,000	7,470,000
2004	Housing Authority mortgage revenue loan*	4.50	2014	808,703	12,375	796,328
2004	Water revenue loan from CWRPDA	4.21	2023	14,500,000	2,775,000	11,725,000
2006	Comm. Recreation Center general obligation bond	4.00 - 5.25	2026	16,800,000	700,000	16,100,000
2006	Refunding bonds general obligation bond**	4.00 - 4.50	2018	2,971,095	-	2,971,095
2007	Water revenue bonds	5.00	2032	14,225,000	-	14,225,000
2007	Water revenue refunding bonds***	4.00 - 5.00	2023	5,035,000	25,000	5,010,000
2008	Wastewater revenue bonds	4.00 - 4.75	2028	8,900,000	-	8,900,000
2008	Wastewater revenue bonds refunding bonds****	4.00	2017	985,000	-	985,000

\* Refinance of 2000 mortgage bonds

\*\* Refunding of callable portion of 1998 GO transportation bonds

\*\*\* Refunding of callable portion of 1998 Water revenue bonds

\*\*\*\* Refunding of callable portion of 1997 Wastewater revenue bonds

**Note V.** Detailed Notes on All Funds *(continued)*

4. Annual Debt Service Requirements

Annual debt service requirements to maturity for all general and revenue obligations for governmental activities and business-type activities are as follows:

Year	Governmental activities		Business-type activities		Total
	Principal	Interest	Principal	Interest	
2009	\$ 836,095	\$ 898,636	\$ 1,559,612	\$ 2,363,315	\$ 5,657,658
2010	880,000	857,444	1,632,147	2,291,780	5,661,371
2011	915,000	820,681	1,705,436	2,222,837	5,663,954
2012	950,000	782,456	1,774,074	2,148,017	5,654,547
2013	1,000,000	736,331	1,856,998	2,068,220	5,661,549
2014	1,040,000	692,056	2,624,783	1,973,531	6,330,370
2015	1,090,000	646,006	2,066,719	1,867,941	5,670,666
2016	1,140,000	596,744	2,089,872	1,780,756	5,607,372
2017	1,190,000	546,269	2,183,786	1,684,456	5,604,511
2018	1,245,000	493,156	2,287,759	1,582,912	5,608,827
2019	925,000	437,131	2,389,015	1,482,601	5,233,747
2020	970,000	394,350	2,473,275	1,377,279	5,214,904
2021	1,015,000	348,275	2,588,540	1,266,907	5,218,722
2022	1,065,000	300,063	2,708,811	1,149,549	5,223,423
2023	1,115,000	246,813	2,829,087	1,024,954	5,215,854
2024	1,170,000	191,063	1,989,369	892,097	4,242,529
2025	1,230,000	132,563	2,084,656	796,142	4,243,361
2026	1,295,000	67,988	2,184,950	694,136	4,242,074
2027	-	-	2,295,249	587,212	2,882,461
2028	-	-	2,405,554	474,870	2,880,424
2029	-	-	1,660,865	357,109	2,017,974
2030	-	-	1,746,182	274,542	2,020,724
2031	-	-	1,831,506	187,718	2,019,224
2032	-	-	1,921,836	96,638	2,018,474
2033	-	-	17,172	1,051	18,223
2034	-	-	17,515	708	18,223
2035	-	-	17,865	357	18,222
Total	<u>\$ 19,071,095</u>	<u>\$ 9,188,025</u>	<u>\$ 50,942,633</u>	<u>\$ 30,647,635</u>	<u>\$ 109,849,388</u>

5. Certificates of Participation and Capital Leases

Through the Erie Finance Corporation (EFC), the Town issues certificates of participation (COPs) for the acquisition and construction of major capital facilities and improvements. The COPs are secured by the constructed facilities and improvements. The debt service payments are made from the rents collected by the EFC based upon a lease purchase agreement between the Town and the EFC. The improvements and outstanding COPs are recorded on the Town's financial statements as capital assets and capital leases, respectively.

**Note V.** Detailed Notes on All Funds *(continued)*

As of December 31, 2005, the Town had entered into a lease purchase agreement with the EFC to purchase Colorado-Big Thompson (CBT) water shares in the amount of \$32,030,000. The COPs issued by the EFC have an adjustable rate with a maximum interest rate of 12%. Actual interest rates are established weekly by the remarketing agent. During 2008, the rate ranged from 1.50% to 9.50%. Additionally, the COPs may be redeemed in whole or part prior to the maturity without penalty. The lease payments are subject to annual appropriation and do not constitute a general obligation or other indebtedness or multiple fiscal year financial obligation of the Town within the meaning of any constitution or statutory debt limitation.

The following is a summary of the payments under the lease purchase agreement mentioned above using the maximum interest rate:

Year	Principal	Interest	Total
2009	\$ 560,000	\$ 3,650,600	\$ 4,210,600
2010	585,000	3,582,900	4,167,900
2011	615,000	3,512,100	4,127,100
2012	645,000	3,437,700	4,082,700
2013	680,000	3,359,600	4,039,600
2014	710,000	3,277,400	3,987,400
2015	750,000	3,191,400	3,941,400
2016	785,000	3,100,700	3,885,700
2017	825,000	3,005,700	3,830,700
2018	865,000	2,905,900	3,770,900
2019	910,000	2,801,200	3,711,200
2020	955,000	2,691,100	3,646,100
2021	1,000,000	2,575,600	3,575,600
2022	1,050,000	2,454,600	3,504,600
2023	1,105,000	2,327,500	3,432,500
2024	1,160,000	2,193,800	3,353,800
2025	1,220,000	2,053,400	3,273,400
2026	1,280,000	1,905,800	3,185,800
2027	1,345,000	1,750,900	3,095,900
2028	1,410,000	1,588,200	2,998,200
2029	1,480,000	1,417,600	2,897,600
2030	1,555,000	1,238,500	2,793,500
2031	1,635,000	1,050,300	2,685,300
2032	1,715,000	852,500	2,567,500
2033	1,800,000	645,000	2,445,000
2034	1,890,000	427,200	2,317,200
2035	1,985,000	198,500	2,183,500
	<u>30,515,000</u>	<u>61,195,700</u>	<u>91,710,700</u>
Total	\$ 30,515,000	\$ 61,195,700	\$ 91,710,700

**Note V.** Detailed Notes on All Funds *(continued)*

6. Changes in Long-term Liabilities

Long-term debt liability activity for all general and revenue obligations for the year ended December 31, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Bonds/Loans Payable:					
General Obligation Bonds	\$ 19,871,095	\$ -	\$ (800,000)	\$ 19,071,095	\$ 836,092
Amortization of Bond Issuance Costs	(305,241)	-	18,710	(286,531)	-
Amortization of Bond Refunding Revenue	(86,338)	-	-	(86,338)	-
Amortization of Bond Discounts/Premiums	433,107	-	(12,821)	420,286	-
Arbitrage	-	137,900	-	137,900	-
Accrued Compensated Absences	358,900	438,359	(388,770)	408,489	262,078
	<u>\$ 20,271,523</u>	<u>\$ 576,259</u>	<u>\$ (1,182,881)</u>	<u>\$ 19,664,901</u>	<u>\$ 1,098,170</u>
Total Governmental Activity					
Long-term Liabilities	<u>\$ 20,271,523</u>	<u>\$ 576,259</u>	<u>\$ (1,182,881)</u>	<u>\$ 19,664,901</u>	<u>\$ 1,098,170</u>
<b>Business-type Activities:</b>					
Bonds/Loans Payable:					
Revenue Bonds	\$ 28,550,000	\$ 9,885,000	\$ (1,704,000)	\$ 36,731,000	\$ 840,000
CWRPDA Loans	13,649,043	-	(671,090)	12,977,953	692,240
CWCB Loan	387,819	-	(10,467)	377,352	10,676
Mortgage Revenue Loan	808,703	-	(12,375)	796,328	16,695
FHLB Forgivable Loan	60,000	-	-	60,000	-
Capital Lease Purchase	31,045,000	-	(530,000)	30,515,000	560,000
Amortization of Bond Issuance Costs	(666,469)	(250,452)	55,776	(861,145)	-
Amortization of Bond Discounts/Premiums	451,791	28,695	10,301	490,787	-
	<u>\$ 74,285,887</u>	<u>\$ 9,663,243</u>	<u>\$ (2,861,855)</u>	<u>\$ 81,087,275</u>	<u>\$ 2,119,611</u>
Total Business-type Activity					
Long-term Liabilities	<u>\$ 74,285,887</u>	<u>\$ 9,663,243</u>	<u>\$ (2,861,855)</u>	<u>\$ 81,087,275</u>	<u>\$ 2,119,611</u>

For governmental activities, compensated absences are generally liquidated by the general fund.

7. Defeasance of Debt

The Town has defeased certain bonds in 2006 by placing the new bonds in an irrevocable trust to provide for all future debt service payments on the defeased bonds. The trust account's assets and the liability for the defeased bonds are not included in the Town's financial statements. At December 31, 2008, \$2,905,000 of the Town's general obligation bonds are considered defeased. This transaction also resulted in an economic gain of \$99,650 and a reduction of \$110,398 in future debt service payments.

The Town has defeased certain bonds in 2007 by placing the new bonds in an irrevocable trust to provide for all future debt service payments on the defeased bonds. The trust account's assets and the liability for the defeased bonds are not included in the Town's financial statements. At December 31, 2008, \$4,955,000 of the Town's water revenue bonds are considered defeased. This transaction also resulted in an economic gain of \$198,637 and a reduction of \$319,556 in future debt service payments.

**Note V.** Detailed Notes on All Funds *(continued)*

The Town has defeased certain bonds in 2008 by placing the new bonds in an irrevocable trust to provide for all future debt service payments on the defeased bonds. The trust account's assets and the liability for the defeased bonds are not included in the Town's financial statements. At December 31, 2008, \$1,045,000 of the Town's wastewater revenue bonds are considered defeased. This transaction also resulted in an economic gain of \$95,783 and a reduction of \$192,943 in future debt service payments.

E. Pension Plan

1. Plan Description

The Town contributes to a statewide defined benefit pension plan, a cost-sharing multiple-employer defined benefit pension plan, which is administered by the Fire and Police Pension Association of Colorado (FPPA). Assets of the plan are commingled for investment purposes in the Fire and Police Member's Benefit Fund. The plan provides retirement benefits for members and beneficiaries according to plan provisions as enacted and governed by the Pension Fund Board of Trustees. Colorado Revised Statutes (CRS), as amended, establishes basic benefit provisions under the plan. FPPA issues an annual, publicly-available financial report that includes the assets of the plan. That report may be obtained by calling FPPA at (303) 770-3772 in the Denver Metro area, or 1-800-332-3772 from outside the metro area.

2. Basis of Accounting

The financial statements of the Statewide Defined Benefit Plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The Statewide Defined Benefit Plan investments are presented at fair value except for short-term investments which are recorded at cost, which approximates fair value.

3. Funding Policy

Plan members and the Town are required to contribute at a rate set by statute. The contribution requirements of plan members and the Town are established under Title 31, Article 30, Part 10 of the CRS, as amended. The contribution rate for members is 8% of covered salary. The contribution made by the Town equaled the annual required contribution.

A summary of the contributions to the Pension Fund for the current and prior two years and annual required contributions based upon actuarial studies for the current and prior years, if available, are as follows:

**Note V. Detailed Notes on All Funds (continued)**

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Town's Contribution	<u>\$ 91,809</u>	<u>\$ 81,406</u>	<u>\$ 79,188</u>

F. Net Assets Calculation

1. Investments in Net Assets

Net assets on the government-wide statement of net assets as of December 31, 2008, are as follows:

<b>Invested in Capital Assets, Net of Related Debt:</b>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cost of Capital Assets	\$ 85,350,679	\$ 208,540,198	\$ 293,890,877
Less Accumulated Depreciation	<u>(8,793,362)</u>	<u>(15,141,048)</u>	<u>(23,934,410)</u>
Book Value	76,557,317	193,399,150	269,956,467
Less Capital Related Debt	(19,071,095)	(81,457,632)	(100,528,727)
Plus Bond Refunding Revenue	86,338	82,168	168,506
Plus (Less) Debt Discounts/Premiums	(420,286)	(490,788)	(911,074)
Plus Unspent Capital Related Debt	<u>-</u>	<u>9,987,155</u>	<u>9,987,155</u>
Invested in Capital Assets, Net of Related Debt:	<u>\$ 57,152,274</u>	<u>\$ 121,520,053</u>	<u>\$ 178,672,327</u>

2. Restricted Assets

The balances of the restricted asset accounts in the governmental activities are as follows:

Reserved for Capital Projects - Conservation Trust	\$ 666,895
Reserved for Capital Projects - Parks Improvement Impact	5,223,843
Reserved for Capital Projects - Public Facilities Impact	7,513,326
Reserved for Capital Projects - Storm Drainage Impact	3,043,624
Reserved for Capital Projects - Trails and Natural Areas	1,617,255
Reserved for Capital Projects - Transportation Impact	3,278,583
Reserved for Capital Projects - Tree Impact	722,247
Reserved for Emergencies	<u>562,241</u>
Total Restricted Assets	<u>\$ 22,628,014</u>

The balances of the restricted asset accounts in the business-type activities are as follows:

**Note V.** Detailed Notes on All Funds *(continued)*

Unspent Debt Proceeds - Water	\$ 2,164,752
Unspent Debt Proceeds - Wastewater	7,822,403
Debt Reserve Accounts - Water	3,065,519
Debt Reserve Accounts - Wastewater	1,124,138
Debt Reserve Accounts - Other	36,048
Operations & Maintenance Reserve - Water	1,117,269
Operations & Maintenance Reserve - Wastewater	<u>392,461</u>
Total Restricted Assets	<u>\$ 15,722,590</u>

3. Emergency Reserves

The Town Board approved a resolution creating emergency reserves as required by Article X, Section 20, of the Colorado Constitution, in the General Fund in the amount of \$562,241.

**Note VI.** Other Information

A. Risk Management

The Town is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA). CIRSA provides liability and property, and workers' compensation insurance coverage to the Town. The coverages are provided through joint self-insurance, insurance and reinsurance, or any combination thereof. CIRSA's rate setting policies are established by the Board of Directors, in consultation with independent actuaries.

The Town is subject to a supplemental assessment in the event of deficiencies and may receive credit on future contributions in the event of a surplus.

CIRSA has entered into various excess insurance contracts to limit large losses and minimize exposure on large risks. Excess of loss contracts in effect during 2008 limit CIRSA's per occurrence exposure to \$250,000 for property coverage, \$1,000,000 for casualty coverage and provide coverage to specified upper limits. The excess of loss contract for workers' compensation coverage limits CIRSA's per occurrence exposure to \$400,000 for 2008 and provides coverage to statutory limits for the State of Colorado. Settlements did not exceed insurance coverage for each of the past three years.

The Town's 2008 contributions were \$240,616 and \$115,219 for the property and casualty pool and the workers' compensation pool, respectively.

## **Note VI. Other Information** *(continued)*

### **B. Contingent Liabilities**

#### **1. Colorado Intergovernmental Risk Sharing Agency**

The Town of Erie is self-insured for property and liability insurance. As discussed in paragraph A of this note, the Town of Erie is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA). CIRSA has a legal obligation for claims against its members to the extent that funds are available in its annually established loss fund and amounts are available from insurance providers under excess specific and aggregate insurance contracts.

Losses incurred in excess of loss funds and amounts recoverable from excess insurance are direct liabilities of the participating members. CIRSA has indicated that the amount of any excess losses would be billed to members in proportion to their contributions in the year such excess occurs, although it is not legally required to do so.

The ultimate liability to the Town of Erie resulting from claims not covered by CIRSA is not presently determinable. Management is of the opinion that the final outcome of such claims, if any, will not have a material adverse effect on the Town of Erie's financial statements.

#### **2. Legal Action and Asserted Claims**

The Town is currently the defendant in several lawsuits. Some of the lawsuits are in the process of settlement, and do not involve significant claims. There does not appear to be a threat of significant liability to the Town from those lawsuits. In addition, there are several claims asserted against the Town. Legal Counsel is of the opinion that insurance carried by the Town is sufficient to cover any potential adverse settlements from those claims covered by insurance. As to those claims which may not be covered by insurance, Legal Counsel is unable to form an opinion as to any potential adverse settlements.

### **C. Joint Ventures**

The Town of Erie participates in joint ventures created for special purposes, which are not part of the Town of Erie reporting entity. The following are the joint ventures in which the Town of Erie participates:

*Colorado Intergovernmental Risk Sharing Agency* – The Town of Erie is one of 224 local governments which are members of the Colorado Intergovernmental Risk Sharing Agency (CIRSA) and one of 147 local governments in Colorado Intergovernmental Risk Sharing Agency/Workers Compensation (CIRSA/WC). CIRSA is an organization created by intergovernmental agreement in 1982 solely to provide property and casualty coverage to its members. Coverage is provided through pooling of self-insured losses and the purchase of stop-loss insurance coverage. In 1988, CIRSA/WC was formed as a separate pool by an intergovernmental agreement to provide coverage to members under the Colorado Worker's Compensation Act. Both CIRSA and CIRSA/WC are governed by a seven-member board elected by and from its members. The governing board is autonomous as to budgeting and fiscal matters.

**Note VI. Other Information** *(continued)*

Condensed financial information for this joint venture in which the Town of Erie has an interest is as follows:

*CIRSA and CIRSA/WC Combined Financial Information* – At December 31, 2008, CIRSA had assets of \$71,802,392, liabilities of \$33,243,800 (including \$31,448,599 reserved for losses and claims) and net assets of \$38,558,592. Total revenue for 2008 amounted to \$24,327,643 and total expenses were \$18,691,229 resulting in an excess of revenues over expenses of \$5,636,414. The amount of Town of Erie's share of these amounts is 1%.

Complete financial statements of this joint venture can be obtained from:

Colorado Intergovernmental Risk Sharing Agency  
950 South Cherry Street, Suite 800  
Denver, Colorado 80222

**D. Commitments**

The Town has several capital asset construction and acquisition projects in process. As a result of these projects, the Town has remaining outstanding commitments of \$11,417,514 to various general contractors and vendors.

The Town is also participating in several raw water storage and delivery projects with the Northern Colorado Water Conservancy District (NCWCD). In 2009, the Town expected to contribute \$244,000 to the Northern Integrated Supply Project (NISP) and \$66,534 to the Windy Gap Firing Project. Future years' contributions to these projects depend on the Board of Trustees election to participate.

**E. TABOR Compliance**

In November 1992, voters approved an amendment (TABOR) to the Colorado State Constitution that specifies various revenue, spending, and debt requirements for all governmental entities in Colorado.

On November 8, 1994, the voting citizens of the Town of Erie authorized the town to collect and spend the full revenues during 1994 and each subsequent year, thereafter, pursuant to its existing sales and use tax code and general taxes on all taxable property without any increase in sales and use tax rates or increase in the general property tax mill levy. This effectively removed all revenue and spending limits imposed by TABOR.

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# Supplementary Information

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# Statistical Section

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This part of the Town of Erie’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends <i>These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.</i>	105
Revenue Capacity <i>These schedules contain trend information to help the reader assess the government’s most significant local revenue source, the property tax.</i>	109
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.</i>	114
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within the government’s financial activities take place.</i>	121
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services that the government provides and activities it performs.</i>	123

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## **Compliance Section**

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The following information regarding debt covenants is required supplementary information.

1. Wastewater Colorado Water Resources and Power Development Authority (CWRPDA) Loans

The Town is required by certain debt covenants to maintain rates and charges for the Wastewater system for each calendar year in an amount sufficient to (1) pay operating expenses, (2) pay any amount required by a debt service reserve, and (3) pay at least 110% of the debt services due on the Town's CWRPDA loans and revenue bonds.

The rate maintenance calculation for the year ended December 31, 2008, is as follows:

Operating Revenue		
Charges for Services	\$ 2,123,952	
Capital Contributions (Tap Fees)	800,481	
Total Operating Revenue	<u>2,924,433</u>	\$ 2,924,433
Operating & Maintenance Expense <sup>1</sup>		<u>1,408,979</u>
Net Revenue		1,515,454
2008 Principal Due	201,090	
2008 Interest Due	133,634	
Total Debt Service	<u>334,724</u>	
110% of Total Debt Service		<u>368,196</u>
Amount Net Revenue Exceeded Loan Requirements		<u>\$ 1,147,258</u>

<sup>1</sup>For the purpose of the rate maintenance calculation, operating and maintenance expenses exclude depreciation

There were no material violations of legal covenants for the ended December 31, 2008.

## 2. 1997 Wastewater Revenue Bond

The Town is required by certain debt covenants to maintain rates and charges for the Wastewater system for each calendar year in an amount sufficient to (1) pay operating expenses, (2) pay any amount required by a debt service reserve, and (3) pay at least 125% of the debt services due on the Town's 1997 Wastewater Revenue Bonds and other loans.

The rate maintenance calculation for the year ended December 31, 2008, is as follows:

Operating Revenue		
Charges for Services	\$ 2,123,952	
Capital Contributions (Tap Fees)	<u>800,481</u>	
Total Operating Revenue		\$ 2,924,433
Operating & Maintenance		
Expense <sup>1</sup>		<u>1,408,979</u>
Net Revenue		1,515,454
2008 Principal Due	201,090	
2008 Interest Due	<u>133,634</u>	
Total Debt Service	334,724	
125% of Total Debt Service		<u>418,405</u>
Amount Net Revenue Exceeded Loan Requirements		<u><u>\$ 1,097,049</u></u>

<sup>1</sup>For the purpose of the rate maintenance calculation, operating and maintenance expenses exclude depreciation

There were no material violations of legal covenants for the ended December 31, 2008.

### 3. 2008a Wastewater Revenue Bonds

The Town is required by certain debt covenants to maintain rates and charges for the Wastewater system for each calendar year in an amount sufficient to (1) pay operating expenses, (2) pay any amount required by a debt service reserve, and (3) pay at least 125% of the debt services due on the Town's 2008a Wastewater Revenue Bonds, other revenue bonds, and other loans.

The rate maintenance calculation for the year ended December 31, 2008, is as follows:

Operating Revenue		
Charges for Services	\$ 2,123,952	
Capital Contributions (Tap Fees)	800,481	
Total Operating Revenue	<u>                    </u>	\$ 2,924,433
Operating & Maintenance		
Expense <sup>1</sup>		<u>1,408,979</u>
Net Revenue		<u>1,515,454</u>
2008 Principal Due	201,090	
2008 Interest Due	<u>133,634</u>	
Total Debt Service	334,724	
125% of Total Debt Service		<u>418,405</u>
Amount Net Revenue Exceeded Loan Requirements		<u><u>\$ 1,097,049</u></u>

<sup>1</sup>For the purpose of the rate maintenance calculation, operating and maintenance expenses exclude depreciation

There were no material violations of legal covenants for the ended December 31, 2008.

#### 4. 2008b Wastewater Refunding Bonds

The Town is required by certain debt covenants to maintain rates and charges for the Wastewater system for each calendar year in an amount sufficient to (1) pay operating expenses, (2) pay any amount required by a debt service reserve, and (3) pay at least 125% of the debt services due on the Town's 2008b Wastewater Refunding Bonds, other revenue bonds, and other loans.

The rate maintenance calculation for the year ended December 31, 2008, is as follows:

Operating Revenue		
Charges for Services	\$ 2,123,952	
Capital Contributions (Tap Fees)	800,481	
Total Operating Revenue	<u>                    </u>	\$ 2,924,433
Operating & Maintenance		
Expense <sup>1</sup>		<u>1,408,979</u>
Net Revenue		<u>1,515,454</u>
2008 Principal Due	201,090	
2008 Interest Due	<u>133,634</u>	
Total Debt Service	334,724	
125% of Total Debt Service		<u>418,405</u>
Amount Net Revenue Exceeded Loan Requirements		<u><u>\$ 1,097,049</u></u>

<sup>1</sup>For the purpose of the rate maintenance calculation, operating and maintenance expenses exclude depreciation

In addition, the debt covenants of the 2008a Wastewater Revenue and 2008b Wastewater Refunding Bonds Loan require the Town to report the following:

History of Net Revenues and Pro-Forma Debt Service Coverage

	2003	2004	2005	2006	2007	2008
Gross Revenues						
Charges for Services	\$ 873,253	\$ 1,133,672	\$ 1,398,101	\$ 1,738,799	\$ 2,004,146	\$ 2,123,952
Interest Income	59,093	84,605	269,000	561,530	607,842	455,732
Other income	21,148	60,894	63,397	66,580	12,834	127,344
Tap fees	1,972,000	1,964,000	3,080,000	1,711,677	1,164,000	800,481
Total Gross Revenues	2,925,494	3,243,171	4,810,498	4,078,586	3,788,822	3,507,509
Operation and Maintenance Expenses	732,385	995,223	1,128,840	1,226,783	1,213,319	1,408,979
Net Revenues	\$ 2,193,109	\$ 2,247,948	\$ 3,681,658	\$ 2,851,803	\$ 2,575,503	\$ 2,098,530
Combined Maximum Annual Principal and Interest Requirements	\$ 862,389	\$ 862,389	\$ 862,389	\$ 862,389	\$ 862,389	\$ 862,389
Pro-Forma Coverage	2.54x	2.61x	4.27x	3.31x	2.99x	2.43x

History of Wastewater Tap Fees

Year	Residential Taps Sold	Residential Tap Fees	Commercial Taps Sold	Commercial Tap Fees	Total Taps Sold	Total Tap Fees
2003	478	1,932,000	3	40,000	481	1,972,000
2004	909	2,964,000	10	-	919	2,964,000
2005	803	3,000,000	3	80,000	806	3,080,000
2006	612	1,684,000	6	27,677	618	1,711,677
2007	249	980,000	11	184,000	260	1,164,000
2008	168	656,000	10	144,481	178	800,481

History of Wastewater Accounts

Year	Residential Accounts	Commercial Accounts	Total Accounts	% Change in Accounts
2003	3,605	68	3,673	--
2004	4,272	71	4,343	18.2%
2005	4,994	76	5,070	16.7%
2006	5,471	80	5,551	9.5%
2007	5,708	81	5,789	4.3%
2008	5,898	84	5,982	3.3%

Largest Customers of the System - 2008

Type of Business	2008 Revenue	% of Total <sup>1</sup>
School District	\$ 79,332	3.74 %
Homeowner's Association	39,698	1.87
Municipality	30,669	1.44
Homeowner's Association	10,656	0.50
Retail Grocer	7,389	0.35
Retail Convenience Store	6,900	0.32
Homeowner's Association	5,464	0.26
Homeowner's Association	5,183	0.24
Homeowner's Association	4,783	0.23
Golf Course	4,025	0.19
Total	<u>\$ 194,099</u>	<u>9.14 %</u>

<sup>1</sup>Based on total charges for service of \$2,123,952 in 2008.

Budget Summary and Comparison - Wastewater Fund

	2007 Final Budget	2007 Actual	2008 Final Budget	2008 Actual
Budgeted Beginning Fund Balance	\$ 12,047,312	\$ 12,047,312	\$ 13,714,262	\$ 13,714,262
Revenues				
Charges for services	2,341,800	2,004,146	2,478,700	2,123,952
Interest Income	210,000	676,203	218,400	500,331
Debt Proceeds	18,000,000	-	20,000,000	9,913,695
Other nonoperating income	-	191,672	24,500	326,788
Tap fees	1,816,000	1,164,000	1,660,000	800,481
Total revenues	<u>22,367,800</u>	<u>4,036,021</u>	<u>24,381,600</u>	<u>13,665,247</u>
Total funds available	<u>34,415,112</u>	<u>16,083,333</u>	<u>38,095,862</u>	<u>27,379,509</u>
Operating Expenses				
Administration	696,900	603,430	710,500	643,754
Debt service	732,200	329,319	1,885,200	1,627,466
Collection	133,000	104,904	134,200	109,365
Treatment	718,800	530,423	640,600	607,140
Capital outlay (repairs and maint)	47,000	-	112,000	-
Capital outlay (additional capacity)	29,923,300	800,995	31,854,800	1,408,963
Total operating expenses	<u>32,251,200</u>	<u>2,369,071</u>	<u>35,337,300</u>	<u>4,396,688</u>
Available Fund Over (Under) Expenses	<u>\$ 2,163,912</u>	<u>\$ 13,714,262</u>	<u>\$ 2,758,562</u>	<u>\$ 22,982,821</u>

Wastewater Fund - History of Revenues, Expenses and Changes in Net Assets

	Year Ended December 31,				
	2004	2005	2006	2007	2008
Operating Revenues					
Charges for Services	<u>\$ 1,133,672</u>	<u>\$ 1,398,101</u>	<u>\$ 1,738,799</u>	<u>\$ 2,004,146</u>	<u>\$ 2,123,952</u>
Operating Expenses					
Personnel Services	695,921	742,509	760,084	834,735	901,264
Operations and Maintenance	299,302	386,331	466,699	378,584	507,715
Depreciation	398,915	568,670	643,288	705,813	763,332
Total Operating Expenses	<u>1,394,138</u>	<u>1,697,510</u>	<u>1,870,071</u>	<u>1,919,132</u>	<u>2,172,311</u>
Net Operating Income (Loss)	<u>(260,466)</u>	<u>(299,409)</u>	<u>(131,272)</u>	<u>85,014</u>	<u>(48,359)</u>
Nonoperating Revenues (Expenses)					
Interest Income	84,605	269,000	561,530	676,203	500,331
Other	60,894	63,397	66,580	12,834	127,344
Amortization of Debt Issuance Costs	(3,487)	(3,573)	(3,730)	(3,887)	(36,971)
Interest Expense	<u>(162,094)</u>	<u>(153,354)</u>	<u>(145,564)</u>	<u>(137,694)</u>	<u>(160,870)</u>
Total Nonoperating Revenues (Expenses)	<u>(20,082)</u>	<u>175,470</u>	<u>478,816</u>	<u>547,456</u>	<u>429,834</u>
Income before Contributions	(280,548)	(123,939)	347,544	632,470	381,475
Capital Contributions	<u>10,952,492</u>	<u>4,826,567</u>	<u>4,149,690</u>	<u>3,839,485</u>	<u>1,631,575</u>
Change in Net Assets	<u>10,671,944</u>	<u>4,702,628</u>	<u>4,497,234</u>	<u>4,471,955</u>	<u>2,013,050</u>
Total Net Assets - Beginning	<u>12,734,616</u>	<u>23,406,560</u>	<u>28,109,190</u>	<u>32,606,422</u>	<u>37,078,377</u>
Total Net Assets - Ending	<u>\$ 23,406,560</u>	<u>\$ 28,109,188</u>	<u>\$ 32,606,424</u>	<u>\$ 37,078,377</u>	<u>\$ 39,091,427</u>

There were no material violations of legal covenants for the ended December 31, 2008.

## 5. 1998 Water Refunding Bond

The Town is required by certain debt covenants to maintain rates and charges for the Water system for each calendar year in an amount sufficient to (1) pay operating expenses, (2) pay any amount required by a debt service reserve, and (3) pay at least 125% of the of maximum principal and interest payments due on the Town's 1998 Water Refunding Bonds and at least 125% of the current year's annual debt service payment for all other bonds and loans.

The rate maintenance calculation for the year ended December 31, 2008, is as follows:

Operating Revenue		
Charges for Services	\$	5,395,596
Other Income		99,453
Investment Earnings		852,045
Capital Contributions (Tap Fees)		<u>4,063,131</u>
Total Operating Revenue	\$	<u>10,410,225</u>
Operating & Maintenance		
Expense <sup>1</sup>		<u>2,615,805</u>
Net Revenue		<u>7,794,420</u>
CWRPDA and GMAC Principal Due		564,000
CWRPDA and GMAC Interest Due		533,419
Revenue Bonds (2007a/2007b) Principal Due		20,000
Revenue Bonds (2007a/2007b) Interest Due		927,454
Refunding Bond (1998) Maximum Debt Service		<u>950,319</u>
Total Debt Service		<u>2,995,192</u>
125% of Total Debt Service		<u>3,743,990</u>
Amount Net Revenue Exceeded Loan Requirements	\$	<u><u>4,050,430</u></u>

<sup>1</sup>For the purpose of the rate maintenance calculation, operating and maintenance expenses exclude depreciation

There were no material violations of legal covenants for the ended December 31, 2008.

## 6. 2007a Water Revenue Bond

The Town is required by certain debt covenants to maintain rates and charges for the Water system for each calendar year in an amount sufficient to (1) pay operating expenses, (2) pay any amount required by a debt service reserve, and (3) pay at least 125% of the current year's principal and interest payments due on the Town's bonds and loans.

The rate maintenance calculation for the year ended December 31, 2008, is as follows:

Operating Revenue		
Charges for Services	\$ 5,395,596	
Other Income	99,453	
Investment Earnings	852,045	
Capital Contributions (Tap Fees)	4,063,131	
Total Operating Revenue		\$ 10,410,225
Operating & Maintenance Expense <sup>1</sup>		<u>2,615,805</u>
Net Revenue		<u>7,794,420</u>
CWRPDA and GMAC Principal Due	564,000	
CWRPDA and GMAC Interest Due	533,419	
Revenue Bonds (2007a/2007b) Principal Due	20,000	
Revenue Bonds (2007a/2007b) Interest Due	927,454	
Refunding Bond (1998) Maximum Debt Service	950,319	
Total Debt Service	<u>2,995,192</u>	
125% of Total Debt Service		<u>3,743,990</u>
Amount Net Revenue Exceeded Loan Requirements		<u>\$ 4,050,430</u>

<sup>1</sup>For the purpose of the rate maintenance calculation, operating and maintenance expenses exclude depreciation

There were no material violations of legal covenants for the ended December 31, 2008.

## 7. 2007b Water Revenue Bond

The Town is required by certain debt covenants to maintain rates and charges for the Water system for each calendar year in an amount sufficient to (1) pay operating expenses, (2) pay any amount required by a debt service reserve, and (3) pay at least 125% of the current year's principal and interest payments due on the Town's bonds and loans.

The rate maintenance calculation for the year ended December 31, 2008, is as follows:

Operating Revenue		
Charges for Services	\$ 5,395,596	
Other Income	99,453	
Investment Earnings	852,045	
Capital Contributions (Tap Fees)	4,063,131	
Total Operating Revenue		\$ 10,410,225
Operating & Maintenance Expense <sup>1</sup>		<u>2,615,805</u>
Net Revenue		<u>7,794,420</u>
CWRPDA and GMAC Principal Due	564,000	
CWRPDA and GMAC Interest Due	533,419	
Revenue Bonds (2007a/2007b) Principal Due	20,000	
Revenue Bonds (2007a/2007b) Interest Due	927,454	
Refunding Bond (1998) Maximum Debt Service	950,319	
Total Debt Service	<u>2,995,192</u>	
125% of Total Debt Service		<u>3,743,990</u>
Amount Net Revenue Exceeded Loan Requirements		<u>\$ 4,050,430</u>

<sup>1</sup>For the purpose of the rate maintenance calculation, operating and maintenance expenses exclude depreciation

There were no material violations of legal covenants for the ended December 31, 2008.

8. Water CWRPDA 2004 Loan

The Town is required by certain debt covenants to maintain rates and charges for the Water system for each calendar year in an amount sufficient to (1) pay operating expenses, (2) pay any amount required by a debt service reserve, and (3) pay at least 125% of the debt service due on the Town's CWRPDA loan and other Water bonds.

The rate maintenance calculation for the year ended December 31, 2008, is as follows:

Operating Revenue		
Charges for Services	\$	5,395,596
Other Income		99,453
Investment Earnings		852,045
Capital Contributions (Tap Fees) <sup>1</sup>		<u>2,031,565</u>
Total Operating Revenue	\$	<u>8,378,659</u>
Operating & Maintenance Expense <sup>2</sup>		<u>2,615,805</u>
Net Revenue		5,762,854
CWRPDA and GMAC Principal Due		564,000
CWRPDA and GMAC Interest Due		533,419
Revenue Bonds (2007a/2007b) Principal Due		20,000
Revenue Bonds (2007a/2007b) Interest Due		927,454
Refunding Bond (1998) Maximum Debt Service		<u>950,319</u>
Total Debt Service		2,995,192
125% of Total Debt Service		<u>3,743,990</u>
Amount Net Revenue Exceeded Loan Requirements	\$	<u><u>2,018,864</u></u>

<sup>1</sup>For the purpose of this rate maintenance calculation, 50% of capital contributions are excluded.

<sup>2</sup>For the purpose of the rate maintenance calculation, operating and maintenance expenses exclude depreciation

In addition, the debt covenants of the Water CWRPDA Loan require the Town to report the following:

Years (December 31)	Total Accounts
1998	1,624
1999	2,172
2000	2,887
2001	3,141
2002	3,430
2003	3,864
2004	4,574
2005	5,340
2006	5,787
2007	6,030
2008	6,228

Table 3  
System Accounts

Classification	Number of Accounts	Percent of Total Accounts
Residential	6,028	97%
Commercial	200	3%
Total	6,228	100%

Table 4  
Five Largest Consumers of the System

Customer	Revenue Percentage
St Vrain Valley School District	4.12%
Town of Erie	3.99%
Blue Sky at Vista Ridge	1.71%
Grandview HOA	1.21%
Canyon Creek S 2 HOA	1.20%

Table 5  
System Income

	2003	2004	2005	2006	2007	2008
User Charges	\$ 2,150,035	\$ 2,705,358	\$ 3,625,729	\$ 4,792,751	\$ 4,803,707	\$ 5,395,596
Contributed Capital - Tap Fees	10,139,600	14,577,250	17,093,209	8,848,116	5,955,348	4,063,131
Contributed Capital - Capital Donations	-	5,464,826	1,426,622	1,923,176	2,686,385	618,090
Other Fees and Charges	116,828	31,651	112,640	97,532	154,498	99,453
Investment Earnings	74,104	246,101	658,406	979,127	1,327,613	852,045
Total System Revenue	<u>\$ 12,480,567</u>	<u>\$ 23,025,186</u>	<u>\$ 22,916,606</u>	<u>\$ 16,640,702</u>	<u>\$ 14,927,551</u>	<u>\$ 11,028,315</u>

There were no material violations of legal covenants for the ended December 31, 2008.

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