

Chisholm Creek Utility Authority
Financial Statements
With Independent Auditors' Report
For the Years Ended December 31, 2008 and 2007



Certified Public Accountants

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TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-5
<u>Basic Financial Statements:</u>	
Balance Sheet	6-7
Statements of Revenues, Expenses and Changes in Net Assets	8
Statements of Cash Flows	9
Notes to Financial Statements	10-17
<u>Supplementary Information:</u>	
Insurance Coverage	18



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Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Chisholm Creek Utility Authority

We have audited the accompanying basic financial statements of the **Chisholm Creek Utility Authority** as of and for the years ended December 31, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the **Authority's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Chisholm Creek Utility Authority**, as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 through 5, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on **Chisholm Creek Utility Authority's** basic financial statements. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Adams, Brown, Beran & Ball

ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

August 24, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

CHISHOLM CREEK UTILITY AUTHORITY
Management's Discussion and Analysis
December 31, 2008 and 2007

The discussion and analysis of the Chisholm Creek Utility Authority's financial performance provides an overview of the Authority's financial activities for the years ended December 31, 2008 and 2007. Please read in conjunction with the Authority's financial statements which begin after this section.

Introduction

The Chisholm Creek Utility Authority is a Quasi-Municipal Governmental Entity formed in the year 2001 in accordance with Kansas Statutes 12-2901 through 2909, referred to as the Kansas Interlocal Cooperation Act. It was formed through the joint action of the Cities of Park City and Bel Aire, Kansas, for the purpose of providing "wholesale" water, wastewater and utility services to the Cities. Planning and engineering proceeded in cooperation with the Cities during that year and on March 20, 2002, the Authority closed on \$28,980,000 in revenue bonds allowing the construction of the planned water and wastewater facilities. In general, the initial 20 months were a period of acquisition of funds and construction; partial operations occurred in the wastewater function since the Authority purchased Park City's wastewater plant in a completely operational status. Full operation began in January 2003 in both the water and wastewater projects in addition to providing trash services to the citizens of Bel Aire; however the trash service operation was sold to an unrelated entity in December 2004.

FINANCIAL STATUS AND HIGHLIGHTS

Water and Wastewater Project Costs

This is a cooperative project between two Cities. The revenue bonds were sold based upon detailed estimates of all costs allocated to the two Cities in the categories of (1) water supply and (2) wastewater. The analysis of separated and allocated costs occurred before the sale of bonds and before the actual construction.

Highlights

- Bonds of \$28,980,000 were issued on March 20, 2002.
- A tax-exempt lease purchase of \$275,000 was created specially for the acquisition of water and wastewater plant related equipment.
- A tax-exempt lease purchase of \$575,000 was created specially for the Authority to enter into solid waste management endeavor beginning January 1, 2003. The endeavor was not related to the water and wastewater function. During 2004, this operation was sold and the lease was paid in full via the issuance of \$540,000 in revenue bonds.
- Covenants by both Cities insure that debt service and operation and maintenance expenses of the Authority relating to the project are paid.
- During 2004, in order to obtain an economic advantage by way of reduction in future total debt service payments, the Authority issued \$7,235,000 in refunding revenue bonds. The proceeds of this issue were used to advance refund \$6,535,000 of the 2002 revenue bond issue.
- During 2007, in order to obtain an economic advantage by way of reduction in future total debt service payments, the Authority issued \$19,415,000 in refunding revenue bonds. The proceeds of this issue will be used to advance refund the 2002 revenue bond issue.

CHISHOLM CREEK UTILITY AUTHORITY
Management's Discussion and Analysis
December 31, 2008 and 2007

Current Year Results

Current year results reflected a reduced loss in comparison with the previous year. Provisions of the revenue bond rate covenant were complied with for 2008.

Discussion of Basic Financial Statements

The balance sheet reflects assets owned and liabilities owed at December 31. The difference between total assets and total liabilities is referred to as net assets.

The statements of revenues, expenses and changes in net assets reflect operating revenues, operating and maintenance expenses, interest income, interest expense and all other changes to net assets for the year ended December 31.

The statements of cash flows reflects cash provided by or used in operating activities, investing activities and capital and related financing activities for the year ended December 31. The statement also reconciles earnings from operations to net cash provided by operating activities.

Other Financial Matters

The Authority's purpose is to serve the two Cities and the function of the Cities is to insure that the expenses of the Authority related to the water and wastewater operations of the project constructed by the revenue bonds are paid. "Expenses" include debt service and operating expense. The Cities forming the Authority have planned that the Authority shall not create surplus cash balances from the use of City funds. Therefore, the financial position, based upon the Authority's established purpose, at the end of the year, was primarily as planned.

As required by the bond covenants, the rates charged by each City to its residents and businesses should result in the funds necessary for the Cities to pay for all the water and wastewater costs of the Authority in addition to all debt service payments.

In addition to the original revenue bonds, the Authority executed a tax-exempt lease purchase with Zion's Bank of Salt Lake City, Utah of \$275,000 to obtain equipment for the water and wastewater operations. The periodic debt service payments for the lease are included in the "Operation and Maintenance" budget for water and wastewater and funded fully by both Cities.

The Authority entered into a lease purchase of \$575,000 in November 2002 to enter the solid waste management business. Operations began on January 1, 2003. The debt service of this financing had no claim on any revenue related to the water and wastewater projects and stood alone. This obligation was paid off in 2004 in connection with the sale of the solid waste management operations. A new revenue bond issue in the amount of \$540,000 was used in paying off the balance of the original lease purchase obligation.

Debt Administration

At year-end the Authority had revenue bonds, capital leases and a land contract outstanding in the amount of \$54,596,805. The debt is more fully described in Note 12 to the audited financial statements. Debt administration is handled by the Bank of New York and Security Bank of Kansas City, excluding the capital lease and land contract.

CHISHOLM CREEK UTILITY AUTHORITY
Management's Discussion and Analysis
December 31, 2008 and 2007

Capital Assets

Capital assets in service, amounting to \$22,373,866 (net book value), are more fully described in Note 2 to the audited financial statements.

Comparative Financial Reports

The following statements present abbreviated comparative information on the Authority's statements of net assets at December 31, 2008 and 2007 and summaries of activities for the periods then ended.

Chisholm Creek Utility Authority

Figure 1 – Net Assets

	2008	2007
Cash and Cash Equivalents	\$ 278,223	152,116
Bond Reserve Trust Accounts	29,077,839	29,293,443
Other Assets	1,316,631	1,413,038
Capital Assets – Net	22,373,866	22,816,362
Total Assets	53,046,559	53,674,959
Accrued Expenses	632,492	639,511
Current Portion of Debt	660,881	585,812
Long – Term Debt	53,935,924	54,596,805
Total Liabilities	55,229,297	55,822,128
Capital Assets, Net of Related Debt	(31,967,015)	(32,079,450)
Restricted Assets	27,817,058	28,101,062
Unrestricted Assets	1,967,220	1,831,219
Total Net Assets (Deficit)	\$ (2,182,737)	(2,147,169)

Figure 2 – Changes in Net Assets

Operating Revenues	2,856,376	2,329,137
Operating Expenses	1,719,875	1,547,167
Net Operating Income	1,136,501	781,970
Non-Operating Income (Expense)		
Interest Income	1,339,050	747,643
Other Income	94,210	147,528
Interest Expense	(2,605,329)	(2,182,626)
Net Non-Operating Income (Expense)	(1,172,069)	(1,287,455)
Change in Net Assets	(35,568)	(505,485)
Net Assets (Deficit) – Beginning of Year	(2,147,169)	(1,641,684)
Net Assets (Deficit) – End of Year	\$ (2,182,737)	(2,147,169)

CHISHOLM CREEK UTILITY AUTHORITY
Management's Discussion and Analysis
December 31, 2008 and 2007

Contacting the Authority's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Authority's finances. The report is also designed to show the Authority's accountability for the money it receives.

Further questions concerning this report or the financial status of the Chisholm Creek Utility Authority should be directed to the Authority's manager at 6110 N. Hydraulic, Park City, KS 67219.



Jack Whitson
Manager
Chisholm Creek Utility Authority

BASIC FINANCIAL STATEMENTS

CHISHOLM CREEK UTILITY AUTHORITY
Balance Sheet
December 31, 2008 and 2007

ASSETS		
	2008	2007
Current Assets		
Cash and Cash Equivalents	\$ 278,223	152,116
Accrued Interest Receivable	1,605	1,795
Current Portion of Sales Contract	45,625	45,625
Total Current Assets	325,453	199,536
Capital Assets		
Land	342,909	342,909
Buildings and Plant	15,017,148	15,017,148
Equipment and Lines	9,829,250	9,798,250
Accumulated Depreciation	(2,815,441)	(2,341,945)
Total Capital Assets	22,373,866	22,816,362
Other Assets		
Bond Reserve Trust Accounts	29,077,840	29,293,443
Long-Term Portion of Sales Contract	282,874	328,499
Deferred Charges on Revenue Bonds - Net	921,950	969,842
Intangible - Net	64,577	67,277
Total Other Assets	30,347,241	30,659,061
Total Assets	\$ 53,046,560	53,674,959

See auditors' report and accompanying notes to financial statements.

CHISHOLM CREEK UTILITY AUTHORITY

Balance Sheet

December 31, 2008 and 2007

<u>LIABILITIES AND NET ASSETS</u>		
	2008	2007
Current Liabilities Payable from Current Assets		
Accrued Interest Payable	\$ 1,711	2,130
Current Portion of Capital Lease	30,000	30,000
Current Portion of Land Lease	881	812
Total Current Liabilities Payable from Current Assets	<u>32,592</u>	<u>32,942</u>
Current Liabilities Payable from Restricted Trust Accounts		
Accrued Interest Payable	630,781	637,381
Current Portion of Bonds Payable	630,000	555,000
Total Current Liabilities Payable from Restricted Trust Accounts	<u>1,260,781</u>	<u>1,192,381</u>
Total Current Liabilities	<u>1,293,373</u>	<u>1,225,323</u>
Non-Current Liabilities		
Capital Lease	100,000	130,000
Land Lease	155,924	156,805
Bonds Payable	53,680,000	54,310,000
Total Long-Term Liabilities	<u>53,935,924</u>	<u>54,596,805</u>
Total Liabilities	<u>55,229,297</u>	<u>55,822,128</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	(31,967,015)	(32,079,450)
Restricted	27,817,058	28,101,062
Unrestricted	1,967,220	1,831,219
Total Net Assets	<u>(2,182,737)</u>	<u>(2,147,169)</u>
Total Liabilities and Net Assets	<u>\$ 53,046,560</u>	<u>53,674,959</u>

See auditors' report and accompanying notes to financial statements.

CHISHOLM CREEK UTILITY AUTHORITY
 Statements of Revenues, Expenses, and Changes in Net Assets
 For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating Revenues		
Water and Wastewater Services - City of Park City	\$ 1,250,925	1,021,148
Water and Wastewater Services - City of Bel Aire	<u>1,605,451</u>	<u>1,307,989</u>
Total Operating Revenues	<u>2,856,376</u>	<u>2,329,137</u>
Operating Expenses		
Operations and Maintenance	1,105,934	894,996
Insurance	43,909	40,833
Professional Fees	45,943	88,546
Depreciation	473,497	472,200
Amortization	<u>50,592</u>	<u>50,592</u>
Total Operating Expenses	<u>1,719,875</u>	<u>1,547,167</u>
Operating Income	<u>1,136,501</u>	<u>781,970</u>
Non-Operating Revenues (Expense)		
Interest Income	1,339,050	747,643
Other Income	94,210	147,528
Interest Expense	<u>(2,605,329)</u>	<u>(2,182,626)</u>
Total Non-Operating Revenues (Expense)	<u>(1,172,069)</u>	<u>(1,287,455)</u>
Change in Net Assets	<u>(35,568)</u>	<u>(505,485)</u>
Net Assets (Deficit) - Beginning of Year	<u>(2,147,169)</u>	<u>(1,641,684)</u>
Net Assets (Deficit) - End of Year	<u>\$ (2,182,737)</u>	<u>(2,147,169)</u>

See auditors' report and accompanying notes to financial statements.

CHISHOLM CREEK UTILITY AUTHORITY
 Statements of Cash Flows
 For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>Cash Flows from Operating Activities</u>		
Cash Received from Cities	\$ 2,856,376	2,329,137
Cash Paid for Operating Activities	<u>(1,195,786)</u>	<u>(1,031,820)</u>
Net Cash Provided by Operating Activities	<u>1,660,590</u>	<u>1,297,317</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Fixed Asset Purchase - Net	(31,000)	(14,556)
Interest Paid on Capital Debt	(2,612,348)	(2,114,071)
Principal Paid on Capital Debt	(585,812)	(520,751)
Debt Issue Costs	-	(104,992)
Proceeds from Debt Issued	<u>-</u>	<u>19,415,000</u>
Net Cash (Used) Provided by Capital and Related Financing Activities	<u>(3,229,160)</u>	<u>16,660,630</u>
<u>Cash Flows from Investing Activities</u>		
Proceeds on Sales Contracts	45,625	41,062
Interest Received - Net of Bond Reserves	1,339,238	747,643
Other Receipts	94,210	147,528
Collecting From (Investing In) Bond Reserves	<u>215,603</u>	<u>(18,827,377)</u>
Net Cash (Used) Provided by Investing Activities	<u>1,694,676</u>	<u>(17,891,144)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	126,106	66,803
Cash and Cash Equivalents - Beginning of Year	<u>152,116</u>	<u>85,313</u>
Cash and Cash Equivalents - End of Year	\$ <u>278,222</u>	<u>152,116</u>
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities		
Net Operating Income	\$ <u>1,136,501</u>	<u>781,970</u>
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities		
Depreciation and Amortization	524,089	522,792
Decrease in Accounts Payable	<u>-</u>	<u>(7,445)</u>
Total Adjustments	<u>524,089</u>	<u>515,347</u>
Net Cash Provided by Operating Activities	\$ <u>1,660,590</u>	<u>1,297,317</u>

See auditors' report and accompanying notes to financial statements.

CHISHOLM CREEK UTILITY AUTHORITY

Notes to Financial Statements

December 31, 2008 and 2007

1. NATURE OF ORGANIZATION

The **Chisholm Creek Utility Authority** (the Authority) was organized in April 2001 pursuant to the Kansas Interlocal Cooperation Act. The Authority was created by an interlocal agreement of the Cities of Bel Aire and Park City, Kansas (Members) and is economically dependent on the Members. The purpose of the Authority is to assist its Members in planning, technical and financial matters for comprehensive utilities and public services, accomplish the desired objectives of effective utility and public services, accomplish the desired objectives of effective utility and public service facilities, and organize the operation of utility and public service systems. The Authority is governed by a four member Board of Commissioners and primarily provides water and wastewater services to the Members' residents. (Solid waste services, operated by the Authority, were sold to an outside party in December 2004.)

The Authority has no employees and had contracted with Operational Enterprises, Inc. and OEI Facilities, Inc. as a "utility manager" for design, construction, and operation of the water distribution and wastewater treatment facilities of the Authority. Design and construction phases were fully complete in 2003. In 2008, the Authority ended its contract with OEI Facilities, Inc. and contracted with the City of Park City, Kansas to provide management and labor for the operations of the plant.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of **Chisholm Creek Utility Authority** is presented to assist in understanding the Authority's financial statements. The financial statements and notes are representations of the Authority's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles applicable to state and local governments.

Method of Accounting

The accounting records of the Authority are maintained on the accrual basis in accordance with accounting principles generally accepted in the United States of America. As a quasi-municipal corporation, the Authority applies all statements issued by the Government Accounting Standards Board (GASB) and all statements and interpretations issued by the Financial Accounting Standards Board (FASB), which are not in conflict with statements issued by the GASB. The Authority uses a single proprietary fund to account for and report its financial activities, which is limited to *business-type activities* – i.e., activities that are financed in whole or in part by fees charged to external parties and are operated in a manner similar to private business where the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

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 a proprietary fund's principal ongoing operations, which for the Authority is water distribution and wastewater treatment. Operating expenses 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. The Authority only had one operational fund through December 31, 2008.

Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as

CHISHOLM CREEK UTILITY AUTHORITY

Notes to Financial Statements

December 31, 2008 and 2007

restricted when there are legal limitations that are imposed on their use by legislation or external restrictions by creditors or grantors. All other net assets are reported as unrestricted.

Use of Estimates

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

Capital Assets

The costs of additions to the utility plant and replacements of retired units of property are capitalized. The utility plant includes a water treatment plant to provide water services to Members' residents and related water lines and wells. In addition, wastewater treatment facilities are included in the utility plant. Costs include labor, materials and an allowance for funds used during construction. The costs of maintenance, repairs and minor replacements are charged to the appropriate operations and maintenance expense accounts. Certain capital leases in the approximate amount of \$275,000 are also capitalized and included in utility plant assets. Depreciation expense is computed using the straight-line method based on service lives. Estimated service lives range from 5 to 40 years. Depreciation expense was \$473,497 and \$472,200, and as a percentage of the average depreciable utility plant in service was 1.88% and 1.88% for the years ended December 31, 2008 and 2007, respectively. There were additions of \$31,000 and no dispositions of capital assets during 2008. There were additions of \$14,556 and no dispositions of capital assets in 2007.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the Authority considers all unrestricted, highly liquid deposits with original maturities of three months or less as cash and cash equivalents, which consists of the Authority's checking account.

Bond Reserve Trust Accounts

Bond reserve trust accounts consist of funds for operations and maintenance, debt service, equipment replacement reserves, and construction. Such investments include U.S. government obligations and repurchase agreements. Investments are reported at fair value and changes in unrealized gains and losses, if any, are recorded in the statement of revenues, expenses, and changes in net assets. Gains and losses realized on the sale of investments, if any, are determined by using the specific identification method. The stated fair value of investments is based on published market prices or quotations from major investment dealers.

Revenues

The Authority's rates are established by a rate ordinance. The Authority sells water and wastewater services to member cities at established rates. Member payments are subject to "take or pay" agreements.

Bel Aire's portions are approximately	50% Water Service	47% Wastewater
Park City's portions are approximately	50% Water Service	53% Wastewater

Revenues are pledged for payments of the revenue bonds and are recognized as billed and collected.

CHISHOLM CREEK UTILITY AUTHORITY

Notes to Financial Statements

December 31, 2008 and 2007

Deferred Charges

Debt discounts and issue expenses are deferred and amortized to debt expense over the lives of the related debt issues. Capital lease costs are amortized over the life of the related leases and are reported as amortization expense.

Restricted Net Assets

The proceeds of certain bond issues, as well as certain other resources, are classified as restricted net assets on the statement of net assets to indicate that their use is limited as stipulated by contract or ordinance.

3. DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it.

At December 31, 2008 and 2007, the Authority's carrying amount of deposits was \$278,223 and \$152,116, respectively, and the bank statement balance was \$334,251 and \$164,462, respectively, the difference being outstanding checks. The bank balance in 2008 was insured by the FDIC limit of \$250,000 and \$84,251 was unsecured. The bank balance in 2007 was insured by the FDIC limit of \$100,000 and \$64,462 was unsecured.

Investments

The Authority's investments consist of the bond reserve trust accounts, which are invested in repurchase agreements and U.S. treasury obligations. These investments are held at the Bank of New York and Security Bank of Kansas City and are to be used for bond service requirements. The investments held in these trust accounts are as follows:

	<u>2008</u>	<u>2007</u>
Operations and Maintenance	\$ 138,579	86,175
Debt Service - 2002	198,713	182,321
Debt Service - 2004	114,789	115,752
Debt Service – 2007	304,126	305,575
Debt Service Reserve	2,199,016	2,301,178
Replacement Reserve	172,426	192,801
Repurchase Reserve	6,842,807	6,913,474
Repurchase Reserve	19,107,383	19,196,167
Total	\$ <u>29,077,839</u>	<u>29,293,443</u>

Operations and Maintenance is used for routine operations and maintenance expenses.

CHISHOLM CREEK UTILITY AUTHORITY

Notes to Financial Statements

December 31, 2008 and 2007

Debt Service accounts are used for current and future payments of principal and interest on revenue bonds, excluding the solid waste refunding revenue bond.

Replacement reserve account is used by the trustee, if no other funds are available, solely for the purpose of making emergency replacements and repairs in and to the Authority as may be necessary to keep the project in good repair and working order and to assure the continued effective and efficient operation of the project.

Repurchase reserve accounts will be used for the future retirement of long-term debt.

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the system will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery vs. payment. As of December 31, 2008 and 2007 none of the Authority's investments were exposed to risk since they are held in the Authority's name by the counterparty.

4. DEFERRED CHARGES ON REVENUE BONDS

Deferred charges on revenue bonds were capitalized and are being amortized over the life of the bonds. These deferred charges on revenue bonds are as follows:

	Revenue Bond	Solid Waste Bond	Refunding Bond	Refunding Bond	<u>Totals</u>
Original Amount	\$ 1,102,791	39,482	186,766	104,993	1,434,032
Accumulated Amortization	<u>(437,683)</u>	<u>(16,121)</u>	<u>(49,877)</u>	<u>(8,401)</u>	<u>(512,082)</u>
Balance at 12/31/2008	\$ <u>665,108</u>	<u>23,361</u>	<u>136,889</u>	<u>96,592</u>	<u>921,950</u>
Original Amount	\$ 1,102,791	39,482	186,766	104,993	1,434,032
Accumulated Amortization	<u>(409,675)</u>	<u>(12,173)</u>	<u>(38,141)</u>	<u>(4,201)</u>	<u>(464,190)</u>
Balance at 12/31/2007	\$ <u>693,116</u>	<u>27,309</u>	<u>148,625</u>	<u>100,792</u>	<u>969,842</u>

5. SALE OF SOLID WASTE SERVICE BUSINESS

The Authority sold the solid waste business to an unrelated entity effective December 31, 2004 for a total amount of \$594,748. The buyer made a \$102,000 down payment with the remaining balance of \$492,748 due in semi-annual installments over the following ten years. The Authority agreed to be responsible for billing and collecting monthly fees from recycling customers within the City of Bel Aire and transmitting same to the purchaser. In addition the Authority is responsible for contracting with the City of Bel Aire for the billing and collection of residential solid waste disposal fees within that city. Fees collected will be transmitted to the purchaser after deducting an agreed-upon service charge. The Authority has obtained an irrevocable standby letter of credit from a bank in the amount of \$60,000 in favor of the purchaser in order to assure payment of the fees collected. As of December 31, 2008 and 2007 the contract receivable balance was \$328,499 and \$374,124, respectively. The current portion was \$45,625 and \$45,625 and the long-term portion was \$282,874 and \$328,499, for the years ended December 31, 2008 and 2007. Accrued interest receivable at December 31, 2008 and 2007 was \$1,605 and \$1,795, respectively.

CHISHOLM CREEK UTILITY AUTHORITY

Notes to Financial Statements

December 31, 2008 and 2007

Payments are received in June and December of each year, with a final payment to be made in December 2014.

The schedule of payments to be received is as follows:

<u>Amount To Be Received In</u>		<u>Principal To Be Received</u>
2009	\$	45,625
2010		50,187
2011		54,750
2012		54,750
2013		59,312
Thereafter		63,875
Total Contract Receivable		328,499
Less Current Portion		(45,625)
Total Long-Term Contract Receivable	\$	282,874

6. COMMITMENTS AND CONTINGENCIES

The Authority is subject to certain business risks common to the utility industry. The majority of these risks are mitigated by external insurance coverage obtained by the Authority.

7. RELATED PARTY TRANSACTION

The Authority has contracts with its Members to provide water and wastewater service for minimum amounts through 2032. Sales to Members amounted to \$2,856,376 and \$2,329,137 for the years ending 2008 and 2007.

8. CONCENTRATIONS

Water and wastewater services are only sold to the Member cities of Park City and Bel Aire. The number of customers of each city at December 31, 2008 and 2007 were 2,735 and 2,862, and 2,716 and 2,862, respectively. The Authority is economically dependent on these two Members.

9. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Authority purchases commercial insurance to cover all risks of losses. The Authority has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

10. ENVIRONMENTAL ISSUES

The Authority's operation of the wastewater utility services poses a potential risk for environmental remediation liabilities. The operator of the facilities has indicated that the Authority has not violated environmental laws.

11. DEBT RESTRICTIONS AND COVENANTS

Revenue Bond –

CHISHOLM CREEK UTILITY AUTHORITY

Notes to Financial Statements

December 31, 2008 and 2007

The 2002 series water and wastewater bonds require that rates must be established by the Cities of Bel Aire and Park City to allow a net profit of 125% of all base charges and 110% of any additional indebtedness. In 2008, the combined net revenues of the Authority and its members exceeded the requirement by \$5,839,172.

12. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

At December 31, 2008, the Authority's bank balance was \$334,251. Of this amount, \$250,000 was covered by federal depository insurance and \$84,251 was unsecured.

13. DEBT

The Authority's debt consists of Revenue Bonds and Capital Leases.

Revenue Bonds –

In 2002, the Authority issued \$28,980,000 in series 2002 serial and term revenue bonds for the purchase and construction of a wastewater treatment plant and water plant.

In 2004, the Authority issued two new revenue bond issues of \$7,235,000 and \$540,000 for the purpose of refunding \$6,535,000 of the series 2002 bonds.

In 2007, The Authority issued \$19,415,000 in series 2007 revenue bonds for the purpose of refunding the remaining Series 2002 revenue bonds.

The statement of changes in long-term debt and the statement of maturities of long term debt are disclosed on the following two pages.

13. DEBT (Continued)

Chisholm Creek Utility Authority
Statement of Changes in Long-Term Debt
For the Year Ended December 31, 2008

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Earnings & Payments	Net Change	Balance End of Year	Interest Paid
Revenue Bonds											
2002 Water and Wastewater	3.25-5.25%	2002	28,980,000	2032	\$ 28,000,000	-	425,000	-	(425,000)	27,575,000	1,400,406
2004 Water and Wastewater Refunding	3-5%	2004	7,235,000	2020	7,105,000	-	55,000	-	(55,000)	7,050,000	284,660
2004 Solid Waste Disposal and Recycling	5-6%	2004	540,000	2014	410,000	-	50,000	-	(50,000)	360,000	23,600
2007 Water and Wastewater Refunding	4-4.5%	2007	19,415,000	2032	19,350,000	-	25,000	-	(25,000)	19,325,000	884,712
Total Revenue Bonds					<u>54,865,000</u>	<u>-</u>	<u>555,000</u>	<u>-</u>	<u>(555,000)</u>	<u>54,310,000</u>	<u>2,593,378</u>
Capital Leases											
2002 Water Equipment	4.19%	2002	275,000	2012	160,000	-	30,000	-	(30,000)	130,000	6,390
Waste Water Plant Land	8.00%	1992	179,403	2042	157,617	-	812	-	(812)	156,805	12,580
Total Capital Leases					<u>317,617</u>	<u>-</u>	<u>30,812</u>	<u>-</u>	<u>(30,812)</u>	<u>286,805</u>	<u>18,970</u>
Total Debt					<u>\$ 55,182,617</u>	<u>-</u>	<u>585,812</u>	<u>-</u>	<u>(585,812)</u>	<u>54,596,805</u>	<u>2,612,348</u>
Repurchase Reserves					<u>26,109,641</u>	<u>-</u>	<u>-</u>	<u>(159,451)</u>	<u>(159,451)</u>	<u>25,950,190</u>	
Total Debt Net of Reserves					<u>\$ 29,072,976</u>	<u>-</u>	<u>585,812</u>	<u>159,451</u>	<u>(426,361)</u>	<u>28,646,615</u>	

13. DEBT (Continued)

Chisholm Creek Utility Authority
Statement of Maturity of Long-Term Debt
For the Year Ended December 31, 2008

	2009	2010	2011	2012	2013	2014-2018	2019-2023	2024-2028	2029-2033	2034-2038	2039-2043	Total
Principal												
Revenue Bonds	\$ 630,000	705,000	770,000	7,340,000	835,000	4,375,000	8,560,000	13,340,000	17,755,000	-	-	54,310,000
Capital Leases	30,881	31,954	33,033	38,117	1,211	7,741	11,532	17,180	25,597	38,136	51,423	286,805
Total Principal	660,881	736,954	803,033	7,378,117	836,211	4,382,741	8,571,532	13,357,180	17,780,597	38,136	51,423	54,596,805
Interest												
Revenue Bonds	2,570,953	2,743,553	2,515,847	2,482,897	2,105,110	10,051,358	8,866,261	6,136,788	2,518,650	-	-	39,991,417
Capital Leases	17,644	16,314	14,915	13,490	12,181	59,219	55,428	49,780	41,363	28,824	9,996	319,154
Total Interest	2,588,598	2,759,868	2,530,762	2,496,387	2,117,290	10,110,577	8,921,689	6,186,568	2,560,013	28,824	9,996	40,310,571
Total Principal and Interest	\$ 3,249,478	3,496,821	3,333,795	9,874,504	2,953,502	14,493,318	17,493,221	19,543,748	20,340,610	66,960	61,419	94,907,376

SUPPLEMENTARY INFORMATION

CHISHOLM CREEK UTILITY AUTHORITY

Supplementary Information

December 31, 2008

The Authority's insurance coverage was unchanged from 2007 to 2008. The policy is as follows:

Insurance Coverage

Blanket policy on all real and personal property (\$5,000 deductible), replacement cost, coinsurance 100%	\$ 17,048,738
Property:	
Additional benefits	scheduled
Inland marine:	
Contractors equipment (\$1,000 deductible)	262,248
Electronic data processing (\$1,000 deductible), replacement cost	20,000/10,000
Automobile liability:	
Bodily injury and property damage	1,000,000
Uninsured/underinsured motorist	1,000,000
Personal injury protection	Included
Physical damage (comprehensive \$500 deductible, collision \$500 deductible)	Actual cash value
General Liability:	
General aggregate	2,000,000
Products/completed operations - aggregate	2,000,000
Each event limit	1,000,000
Personal injury and advertising injury	1,000,000
Public entity management liability (\$5,000 deductible)	1,000,000
Umbrella:	
Occurrence (\$10,000 deductible), governmental unit endorsement	1,000,000
Each event limit (\$10,000 deductible)	1,000,000
Excess errors and omissions:	
Total limit	1,000,000