

PARKER WATER AND SANITATION DISTRICT
Douglas County, Colorado

FINANCIAL STATEMENTS
December 31, 2013 and 2012

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Independent Auditor's Report

Board of Directors
Parker Water and Sanitation District
Douglas County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Parker Water and Sanitation District (the District) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker Water and Sanitation District as of December 31, 2013 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

As explained in Note 14 to the basic financial statements, the District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which restated the District's beginning net position.

Other Matters

The financial statements of the District as of and for the years ended December 31, 2012 and 2011 were audited by other auditors whose report dated May 23, 2013 expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other post-employment benefit information on pages III through XII and 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the District. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McGladrey LLP

Denver, Colorado
April 21, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Parker Water and Sanitation District's (the District) financial performance provides an overview of the District's financial activities for the fiscal years ended December 31, 2013 and 2012. Please read it in conjunction with the District's financial statements, which begin on page 1.

FINANCIAL HIGHLIGHTS

- The assets of the Parker Water and Sanitation District exceeded its liabilities at the close of the most recent fiscal year by \$422,597,214 (net position). Of this amount, \$65,144,282 (unrestricted net position) may be used to meet the District's ongoing obligations to customers and creditors.
- The Water and Sewer Enterprises of the District are business type activities that are intended to recover all or a significant portion of their costs through user fees and charges. In 2013, there was no change to the water user fees. The sewer user fee flow rate increased in 2013 by \$.50 per 1,000 gallons. In 2012, the District increased the monthly water service charge from \$26.16 to \$27.21, a 4% increase. The 4% increase was also applied to each tier of the five tier water rate structure.
- The District collected tap fees for 379 and 468 Single Family Equivalents (SFE's) sold during 2013 and 2012, respectively, from new construction in the District.
- The District levies taxes for operations. By law, the District is generally prohibited from levying a greater amount of revenue than was levied in the preceding year plus five and one-half percent or the limits defined under the Colorado constitutional amendment known as TABOR, whichever is less. The certified 2013 mill levy for operations was 1.727 mills. The certified 2014 mill levy for operations is 1.727 mills. In addition, general obligation debt of the District is payable from ad valorem taxes levied against all taxable property in the District without limitation of rate and in an amount sufficient to pay the principal of and interest on the debt. The certified 2013 mill levy for the 2004 voter-approved general obligation debt for the construction of Rueter-Hess Reservoir was 8.000 mills and the 2014 mill levy for the general obligation debt is 8.000 mills. The mill levy for the general obligation debt was lower in 2013 than in the prior year because the District used a portion of the District's capital reserves to pay the debt service. In 2014, the District will again be using a portion of the District's capital reserves to pay the debt service.
- Contributed assets from developers consisting of contributed water and sewer lines and water rights acquired by inclusions totaled \$219,072 in 2013 and \$130,800 in 2012.
- At December 31, 2013 and 2012, the District is carrying a receivable in the amount of \$3,496,380 and \$4,661,840, respectively, for the outstanding inclusion fee due for RidgeGate. The balance to the District is due over the next three years.
- At December 31, 2013, the District's debt service rate covenant calculation is 208%. To meet covenant calculation requirements the ratio (revenue available for debt service divided by total debt) must exceed 110%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Required statements for proprietary funds are: 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Fund Net Position, and 3) Statement of Cash Flows. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position are prepared using the economic resource measurement focus and the accrual basis of accounting.

The ***Statement of Net Position*** presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between them reported as net position. Over time, increases and decreases in net position can serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Nonfinancial factors should also be considered to assess the overall position of the District.

The ***Statement of Revenues, Expenses and Changes in Fund Net Position*** report the changes that have occurred during the year to the District's net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues and expenses are reported for some items that will only result in cash flows in the subsequent years.

The ***Statement of Cash Flows***, is concerned solely with flows of cash and cash equivalents. Only transactions that affect the District's cash position are reflected in this statement. Transactions are segregated into four sections on the statement: 1) cash flows from operating activities, 2) cash flows from noncapital financing activities, 3) cash flows from capital and related financing activities, and 4) cash flows from investing activities.

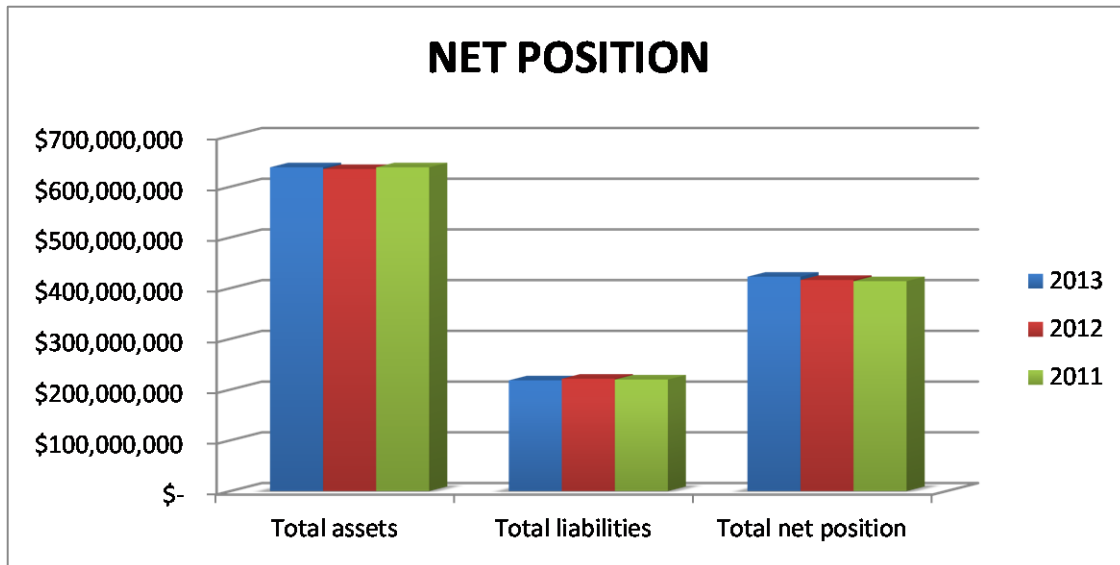
The **notes to the financial statements** provide additional information that is essential to a full understanding of the data provided in the financial statements.

FINANCIAL SUMMARY AND ANALYSIS

NET POSITION

Current assets increased in 2013 due to the increase in cash and cash equivalents. Noncurrent restricted assets decreased in 2013 as funds continued to be paid out for the construction of the 10 MGD water treatment plant. Long term obligations decreased in 2013 due to scheduled principal payments. The increase in capital assets was due primarily to the increase in construction in progress, approximately \$23 million, as work continues on construction of the 10 MGD water treatment plant. Capital assets are shown net of accumulated depreciation.

Current assets increased in 2012 due to the increase in cash and cash equivalents. Noncurrent restricted assets decreased in 2012 as funds continued to be paid out for the construction of the 10 MGD water treatment plant. Long term obligations increased in 2012 due to the refinancing of the debt. The decrease in capital assets and net investment in capital assets was due primarily to depreciation on the Rueter-Hess Reservoir which was placed into service in 2012.



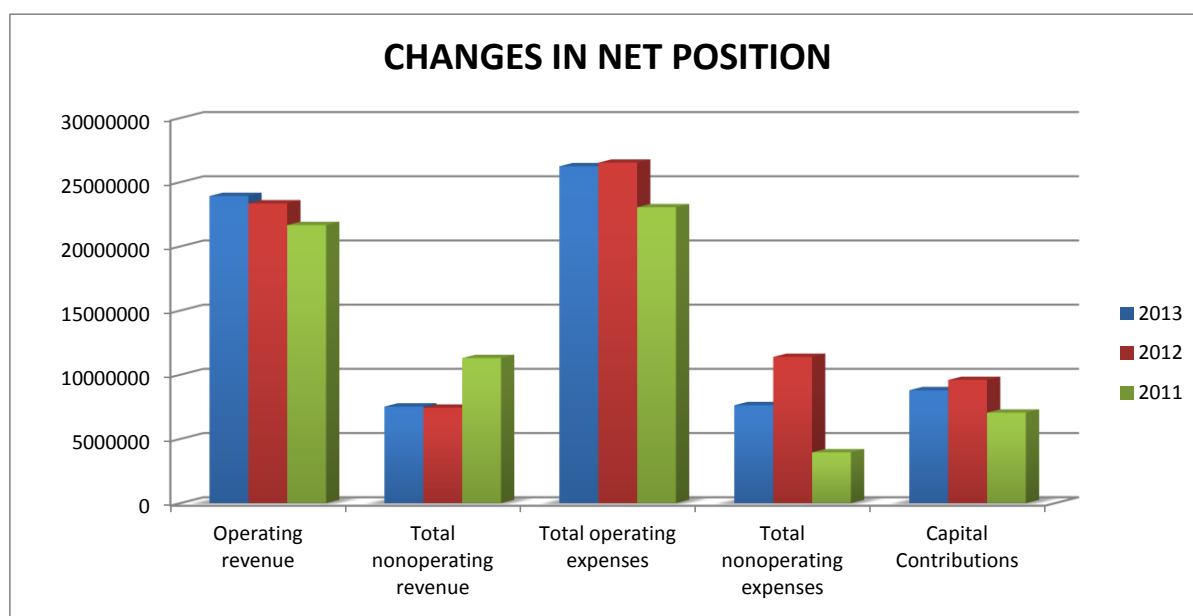
NET POSITION

	<u>2013</u>	<u>2012</u>	<u>2011</u>
ASSETS			
Current nonrestricted assets	\$ 76,195,501	\$ 65,531,447	\$ 59,154,211
Noncurrent restricted assets	23,879,724	45,537,089	51,708,832
Capital assets	535,890,304	520,272,102	522,780,583
Other noncurrent assets	2,330,920	3,496,380	4,661,840
Total assets	638,296,449	634,837,018	638,305,466
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	7,053,676	7,292,108	-
LIABILITIES			
Current liabilities	13,610,935	10,781,425	12,756,953
Long term obligations	204,648,614	210,657,952	207,114,707
Total liabilities	218,259,549	221,439,377	219,871,660
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	4,493,362	4,463,651	4,664,902
NET POSITION			
Net investment in capital assets	353,096,752	353,892,182	358,673,440
Restricted	4,356,180	4,344,825	4,897,586
Unrestricted	65,144,282	57,989,091	50,197,878
Total net position	\$ 422,597,214	\$ 416,226,098	\$ 413,768,904

CHANGES IN NET POSITION

Operating revenue increased in 2013 by approximately \$580,000. The increase is due to a one-time adjustment of approximately \$1.5 million to recognize user fees billed in January 2014 as 2013 revenue. This revenue adjustment is being accrued to 2013 because it reflects consumption by District customers from December. There was a net decrease of approximately \$208,000 in tax revenue in 2013. This was due to the certified mill levy for the 2004 voter-approved general obligation debt decreasing from 9.417 mills to 8.000 mills and the certified mill levy for operations increasing to 1.727 mills, after the temporary mill levy rate reduction for 2012. The decrease in interest expense in 2013 is primarily due to the interest expense savings resulting from the refunding of loans and bonds in 2012, the increase in capitalized interest on the 2010 loan for ongoing construction of the water treatment plant, and the amortization of bond premiums for the 2012 Revenue Refunding bonds and the 2012 General Obligation Refunding bonds. Capital contributions in the form of tap fees and system development fees decreased in 2013 by approximately \$870 thousand.

Operating revenue increased in 2012 by approximately \$1.7 million due to the 4% increase in the water rates, new connections from the sale of taps, and an increase in water consumption by customers in 2012. Tax revenue decreased by approximately \$2.7 million due to the certified mill levy for the 2004 voter-approved general obligation debt decreasing from 12.872 mills to 9.417 mills. Additionally, the certified 2012 mill levy for operations was .797 mills in 2012, which included a temporary mill levy rate reduction for 2012 of .930 mills. Depreciation expense increased in 2012 by approximately \$2.8 million due to placing the Rueter-Hess Reservoir in service in 2012. The increase in interest expense in 2012 is due to no longer capitalizing the interest expense on the 2004 CWRPDA loan for the construction of Rueter-Hess Reservoir. In 2011, interest expense of approximately \$8 million was capitalized which was not capitalized in 2012. Capital contributions in the form of contributed assets from developers and water rights decreased in 2012 by approximately \$2.1 million. Capital contributions in the form of tap fees and system development fees increased in 2012 by approximately \$4.6 million.

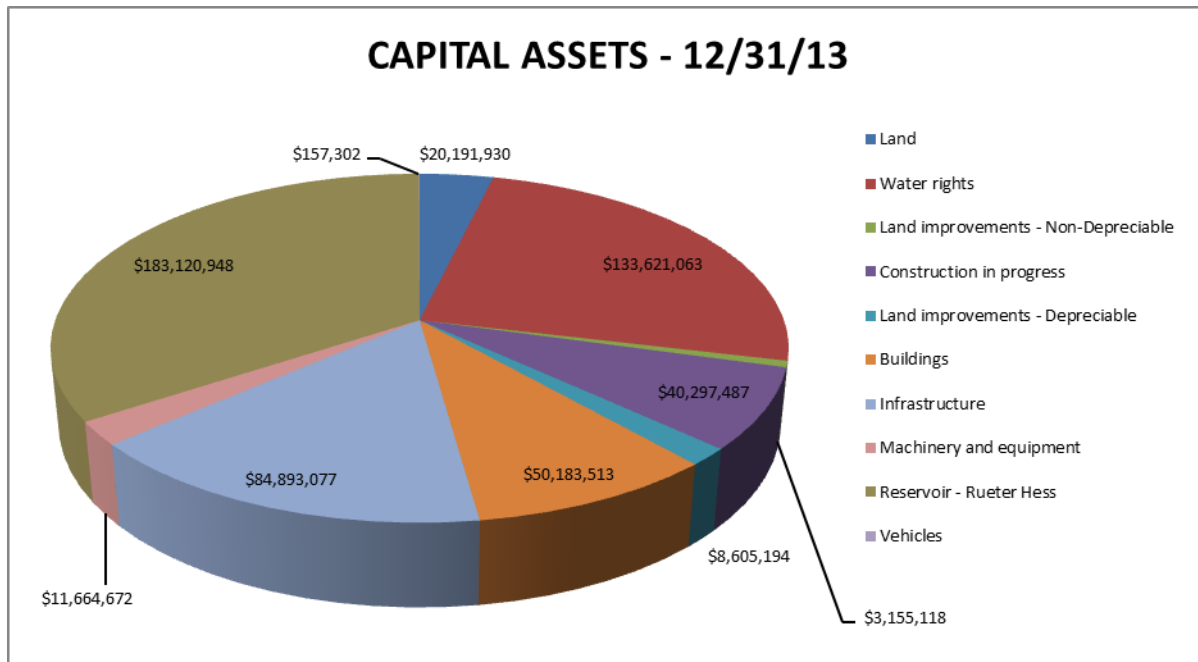


CHANGES IN NET POSITION

	<u>2013</u>	<u>2012</u>	<u>2011</u>
REVENUES			
Operating revenue	\$ 23,922,773	\$ 23,346,225	\$ 21,657,566
Nonoperating revenues			
Taxes, net of collection fees	4,683,211	4,891,040	7,744,439
Net investment income	484,145	677,734	1,164,754
Farm land revenue	436,485	435,066	356,131
Other	1,916,922	1,423,784	2,033,671
Total nonoperating revenue	7,520,763	7,427,624	11,298,995
Total revenues	31,443,536	30,773,849	32,956,561
EXPENSES			
Operating			
Salaries	4,214,621	4,319,118	4,047,121
Employee benefits	1,602,166	1,493,771	1,407,791
Insurance	167,674	168,922	184,241
Professional services	896,031	1,503,907	1,226,852
Support services	236,223	208,213	165,341
Utilities	3,407,978	3,244,414	3,207,981
Contract labor and maintenance	1,791,603	1,633,475	1,529,704
Supplies	1,369,298	1,376,989	1,178,432
Community education	65,483	51,395	103,023
Information technology	257,481	309,522	325,229
Miscellaneous	570,759	446,285	674,300
Depreciation	11,660,729	11,763,786	8,995,268
Total operating expenses	26,240,046	26,519,797	23,045,283
Nonoperating expenses			
Water resource farms	163,592	186,618	135,543
Interest	7,454,413	11,125,986	2,691,577
Loss on disposal of assets	7,016	76,243	1,125,768
Total nonoperating expenses	7,625,021	11,388,847	3,952,888
Total expenses	33,865,067	37,908,644	26,998,171
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(2,421,531)	(7,134,795)	5,958,390
Capital Contributions	8,792,647	9,591,989	7,045,916
CHANGES IN NET POSITION	6,371,116	2,457,194	13,004,306
NET POSITION - BEGINNING OF YEAR	416,226,098	413,768,904	400,764,598
NET POSITION - END OF YEAR	\$ 422,597,214	\$ 416,226,098	\$ 413,768,904

CAPITAL ASSETS

The District's investment in capital assets at December 31, 2013 amounted to \$535,890,304 (net of accumulated depreciation). This investment in capital assets includes land, water rights, buildings, distribution systems and furniture and equipment. Analysis of changes in capital assets is as follows:



CAPITAL ASSETS

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Land	\$ 20,191,930	\$ 20,191,930	\$ 16,903,615
Water rights	133,621,063	133,621,063	133,490,263
Land improvements - Non-Depreciable	3,155,118	3,155,118	1,559,406
Construction in progress	40,297,487	15,913,541	208,400,360
Land improvements - Depreciable	8,605,194	9,292,337	9,357,731
Buildings	50,183,513	51,381,558	53,504,783
Infrastructure	84,893,077	87,778,368	84,012,775
Machinery and equipment	11,664,672	13,541,661	15,412,702
Reservoir - Rueter Hess	183,120,948	185,249,612	-
Vehicles	157,302	146,914	138,948
Total capital assets - Net	<u>\$ 535,890,304</u>	<u>\$ 520,272,102</u>	<u>\$ 522,780,583</u>

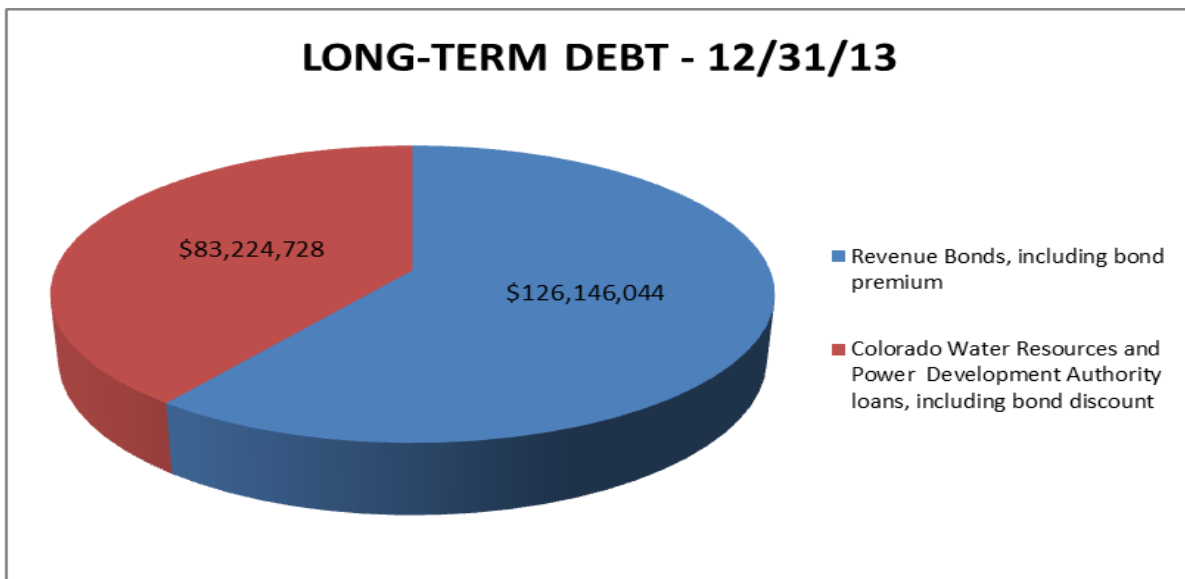
The major capital additions during 2013 and 2012 include:

	<u>2013</u>	<u>2012</u>
• Water Treatment Plant (in process)	\$23 million	\$5.6 million
• Wastewater Plants Upgrades	.8 million	.2 million
• Rueter-Hess Reservoir Project	.7 million	1.7 million
• Wells and Well Houses	.6 million	.4 million
• Infrastructure	.2 million	.2 million
• Contributed Water/Sewer Lines	.2 million	-
• Water Development (in process)	.1 million	.1 million
• Buildings	.1 million	-
• Buildings (in process)	-	.5 million

The amounts listed above for the Rueter-Hess Reservoir project and water treatment plant do not include capitalized interest. Additional information on the District's capital assets can be found in the notes to financial statements.

LONG-TERM DEBT

The District's long-term debt consists of the following:



LONG-TERM DEBT

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenue Bonds,	\$ 112,210,000	\$ 113,495,000	\$ 2,365,000
Add bond premium	13,936,044	14,482,575	-
Colorado Water Resources and Power Development Authority loans,	83,283,980	86,948,704	194,096,253
Less bond discount	(59,252)	(61,987)	(64,722)
Colorado Water Conservation Board loan	-	-	14,521,858
Total outstanding debt	<u>\$ 209,370,772</u>	<u>\$ 214,864,292</u>	<u>\$ 210,918,389</u>

No new debt was added in 2013. The reduction in outstanding debt in 2013 was due to scheduled principal repayments. More detailed information about the District's long-term liabilities is presented in Note 6 to the financial statements.

In 2012, the increase in Revenue Bonds was due to the 2012 Revenue Refunding Bonds and the 2012 General Obligation Refunding Bonds. During the refunding process for the 2012 General Obligation Refunding Bonds, the District received a rating of AA- from Standard & Poor's. The balance of the Colorado Water Resources and Power Development Authority loans decreased in 2012 due to the payoff of the 2002 CWRPDA Small Water loan's outstanding balance and the defeasement of the 2004 Small Water and Clean Water loan. The balance of the Colorado Water Conservation Board loan decreased in 2012 due to the payoff of the 2002 CWCB loan's outstanding balance through the refunding process. The net reduction in outstanding debt in 2012 was due to principal repayment.

LONG-TERM PLANNING

During 2013, the District was in the process of developing a long-term master plan which will clearly spell out infrastructure requirements to increase capacity of water and wastewater treatment in response to increased growth and demand over the next 20-years. Additionally, the District will also be faced with the need to replace or upgrade aging infrastructure/equipment and provide for routine maintenance of its systems. The plan is expected to be completed in mid-2014.

ECONOMIC FACTORS AND RATES

Rates for the water and sewer enterprises are set by the Board of Directors to meet the cost of operations and to fund debt service, except for the financing for the Rueter-Hess Reservoir. In 2013, there was no change to the water user fees. The sewer user fee flow rate increased in 2013 by \$.50 per 1,000 gallons. In 2012, the District increased the monthly water service charge from \$26.16 to \$27.21, a 4% increase. The 4% increase was also applied to each tier of the five tier water rate structure.

In 2013, water tap fees increased by \$500 to \$3,000 for each ¾ inch tap equivalent and sewer tap fees increased to \$5,850 for each ¾ inch tap equivalent. In 2013, the \$500 wastewater plant expansion fee was changed from a separate fee and added into the sewer tap fee. Water development fee rates remained unchanged in 2013 and 2012. In 2012, the District added a renewable water fee of \$750 for a ¾" tap and a wastewater plant expansion fee of \$500 for a ¾" tap.

REQUESTS FOR INFORMATION

This financial report is designed to give its readers a general overview of the District's finances. Questions regarding any information contained in this report or request for additional financial information should be addressed to: District Manager, Parker Water and Sanitation District, 19801 E. Mainstreet, Parker, CO 80138.

BASIC FINANCIAL STATEMENTS

PARKER WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
December 31, 2013 and 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 53,579,581	\$ 46,564,704
Investments	14,653,529	12,293,974
Accounts receivable		
Service fees	1,739,173	335,296
Inclusion fee	1,165,460	1,165,460
Other	530,709	569,429
Accrued interest receivable	29,987	135,233
Property taxes receivable	4,493,362	4,463,651
Other assets	3,700	3,700
Total current assets	76,195,501	65,531,447
NONCURRENT ASSETS		
Capital assets:		
Not being depreciated	197,265,598	172,881,652
Being depreciated (net of accumulated depreciation)	338,624,706	347,390,450
Total capital assets	535,890,304	520,272,102
Cash and cash equivalents - Restricted	19,640,453	28,921,293
Investments - Restricted	4,239,271	16,615,796
Inclusion fee receivable	2,330,920	3,496,380
Total noncurrent assets	562,100,948	569,305,571
TOTAL ASSETS	\$ 638,296,449	\$ 634,837,018
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	\$ 7,053,676	\$ 7,292,108

See Notes to Basic Financial Statements

PARKER WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
December 31, 2013 and 2012

	2013	2012
LIABILITIES		
CURRENT LIABILITIES		
Accounts and retainage payable	\$ 3,985,792	\$ 3,140,619
Accrued expenses	350,692	467,718
Accrued interest payable	3,191,812	1,735,585
Construction deposits	594,933	324,846
Current portion of long-term debt		
Bonds and notes payable	5,216,743	4,949,726
Compensated absences	270,963	162,931
Total current liabilities	13,610,935	10,781,425
NONCURRENT LIABILITIES		
Long-term debt:		
Bonds and notes payable	204,154,029	209,914,566
Compensated absences	122,817	425,096
Other post employment benefit	371,768	318,290
Total long-term liabilities	204,648,614	210,657,952
TOTAL LIABILITIES	\$ 218,259,549	\$ 221,439,377
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	\$ 4,493,362	\$ 4,463,651
NET POSITION		
Net investment in capital assets	353,096,752	353,892,182
Restricted for loan agreement requirements	4,356,180	4,344,825
Unrestricted	65,144,282	57,989,091
TOTAL NET POSITION	\$ 422,597,214	\$ 416,226,098

PARKER WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION
Years Ended December 31, 2013 and 2012

	2013	2012
OPERATING REVENUES		
Charges for services	\$ 23,641,284	\$ 23,024,528
Other operating income	281,489	321,697
Total operating revenue	<u>23,922,773</u>	<u>23,346,225</u>
OPERATING EXPENSES		
Salaries	4,214,621	4,319,118
Employee benefits	1,602,166	1,493,771
Insurance	167,674	168,922
Professional services	896,031	1,503,907
Support services	236,223	208,213
Utilities	3,407,978	3,244,414
Contract labor and maintenance	1,791,603	1,633,475
Supplies	1,369,298	1,376,989
Community education	65,483	51,395
Information technology	257,481	309,522
Miscellaneous	570,759	446,285
Depreciation	11,660,729	11,763,786
Total operating expenses	<u>26,240,046</u>	<u>26,519,797</u>
OPERATING (LOSS)	<u>(2,317,273)</u>	<u>(3,173,572)</u>
NONOPERATING REVENUES AND (EXPENSES)		
Property taxes	4,306,089	4,532,006
Specific ownership taxes	377,122	359,034
Farm land revenue	436,485	435,066
Water resource farms	(163,592)	(186,618)
Net investment income	484,145	677,734
Interest expenses/fees	(7,454,413)	(11,125,986)
(Loss) on disposal of assets	(7,016)	(76,243)
Other income	1,916,922	1,423,784
Total nonoperating revenues and (expenses)	<u>(104,258)</u>	<u>(3,961,223)</u>
(LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>(2,421,531)</u>	<u>(7,134,795)</u>
CAPITAL CONTRIBUTIONS		
Tap fees received	3,334,200	2,986,289
Contributed assets from developers	219,072	130,800
Water resource fees	155,000	170,000
System development fees	5,084,375	6,304,900
Total capital contributions	<u>8,792,647</u>	<u>9,591,989</u>
CHANGE IN NET POSITION	<u>6,371,116</u>	<u>2,457,194</u>
NET POSITION - BEGINNING OF YEAR, AS RESTATED	<u>416,226,098</u>	<u>413,768,904</u>
NET POSITION - END OF YEAR	<u>\$ 422,597,214</u>	<u>\$ 416,226,098</u>

See Notes to Basic Financial Statements

PARKER WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers/operations	\$ 22,827,703	\$ 23,471,972
Cash payments to suppliers for goods and services	(9,057,088)	(8,710,595)
Cash payments to employees for services	(6,074,582)	(5,510,067)
Net cash flows provided from operating activities	<u>7,696,033</u>	<u>9,251,310</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property and specific ownership tax, net of fees	1,152,222	721,335
Other nonoperating revenue	3,518,867	3,024,310
Other nonoperating expenses	(163,592)	(186,618)
Net cash provided by noncapital financing activities	<u>4,507,497</u>	<u>3,559,027</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Tap fees collected	3,334,200	2,986,289
Water resource fees received	155,000	170,000
System development fees received	5,084,375	6,304,900
Property tax revenue for debt service, net of fees	3,530,989	4,169,705
Acquisition of property and equipment	(24,579,246)	(9,633,733)
Proceeds on sales of capital assets	27,362	14,629
Debt proceeds, including premium	-	128,349,701
Bond issue costs	-	(1,068,969)
Principal paid	(4,949,724)	(30,734,407)
Defeasement of debt	-	(100,862,110)
Interest paid	(7,678,810)	(12,748,993)
Net cash (used in) capital and related financing activities	<u>(25,075,854)</u>	<u>(13,052,988)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	15,001,000	47,367,000
Purchase of investments	(5,126,208)	(11,341,092)
Interest received	731,569	1,603,689
Net cash provided by investing activities	<u>10,606,361</u>	<u>37,629,597</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,265,963)	37,386,946
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	75,485,997	38,099,051
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 73,220,034</u>	<u>\$ 75,485,997</u>

(Continued)

**PARKER WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS (Continued)
Years Ended December 31, 2013 and 2012**

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) from operations	\$ (2,317,273)	\$ (3,173,572)
Adjustments to reconcile (loss) from operations to net cash provided by operating activities:		
Depreciation and amortization	11,660,729	11,763,786
Changes in assets and liabilities related to operations:		
Accounts receivable	(1,365,157)	28,342
Accounts and retainage payable	(294,558)	232,527
Accrued expenses	(117,026)	165,031
Compensated absences	(194,247)	84,348
Other post employment benefits	53,478	53,443
Construction deposits	270,087	97,405
Total adjustments	10,013,306	12,424,882
Net cash provided by operating activities	\$ 7,696,033	\$ 9,251,310

Cash flows from capital and related financing activities do not include \$219,072 and \$130,800 of water rights and/or water and sewer lines contributed to the District during 2013 and 2012, respectively; \$1,139,731 and \$(979,139) of acquisition of capital assets through accounts payable for 2013 and 2012, respectively; and \$142,178 and \$(797,980) of market value adjustment on investments for 2013 and 2012, respectively.

See Notes to Basic Financial Statements

**PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 1 - DEFINITION OF REPORTING ENTITY

Parker Water and Sanitation District (District), a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Douglas County, Colorado. The District was established to provide water and sanitation services.

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

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

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

Basis of Accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets.

Operating Revenues and Expenses

The District distinguishes between operating revenues and expenses and nonoperating items in the Statements of Revenues, Expenses and Changes in Fund Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing water and sanitation services to its customers. Operating revenues consist of charges to customers for services provided.

**PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating expenses include the cost of service, administrative expenses and depreciation of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

It is the District's policy to apply restricted resources first when expenses are incurred for purposes for which both restricted and unrestricted resources are available for use.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The appropriation is at the total fund expenditures level and lapses at year end. Contributions of water and/or sewer lines are not reflected as a budgetary revenue or expenditure as they do not generate or require the use of funds available.

Cash Equivalents and Investments

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

The District's investments are reported at fair value, based on quoted market prices. The reported value of the local government investment pool is valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940, which approximates the fair value.

Certain proceeds of bonds, as well as resources set aside for their repayment, are classified as restricted assets. Cash and cash equivalents restricted for the construction of noncurrent assets, including the District's new water treatment plant, are also classified as noncurrent on the statement of net position.

Accounts Receivable and Unbilled Revenue

The District utilizes cycle billing and accrues an estimated amount of revenues for sales unbilled at the end of each reporting period. The unbilled amount plus any amounts billed to customers but not yet received by the District, is recorded as accounts receivable and accrued water sales. Management has a history of high accounts receivable collections and has not recorded any bad debt expense in recent years. As a result, management has not recorded an allowance for uncollectible accounts as of December 31, 2013 or 2012, as they consider amounts fully collectible.

**PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include land, water rights, buildings, water and sewer distribution and collection systems and furniture and equipment, are reported by the District. 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. The District's capitalization threshold is \$5,000. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Land improvements	10-20 years
Buildings	25-50 years
Infrastructure	30-65 years
Machinery and equipment	5-30 years
Reservoir	75 years
Vehicles	5-8 years

Capitalized Interest

Interest incurred during construction is reflected in the capitalized value of the asset constructed. Interest expense capitalized during the years ended December 31, 2013 and 2012 was \$1,375,260 and \$560,783, respectively.

Water Rights

The District's water rights include those contributed by developers, in addition to those acquired by the District. Contributed water rights are reported at fair value based on an estimated price per acre-foot of water as of the date of the contribution. The cost of water rights includes acquisition cost, legal and engineering costs related to the development and augmentation of those rights. All other costs, including costs incurred for the protection of those rights, are expensed.

The District has developed a varied water rights portfolio, including Denver Basin aquifer ground water and Cherry Creek alluvial ground water, as well as the rights to re-use and store this water on a year-round basis. These developed water rights provide a dependable water supply for District customers. The District's pending and adjudicated water rights portfolio includes approximately 32,400 acre-feet of water per year. The water rights of the District do not have a definite useful life; therefore no amortization expense is being recognized on them in accordance with GASB Statement No. 51.

**PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

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

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The deferred inflow of property tax revenue is recorded as revenue in the year they are collected and budgeted for use.

Capital Contributions

Capital contributions are comprised of tap fees, water resource fees and other development fees and are recorded as capital contributions when received. Lines contributed to the District by developers are recorded as capital contributions and additions to the systems at the estimated fair value when received.

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports unavailable revenues from one source, property taxes. This amount is deferred and recognized as an inflow of resources in the year the property taxes are levied and budgeted for.

**PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Full-time employees, who have been employed by the District for one or more years, receive annual vacation leave with pay. Part-time employees are not entitled to paid vacations. Vacation time of five to fifteen days may be carried over from one year to the next depending upon the employee's length of service. No more than 25 days may be accumulated at any point in time. The District's sick leave policy permits the accumulation of eight hours per month up to a maximum of 96 hours per year. Part-time employees are not entitled to any sick leave.

Employees with less than five years of service are not paid for unused sick days upon termination of employment. Employees with five to fourteen years of service are paid for 50% of unused sick days upon termination of employment. Employees with fifteen years of service are paid for 100% of unused sick days upon termination of employment. The District's sick leave policy permits a maximum accumulation of 520 sick hours.

Implementation of New Standards

Effective January 1, 2013, the District implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The adoption of this Statement reclassified certain assets and liabilities to deferred outflows/inflows of resources and the District restated net position, as disclosed in Note 14.

Reclassifications

Certain amounts in the 2012 financial statements have been reclassified with no effect on net position or change in net position to conform with current year presentations.

NOTE 3 - CASH AND INVESTMENTS

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The total market value of all pledged assets must exceed 102% of the banks aggregate uninsured public deposits at all times.

The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

**PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

For deposits, custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be returned. All institutions holding the District's deposits are currently certified as eligible public depositories in accordance with the statutes. At December 31, 2013 and 2012, the District's cash deposits had a carrying balance of \$25,856,091 and \$12,722,655, respectively.

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments, and entities such as the District, may invest. The District has adopted an investment policy which is more restrictive and limits investments to:

- Obligations of the United States and certain U.S. government agency securities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Local government investment pools

Other investments include investments in local government pools of government-backed securities. Local government investment pools in Colorado must be organized under Colorado Revised Statutes, and are therefore subject to oversight by the Colorado Securities Commission, with quarterly reporting and annual audits required. The fair value of the District's position in the external investment pools is the same as the value of the pool shares. The investment pools are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940, which approximates the fair value.

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

Interest Rate Risk

The District owned the following investments as of December 31, 2013:

	Fair Value	Remaining Maturity		
		12 Months or Less	13 - 24 Months	25 - 36 Months
U.S. Government Agencies	\$ 17,088,066	\$ 5,061,857	\$ 9,620,102	\$ 2,406,107
U.S. Treasury Notes	1,804,734	1,804,734	-	-
Investments held in trust	46	46	-	-
Local government investment pools	27,840,353	27,840,353	-	-
Federated Prime Obligation	19,523,544	19,523,544	-	-
	<u>\$ 66,256,743</u>	<u>\$ 54,230,534</u>	<u>\$ 9,620,102</u>	<u>\$ 2,406,107</u>

**PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

The District owned the following investments as of December 31, 2012:

	Fair Value	Remaining Maturity		
		12 Months or Less	13 - 24 Months	25 - 36 Months
U.S. Government Agencies	\$ 26,499,270	\$ 13,982,256	\$ 5,286,000	\$ 7,231,014
U.S. Treasury Notes	2,410,500	600,515	1,809,985	-
Investments held in trust	934	934	-	-
Local government investment pools	34,948,184	34,948,184	-	-
Federated Prime Obligation	27,814,224	27,814,224	-	-
	<u>\$ 91,673,112</u>	<u>\$ 77,346,113</u>	<u>\$ 7,095,985</u>	<u>\$ 7,231,014</u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a counterparty's failure, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2013, none of the District's investments were insured, but they were all registered in the District's name and held by the counterparty or the counterparty's trust department, and are therefore, not exposed to custodial credit risk. GASB has concluded that investments in Mutual Funds and external investment pools are not exposed to custodial credit risk.

The District invests in Colorado Government Liquid Asset Trust Plus (Colotrust Plus) and the Colorado Surplus Asset Fund Trust (CSAFE), both established for Colorado local governments surplus fund pooling. Both pools are regulated by the Colorado Securities Commissioner. Pool investments consist of U.S. Treasury bills, notes and note strips, commercial paper allowed by state statute and repurchase agreements collateralized by U.S. Treasury securities and or instrumentalities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Securities owned by the pools 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 the specific pool. Colotrust Plus and CSAFE are 2a-7-like investment pools and are both rated by Standards and Poor's and Moody's with current ratings of AAA and Aaa. Investments and investment pools are recorded at fair value.

**PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The District does not have a policy that addresses specific limitations on the amount that can be invested in any one issuer, but does require diversification of investments, excluding U.S. Treasury securities. As of December 31, 2013, more than 5% of the District's investments are concentrated in Federal Home Loan Mortgage Corporation securities (10.3%), Federal Home Loan Bank securities (5.5%), and Federal National Mortgage Association securities (5.5%). As of December 31, 2012, more than 5% of the District's investments are concentrated in Federal Home Loan Mortgage Corporation securities (10.3%), Federal Home Loan Bank securities (6.1%), and Federal National Mortgage Association securities (8.4%). The District's investments in local government investment pools and the Federated Prime Obligation Money Market fund are not subject to concentration of credit risk.

Credit Risk

As of December 31, 2013 and 2012, the District had invested \$27,840,353 and \$34,948,184, respectively, in the Colorado Local Government Liquid Asset Trust (the Trust) and CSAFE, investment vehicles established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing local government investment pools. The Trust and CSAFE operate similarly to a money market fund and each share is equal in value to \$1.00. The two funds of the Trust and the CSAFE fund are rated AAAM by Standard & Poor's.

As of December 31, 2013 and 2012, the District had invested \$19,523,544 and \$27,814,224, respectively, in Federated Prime Obligations fund, a money market fund. This fund is rated AAAM by Standard & Poor's.

The U.S. agency securities are rated AA+ by Standard & Poor's, as of December 31, 2013 and 2012. The U.S. Treasury notes are not subject to credit risk as they are explicitly guaranteed by the U.S. government.

Cash and investments are restricted for the following purposes:

	2013	2012
Restricted Trust for Capital Improvements	\$ 46	\$ 934
Restricted for Operating Reserve	116,863	1,106,135
Restricted for Water Treatment Plant	19,523,544	27,814,224
Cash and cash equivalents - Restricted	<u>\$ 19,640,453</u>	<u>\$ 28,921,293</u>
Restricted for Operating Reserve	\$ 4,239,271	\$ 3,237,756
Restricted for Water Treatment Plant	-	13,378,040
Investments - Restricted	<u>\$ 4,239,271</u>	<u>\$ 16,615,796</u>

**PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Operating Reserve

The loan agreements with the Colorado Water Resources and Power Development Authority generally require that the District maintain a three month operating reserve. For this purpose, the District had restricted cash and investments of \$4,356,180 and \$4,344,825 at December 31, 2013 and 2012, respectively.

Water Treatment Plant

The loan documents for the 2010 loan with the Colorado Water Resources and Power Development Authority require that the proceeds from the loan be applied only to the expenses of acquiring, constructing and equipping the project. In the event that all of the proceeds of the loan are not required to pay such expenses, any remaining amount shall be used for paying principal and interest on the loan. For this purpose, the District had restricted cash and investments of \$19,523,644 and \$41,192,264 at December 31, 2013 and 2012, respectively.

At December 31, 2013 and 2012, cash deposits and investments are classified on the statements of net position as follows:

	2013	2012
Cash and cash equivalents	\$ 53,579,581	\$ 46,564,704
Cash and cash equivalents - Restricted	19,640,453	28,921,293
Investments	14,653,529	12,293,974
Investments - Restricted	4,239,271	16,615,796
	\$ 92,112,834	\$ 104,395,767
Cash deposits	\$ 25,856,091	\$ 12,722,655
Investments	66,256,743	91,673,112
	\$ 92,112,834	\$ 104,395,767

NOTE 4 - INCLUSION FEES

The District carried a receivable for the RidgeGate inclusion fee for \$3,496,380 and \$4,661,840 at December 31, 2013 and 2012, respectively. The receivable bears interest at 6.25%. At December 31, 2013, the current and noncurrent portions of the receivable were \$1,165,460 and \$2,330,920, respectively. At December 31, 2012, the current and noncurrent portions of the receivable were \$1,165,460 and \$3,496,380, respectively. At December 31, 2013, there were three remaining annual inclusion fee payments of \$1,165,460 due to the District.

PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 5 - CAPITAL ASSETS

An analysis of the changes in capital assets for the years ended December 31, 2013 and 2012 follows:

	2013			Balance at December 31, 2013
	Balance at December 31, 2012	Increases	Decreases	
Capital assets, not being depreciated:				
Land	\$ 20,191,930	\$ -	\$ -	\$ 20,191,930
Water rights	133,621,063	-	-	133,621,063
Land improvements	3,155,118	-	-	3,155,118
Construction in progress	15,913,541	24,885,274	501,328	40,297,487
Total capital assets, not being depreciated	172,881,652	24,885,274	501,328	197,265,598
Capital assets, being depreciated:				
Land improvements	14,394,657	31,657	-	14,426,314
Buildings	71,400,016	920,698	10,386	72,310,328
Infrastructure	115,216,096	219,072	-	115,435,168
Machinery and equipment	53,437,177	957,423	565,054	53,829,546
Reservoir - Rueter Hess	188,092,613	738,756	-	188,831,369
Vehicles	1,555,455	61,757	94,569	1,522,643
Total capital assets, being depreciated	444,096,014	2,929,363	670,009	446,355,368
Less accumulated depreciation for:				
Land improvements	5,102,320	718,800	-	5,821,120
Buildings	20,018,458	2,112,563	4,206	22,126,815
Infrastructure	27,437,728	3,104,363	-	30,542,091
Machinery and equipment	39,895,516	2,806,214	536,856	42,164,874
Reservoir - Rueter Hess	2,843,001	2,867,420	-	5,710,421
Vehicles	1,408,541	51,369	94,569	1,365,341
Total accumulated depreciation	96,705,564	11,660,729	635,631	107,730,662
Total capital assets, being depreciated, net	347,390,450	(8,731,366)	34,378	338,624,706
Capital assets, net	\$ 520,272,102	\$ 16,153,908	\$ 535,706	\$ 535,890,304

**PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	2012			
	Balance at December 31, 2011	Increases	Decreases	Balance at December 31, 2012
	Capital assets, not being depreciated:			
Land	\$ 16,903,615	\$ 3,289,643	\$ 1,328	\$ 20,191,930
Water rights	133,490,263	130,800	-	133,621,063
Land improvements	1,559,406	1,595,712	-	3,155,118
Construction in progress	208,400,360	6,756,073	199,242,892	15,913,541
Total capital assets, not being depreciated	360,353,644	11,772,228	199,244,220	172,881,652
Capital assets, being depreciated:				
Land improvements	13,752,903	661,754	20,000	14,394,657
Buildings	71,503,540	45,061	148,585	71,400,016
Infrastructure	108,351,015	6,865,081	-	115,216,096
Machinery and equipment	52,874,653	1,057,465	494,941	53,437,177
Reservoir - Rueter Hess	-	188,092,613	-	188,092,613
Vehicles	1,526,697	94,866	66,108	1,555,455
Total capital assets, being depreciated	248,008,808	196,816,840	729,634	444,096,014
Less accumulated depreciation for:				
Land improvements	4,395,172	719,648	12,500	5,102,320
Buildings	17,998,757	2,105,352	85,651	20,018,458
Infrastructure	24,338,240	3,099,488	-	27,437,728
Machinery and equipment	37,461,951	2,909,397	475,832	39,895,516
Reservoir - Rueter Hess	-	2,843,001	-	2,843,001
Vehicles	1,387,749	86,900	66,108	1,408,541
Total accumulated depreciation	85,581,869	11,763,786	640,091	96,705,564
Total capital assets, being depreciated, net	162,426,939	185,053,054	89,543	347,390,450
Capital assets, net	\$ 522,780,583	\$ 196,825,282	\$ 199,333,763	\$ 520,272,102

**PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 6 - LONG-TERM LIABILITIES

The following is an analysis of the changes in the District's long-term obligations for the years ended December 31, 2013 and 2012.

	Interest Rates	Balance at January 1, 2013	New Issues	Retirements	Balance at December 31, 2013	Due Within One Year
1994 CWRPDA Clean Water Loan	5.65%	\$ 246,146	\$ -	\$ 117,722	\$ 128,424	\$ 128,424
1994 CWRPDA Small Water Loan	4.892	87,500	-	45,833	41,667	41,667
1997 CWRPDA Clean Water Loan	4.543	1,040,735	-	192,135	848,600	197,473
1997 CWRPDA Small Water Loan	5.37	1,678,333	-	312,500	1,365,833	328,333
2000 CWRPDA Clean Water Loan	5.71	5,901,972	-	630,462	5,271,510	656,952
2000 CWRPDA Small Water Loan	4.66	9,302,498	-	472,500	8,829,998	544,166
2001 CWRPDA Clean Water Loan	4.01	2,606,904	-	246,744	2,360,160	257,472
2002 CWRPDA Clean Water Loan	3.62	11,789,616	-	276,828	11,512,788	282,256
2004 CWRPDA Small Water and Clean Water Loan	5.118	2,810,000	-	1,370,000	1,440,000	1,440,000
2010 CWRPDA Loan	5.78	51,485,000	-	-	51,485,000	-
Less Bond Discount		(61,987)	-	(2,735)	(59,252)	-
2012 Revenue Refunding Bonds	2.0-5.0	22,945,000	-	1,085,000	21,860,000	1,100,000
Add Bond Premium		3,122,122	-	175,072	2,947,050	-
2012 General Obligation Refunding Bonds	2.0-5.0	90,550,000	-	200,000	90,350,000	240,000
Add Bond Premium		11,360,453	-	371,459	10,988,994	-
Total long-term debt		\$ 214,864,292	\$ -	\$ 5,493,520	\$ 209,370,772	\$ 5,216,743

**PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

	Interest	Balance at		Balance at		Due
	Rates	January 1, 2012	New Issues	Retirements	December 31, 2012	Within One Year
1994 CWRPDA Clean Water Loan	5.65%	\$ 358,517	\$ -	\$ 112,371	\$ 246,146	\$ 117,722
1994 CWRPDA Small Water Loan	4.892	128,333	-	40,833	87,500	45,834
1997 CWRPDA Clean Water Loan	4.543	1,222,196	-	181,461	1,040,735	192,136
1997 CWRPDA Small Water Loan	5.37	1,975,833	-	297,500	1,678,333	312,500
Water and Sewer Revenue						
Refunding Bonds,						
Series 1998	4.65-4.85	1,870,000	-	1,870,000	-	-
2000 CWRPDA Clean Water Loan	5.71	6,511,242	-	609,270	5,901,972	630,462
2000 CWRPDA Small Water Loan	4.66	9,750,832	-	448,334	9,302,498	472,500
2001 CWRPDA Clean Water Loan	4.01	2,848,284	-	241,380	2,606,904	246,744
Water and Sewer Revenue						
Refunding Bonds,						
Series 2001	4.0-4.6	495,000	-	495,000	-	-
2002 CWRPDA Clean Water Loan	3.62	12,061,016	-	271,400	11,789,616	276,828
2002 CWRPDA Small Water Loan	5.21	10,055,000	-	10,055,000	-	-
2002 CWCB Loan	4.5	14,521,858	-	14,521,858	-	-
2004 CWRPDA Small Water						
and Clean Water Loan	5.118	97,700,000	-	94,890,000	2,810,000	1,370,000
2010 CWRPDA Loan	5.78	51,485,000	-	-	51,485,000	-
Less Bond Discount		(64,722)	-	(2,735)	(61,987)	
2012 Revenue Refunding Bonds	2.0-5.0	-	23,215,000	270,000	22,945,000	1,085,000
Add Bond Premium		-	3,224,248	102,126	3,122,122	
2012 General Obligation Refunding Bonds	2.0-5.0	-	90,550,000	-	90,550,000	200,000
Add Bond Premium		-	11,360,453	-	11,360,453	-
Total long-term debt		\$ 210,918,389	\$ 128,349,701	\$ 124,403,798	\$ 214,864,292	\$ 4,949,726

**PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

Loan Agreement, Colorado Water Resources and Power Development Authority, dated October 21, 2010

Principal payments are due August 1 starting in 2023. This loan was issued as federally taxable bonds designated as a Build America Bond (BAB) pursuant to sections of the Internal Revenue Code and provisions of the American Recovery and Reinvestment Act of 2009. The District expects to receive a cash subsidy payment from the US Treasury equal to 35% of the interest payable on the loan. The interest rate net of the BAB subsidy is 3.85%.

Colorado Water Resources and Power Development Authority and Colorado Water Conservation Board Loan Covenants

The District has pledged the revenue from the operation and use of its facilities and other legally available revenue, after the payment of operation and maintenance expenses of the system, for the repayment of the above referenced loans. The loan agreements contain various restrictive covenants and requirements, including rate covenants, maintenance of a three month operating reserve (see Note 3) and compliance with an additional bond and/or indebtedness test. At December 31, 2013 and 2012, the District was in compliance with these covenants and requirements of the loan agreements.

Loan Agreement, Colorado Water Resources and Power Development Authority, dated June 15, 2004

Principal paid February 1 and August 1. This loan constitutes a general obligation debt of the District. On May 4, 2004, voters of the District authorized the District to levy property taxes to pay the loan. Such taxes are intended to be used as a guaranty for payment of the loan only if the Board of Directors determines other revenues are not sufficient to pay the debt service on the loan. During 2013 and 2012, the District recognized \$3,530,989 and \$4,169,705, respectively, in property tax revenue to pay the debt service on the loan. As of December 31, 2012, \$93,570,000 of the District's 2004 CWRPDA Loan was defeased but outstanding. The property tax revenue is pledged to support the 2012 General Obligation Refunding Bonds that defeased the 2004 Loan.

Water and Sewer Revenue Refunding Bonds, Series 2012, dated June 13, 2012

Principal payments due November 1. These bonds require a reserve fund which is currently funded by an insurance policy in the amount of \$2,205,050.

**PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

These bonds also require that charges pertaining to the System shall be at least sufficient so that the gross pledged revenues annually are sufficient to pay in each fiscal year: (a) an amount equal to the annual operation and maintenances for such fiscal year; (b) an amount equal to 110% of both the principal and interest on the 2012 Bonds and any parity bonds then outstanding payable from the net pledged revenues in that fiscal year (excluding the reserves therefore); and (c) any amounts required to pay all policy costs, if any, due and owing and all sums, if any, due and owing to meet then existing deficiencies pertaining to any fund or account relating to the gross pledged revenues or any securities payable therefrom.

General Obligation Refunding Bonds, Series 2012, dated December 27, 2012

Principal payments due August 1. On May 4, 2004, voters of the District authorized the District to levy property taxes to pay this debt. Such taxes are intended to be used as guaranty for payment of the bonds only if the Board of Directors determines other revenues are not sufficient to pay the debt service on the bonds.

Refundings

On June 13, 2012, the District refunded and paid \$26,941,858, which was the outstanding balance of the Water and Sewer Revenue Bonds, Series 1998 and Series 2001, the 2002 Colorado Water Resources and Power Development Authority Small Water Loan, and the 2002 Colorado Water Conservation Board Loan by the issuance of the \$23,215,000 2012 Revenue Refunding Bonds dated June 13, 2012 with an average interest rate of 2.81%.

The District reduced its aggregate debt service payments by approximately \$5,865,000 over the next 18 years, 2013 through 2030, and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately \$4,262,000.

On December 27, 2012, the District advance refunded and defeased \$93,570,000 of the 2004 CWRPDA Loan dated June 15, 2004 with an average interest rate of 5.118% by the issuance of the \$90,550,000 2012 General Obligation Refunding Bonds dated December 27, 2012 with an average interest rate of 3.84%. The defeased bonds are not considered a liability of the District since sufficient funds \$101,221,962 were deposited with a trustee for the purpose of paying the principal and interest of the defeased bonds when due.

The District reduced its aggregate debt service payments by approximately \$22,248,000 over the next 31 years, 2013 through 2043, and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately \$15,076,000.

**PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

The District's long-term obligations, excluding the accrual for compensated absences and bond discounts will mature as follows:

	Principal	Interest	Total
2014	\$ 5,216,743	\$ 8,875,930	\$ 14,092,673
2015	5,509,635	8,659,554	14,169,189
2016	5,624,557	8,456,990	14,081,547
2017	5,954,383	8,229,588	14,183,971
2018	6,109,997	8,002,915	14,112,912
2019-2023	32,947,573	35,797,263	68,744,836
2024-2028	35,036,092	29,314,965	64,351,057
2029-2033	43,125,000	20,810,733	63,935,733
2034-2038	31,820,000	9,927,935	41,747,935
2039-2043	24,150,000	3,740,000	27,890,000
	<u>\$ 195,493,980</u>	<u>\$ 141,815,873</u>	<u>\$ 337,309,853</u>

Changes in the District's accrued benefits payable are as follows:

	Balance January 1, 2013	Incurred	Retired	Balance December 31, 2013	Due Within One Year
Compensated absences payable	\$ 588,027	\$ 369,942	\$ 564,189	\$ 393,780	\$ 270,963

	Balance January 1, 2012	Incurred	Retired	Balance December 31, 2012	Due Within One Year
Compensated absences payable	\$ 503,679	\$ 310,829	\$ 226,481	\$ 588,027	\$ 162,931

**PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 7 - NET POSITION

The District has net position consisting of three components - net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, plus unspent debt proceeds, and reduced by the outstanding balances of bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2013 and 2012, the District had a net investment in capital assets calculated as follows:

	2013	2012
Capital assets, net of accumulated depreciation	\$ 535,890,304	\$ 520,272,102
Unspent debt proceeds	19,523,544	41,192,264
Bonds and notes payable	(209,370,772)	(214,864,292)
Deferred charge on refunding	7,053,676	7,292,108
	\$ 353,096,752	\$ 353,892,182

Restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. See Note 3 for restrictions of assets as of December 31, 2013 and 2012.

Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted.

The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

NOTE 8 - COMMITMENTS

Construction Commitments

As of December 31, 2013 and 2012, the District had unexpended construction related contract commitments of approximately \$10,164,449 and \$27,135,267, respectively.

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2013 and 2012. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, equipment breakdown and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

**PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 9 – RISK MANAGEMENT (CONTINUED)

The District pays annual premiums to the Pool for liability, property, public officials liability and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

The District provides health insurance to its employees through its participation in the Colorado Employer Benefit Trust (CEBT), a public entity risk pool formed in 1980. CEBT has approximately 260 participating groups and is governed by a Board of Trustees made up of representatives from participating groups. The purpose of the Trust is to spread the risk of adverse claims over a large base of members and reduce administration costs. Since the pool is self-insured, the participating groups are able to benefit from positive overall claims experience and low administrative costs. Settled claims have not exceeded this coverage in any of the past three fiscal years.

NOTE 10 - DEFINED CONTRIBUTION PLAN

The employees of the District participate in a defined contribution plan established by the District and maintained and administered by Great-West Life and Annuity Insurance Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees become plan members immediately upon employment. Under this plan, 9% of the plan members' compensation is withheld and remitted to the Plan Administrator along with a matching payment of 10% from the District. The District's contributions, plus earnings, become vested at a rate of 20% for each year of participation in the plan. District contributions for plan members who leave employment before they are fully vested are returned to the District. There is no liability for benefits under the plan beyond the District's matching payments. Plan provisions and contribution requirements are established and may be amended by the District's Board of Directors.

Contributions actually made by plan members and the District for the year ended December 31, 2013 and 2012 are as follows:

	2013	2012
Plan members	\$ 408,565	\$ 369,410
District	\$ 443,649	\$ 424,907

**PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 11 - DEFERRED COMPENSATION PLAN - ASSETS IN TRUST

The District has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is administered by Great-West Life and Annuity Insurance Company. Participation in the plan is optional for all employees. The plan allows the employees to defer a portion of their salary until future years. The District matches deferrals by employees up to 5% of the employees' payroll. Contributions made to this plan by the District were \$172,392 for 2013 and \$158,223 for 2012.

NOTE 12 - TAX, SPENDING AND DEBT LIMITATIONS

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

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes a significant portion of its operations qualifies for this exclusion.

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

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

NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description. Parker Water and Sanitation District administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The plan provides healthcare insurance for plan members, eligible retirees and their family members, from the date of retirement until the retiree reaches age 65. Health insurance coverage is provided through the District's group health insurance plan, which covers both active and retired members.

Funding Policy. The District does not contribute to the cost of the premiums for plan members. Plan members contribute 100% of the premium costs, they are paid implicitly over time through employer subsidization of active premiums that would be lower if retirees were not part of the experience group. As of December 31, 2013 and 2012, there was one District retiree participating in the plan.

**PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation. The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$ 55,569
Interest on net OPEB obligation	5,320
Adjustment to annual required contribution	(7,411)
Annual OPEB cost (expense)	53,478
Contributions made	-
Increase in net OPEB obligation	53,478
Net OPEB obligation - Beginning of year	318,290
Net OPEB obligation - End of year	\$ 371,768

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2013 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/11	\$ 53,443	0%	\$ 264,847
12/31/12	53,443	0%	318,290
12/31/13	53,478	0%	371,768

Funded Status and Funding Progress. As of December 31, 2011 when the most recent calculation was made, the actuarial accrued liability for benefits was \$379,224, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$4,034,246, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 9.40%.

**PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 63.

Marital status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality - Life expectancies were based on mortality tables from the RP2000 Mortality Table for Males and Females projected 10 years.

Turnover - Standard turnover assumptions from GASB Statement 45 - paragraph 35b were used as the basis for the turnover assumption.

Healthcare cost trend rate - The expected rate of increase in healthcare insurance premiums was based on the Getzen model promulgated by the Society of Actuaries for use in long-term trend projection.

Health insurance premiums - 2011 health insurance premiums for plan members were used as the basis for calculation of the present value of total benefits to be paid.

Payroll growth rate - The expected long-term payroll growth rate was assumed to be 2.9%.

Based on the historical and expected returns of the District's investment portfolio, a discount rate of 2.5% was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2013, was 26 years.

**PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 14 - RESTATEMENT

As a result of the adoption of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the beginning net position of the District was restated. The effect on fiscal year 2012 is as follows:

Net position December 31, 2011, as previously reported	\$ 414,282,470
Bond issuance costs previously reported as assets	<u>(513,566)</u>
Net position December 31, 2011, as restated	413,768,904
2012 change in net position as previously reported	3,491,900
Change in 2012 bond issuance expense	<u>(1,034,706)</u>
Net position December 31, 2012, as restated	<u><u>\$ 416,226,098</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

PARKER WATER AND SANITATION DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
Year Ended December 31, 2013

Actuarial Valuation Date	Actuarial Value of Assets(a)	Actuarial Liability (AAL)- Accrued Simplified Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
12/31/2008	\$ -	\$ 330,169	\$ 330,169	- %	\$ 3,817,849	8.65%
12/31/2011	-	379,224	379,224	-	4,034,246	9.40

The information presented in the required supplementary schedule was determined as part of the actuarial valuation date as of December 31, 2011. Additional information follows:

1. The actuarial method used to determine the ARC is the alternate measurement method.
2. There are no plan assets.
3. The actuarial assumptions included: (a) 2.5 percent discount rate; (b) healthcare cost trend rate based on the Getzen model promulgated by the Society of Actuaries and (c) 2.9 percent payroll growth rate.
4. The amortization method is level percentage of projected payroll on an open basis.

SUPPLEMENTARY INFORMATION

PARKER WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE
BUDGET TO ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2013

	TOTAL		
	Final Budget	Actual	Variance - Positive (Negative)
REVENUES			
Charges for services	\$ 23,380,000	\$ 23,641,284	\$ 261,284
Operating tax revenues	1,056,600	1,152,222	95,622
Other operating income	208,500	281,489	72,989
Investment income	578,500	484,145	(94,355)
Other nonoperating income	2,419,350	3,109,744	690,394
Reuter-Hess mill levy	3,620,900	3,530,989	(89,911)
Tap fees	1,770,000	3,049,950	1,279,950
Water resource fees	70,000	155,000	85,000
Development fees	2,705,000	5,084,375	2,379,375
Renewable Water Fee	150,000	284,250	134,250
Farm income	415,000	436,485	21,485
Transfer - rate funded capital	2,000,000	2,000,000	-
Total revenues	38,373,850	43,209,933	4,836,083
EXPENDITURES			
Salaries	4,302,900	4,408,836	(105,936)
Employee benefits	1,613,202	1,548,722	64,480
Insurance	188,000	167,674	20,326
Professional services	1,009,000	896,031	112,969
Support services	272,805	236,223	36,582
Utilities	3,235,900	3,407,978	(172,078)
Contract labor and maintenance	2,367,400	1,791,603	575,797
Supplies	1,404,100	1,369,298	34,802
Community education	113,000	65,483	47,517
Information technology	300,390	257,481	42,909
Water resource farms	195,000	163,592	31,408
Miscellaneous expenses	660,019	570,759	89,260
Debt service	14,949,153	14,084,759	864,394
Capital outlay	48,157,200	25,718,977	22,438,223
Transfer - rate funded capital	2,000,000	2,000,000	-
Total expenditures	80,768,069	56,687,416	24,080,653
EXCESS REVENUES OVER EXPENDITURES	\$ (42,394,219)	(13,477,483)	\$ 28,916,736
FUNDS AVAILABLE - BEGINNING OF YEAR		100,936,117	
FUNDS AVAILABLE - END OF YEAR		\$ 87,458,634	
Funds available at December 31, 2013 is computed as follows:			
Current assets		\$ 76,195,501	
Noncurrent assets		23,879,724	
Current liabilities		(13,610,935)	
Current portion of long-term obligations		5,487,706	
Deferred inflows of resources		(4,493,362)	
		\$ 87,458,634	

WATER			SEWER		
Final Budget	Actual	Variance - Positive (Negative)	Final Budget	Actual	Variance - Positive (Negative)
\$ 13,700,000	\$ 13,187,213	\$ (512,787)	\$ 9,680,000	\$ 10,454,071	\$ 774,071
-	-	-	1,056,600	1,152,222	95,622
167,500	247,442	79,942	41,000	34,047	(6,953)
351,500	270,132	(81,368)	227,000	214,013	(12,987)
1,703,850	2,166,961	463,111	715,500	942,783	227,283
534,900	516,730	(18,170)	3,086,000	3,014,259	(71,741)
600,000	1,137,000	537,000	1,170,000	1,912,950	742,950
70,000	155,000	85,000	-	-	-
2,545,000	4,822,775	2,277,775	160,000	261,600	101,600
150,000	284,250	134,250	-	-	-
415,000	436,485	21,485	-	-	-
1,000,000	1,000,000	-	1,000,000	1,000,000	-
<u>21,237,750</u>	<u>24,223,988</u>	<u>2,986,238</u>	<u>17,136,100</u>	<u>18,985,945</u>	<u>1,849,845</u>
2,137,750	2,187,510	(49,760)	2,165,150	2,221,326	(56,176)
805,406	777,083	28,323	807,796	771,639	36,157
94,000	83,837	10,163	94,000	83,837	10,163
518,500	483,257	35,243	490,500	412,774	77,726
145,580	126,500	19,080	127,225	109,723	17,502
2,428,000	2,575,583	(147,583)	807,900	832,395	(24,495)
1,450,750	998,806	451,944	916,650	792,797	123,853
473,950	419,677	54,273	930,150	949,621	(19,471)
94,000	45,840	48,160	19,000	19,643	(643)
148,120	122,524	25,596	152,270	134,957	17,313
195,000	163,592	31,408	-	-	-
375,978	366,736	9,242	284,041	204,023	80,018
8,449,720	8,701,235	(251,515)	6,499,433	5,383,524	1,115,909
45,186,200	24,299,260	20,886,940	2,971,000	1,419,717	1,551,283
1,000,000	1,000,000	-	1,000,000	1,000,000	-
<u>63,502,954</u>	<u>42,351,440</u>	<u>21,151,514</u>	<u>17,265,115</u>	<u>14,335,976</u>	<u>2,929,139</u>
<u>\$ (42,265,204)</u>	<u>\$ (18,127,452)</u>	<u>\$ 24,137,752</u>	<u>\$ (129,015)</u>	<u>\$ 4,649,969</u>	<u>\$ 4,778,984</u>

**RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Year Ended December 31, 2013**

Revenue (budgetary basis)	\$ 43,209,933
Contributed capital assets	219,072
Transfer - rate funded capital	(2,000,000)
Proceeds on sale of assets	(27,362)
Inclusion fee receivable paid	(1,165,460)
Total revenue per statement of revenues, expenses and changes in fund net position	40,236,183
 Expenditures (budgetary basis)	 56,687,416
Amortization of deferred charge on refunding	238,432
Amortization of bond discount and premium, net	(543,796)
Transfer - rate funded capital	(2,000,000)
Depreciation	11,660,729
Capitalized interest	(1,375,260)
Capital outlay	(25,718,977)
Debt principal	(4,949,724)
Change in compensated absences and OPEB	(140,769)
Loss on sale of assets	7,016
Total expenses per statement of revenues, expenses and changes in fund net position	33,865,067
 Change in net position per statement of revenues, expenses and changes in fund net position	 \$ 6,371,116

**PARKER WATER AND SANITATION DISTRICT
Debt Service Coverage Calculation**

<u>Operating Revenues</u>	
Total User Fees	\$ 23,922,773
Farm Land Revenue	436,485
Net Investment Income	484,145
Other Income (including BAB Subsidy)	1,916,922
Property Taxes (sewer operating)	775,100
Specific Ownership Taxes	377,122
	\$ 27,912,547
<u>System Fees</u>	
Tap fees	\$ 3,334,200
Water Resource Fees	155,000
System Development Fees	5,084,375
	\$ 8,573,575
Allowable System Fees for coverage not exceeding 15% of Operating Revenue	\$ 4,186,882
Total Revenues per Covenant	\$ 32,099,429
<u>Operating Expenses</u>	
Operating Expenses (less depreciation)	\$ 14,579,317
Farm Land Expenses	163,592
Total Operating and Maintenance Expenses	\$ 14,742,909
Revenue Available for Debt Service	\$ 17,356,520
<u>Current Year Debt Service</u>	
Revenue Bond Total	\$ 5,413,890
WTP Loan	2,940,995
Total Debt Using Revenue Pledge	\$ 8,354,885
Coverage per Rate Covenant Calculation (minimum 110%)	208%
Coverage without consideration of System Fees (minimum 100%)	158%

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