

**PARKER WATER AND SANITATION DISTRICT**  
Douglas County, Colorado

**FINANCIAL STATEMENTS**  
December 31, 2012 and 2011

**TABLE OF CONTENTS**

	<b>PAGE</b>
<b>INDEPENDENT AUDITORS' REPORT .....</b>	<b>I</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS .....</b>	<b>III</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
Statements of Net Position.....	1
Statements of Revenues, Expenses and Changes in Fund Net Position .....	2
Statements of Cash Flows .....	3
Notes to Financial Statements .....	4
<b>REQUIRED SUPPLEMENTARY INFORMATION .....</b>	<b>25</b>
Schedule of Funding Progress for the Retiree Health Plan.....	26
<b>SUPPLEMENTARY INFORMATION .....</b>	<b>27</b>
Schedule of Revenues, Expenditures and Changes in Funds Available	
Budget to Actual - Budgetary Basis.....	28
Reconciliation of Budgetary Basis (Actual) to Statement of	
Revenues, Expenditures and Changes in Fund Net Position .....	30



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## INDEPENDENT AUDITORS' 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 as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the entity'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.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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, 2012 and 2011 and its changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *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 26 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 audits 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 Parker Water and Sanitation District's basic financial statements. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary Information listed in the table of contents 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 audit 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*CliftonLarsonAllen LLP*

Greenwood Village, Colorado  
May 23, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Parker Water and Sanitation District's financial performance provides an overview of the District's financial activities for the fiscal years ended December 31, 2012 and 2011. 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 \$417,774,370 (net position). Of this amount, \$59,537,363 (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 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 2011, the District changed to a five tier rate structure and increased the monthly water service charge from \$25.16 to \$26.16. Also in 2011, in order to shift a portion of the District's wastewater revenue from a fixed monthly rate to a volume-based rate, the District reduced the fixed monthly sewer rate from \$56.93 per month to \$8.62 per month and added a sewer volume rate of \$8 per 1000 gallons, based on winter months water consumption.
- The District collected tap fees for 468 and 251 Single Family Equivalents (SFE's) sold during 2012 and 2011, respectively, for 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 2012 mill levy for operations was .797 mills, which included a temporary mill levy rate reduction for 2012 of .930 mills. The certified 2013 mill levy for operations is 1.727 mills. The certified 2012 mill levy for the 2004 voter-approved general obligation debt for the construction of Rueter-Hess Reservoir was 9.417 mills and the 2013 mill levy for the general obligation debt is 8.000 mills. The mill levy for the general obligation debt was lower in 2012 because the District used a portion of the District's capital reserves to pay the debt service. In 2013, 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 \$130,800 in 2012 and \$2,214,560 in 2011.
- At December 31, 2012 and 2011, the District is carrying a receivable in the amount of \$4,661,840 and \$5,827,300, respectively, for the outstanding inclusion fee due for RidgeGate. The balance to the District is due over the next four years.

- In June 2012, the District refunded and paid 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 2012 Revenue Refunding Bonds. 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.
- In December 2012, the District advance refunded and defeased the 2004 CWRPDA Loan by the issuance of the 2012 General Obligation Refunding Bonds. 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.

## OVERVIEW OF THE FINANCIAL STATEMENTS

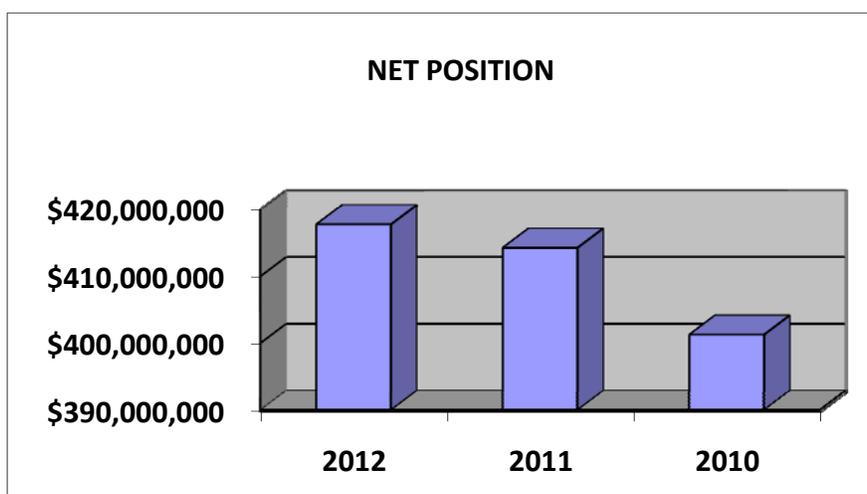
This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Required statements for proprietary funds are: 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Fund Net Position, and 3) Statement of Cash Flows. The Statement 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 and liabilities, with the difference between the two 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** reports 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** as the name implies, 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.

## FINANCIAL SUMMARY AND ANALYSIS



### NET POSITION

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>			
Current nonrestricted assets	\$ 65,531,447	\$ 59,154,211	\$ 66,066,035
Current restricted assets	45,537,089	51,708,832	55,496,169
Capital assets	520,272,102	522,780,583	504,485,441
Other long-term assets	<u>5,044,652</u>	<u>5,175,406</u>	<u>6,362,566</u>
Total assets	<u>636,385,290</u>	<u>638,819,032</u>	<u>632,410,211</u>
<b>LIABILITIES</b>			
Current liabilities	15,245,076	17,421,855	19,514,184
Long term obligations	<u>203,365,844</u>	<u>207,114,707</u>	<u>211,617,863</u>
Total liabilities	<u>218,610,920</u>	<u>224,536,562</u>	<u>231,132,047</u>
<b>NET POSITION</b>			
Net investment in capital assets	353,892,182	358,673,440	339,648,473
Restricted	4,344,825	4,897,586	5,044,828
Unrestricted	<u>59,537,363</u>	<u>50,711,444</u>	<u>56,584,863</u>
Total net position	<u>\$ 417,774,370</u>	<u>\$ 414,282,470</u>	<u>\$ 401,278,164</u>

## **NET POSITION**

Current nonrestricted assets increased in 2012 due to the increase in cash and cash equivalents. Current 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 decreased in 2012 due to scheduled principal payments. 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.

Current nonrestricted assets decreased in 2011 due to expenses incurred on the continued enlargement phase construction of Rueter-Hess Reservoir. Current restricted assets decreased in 2011 due to preliminary design and construction costs for the 10 MGD water treatment plant. The increase in capital assets and invested in capital assets, net of related debt was due primarily to construction in progress on Rueter-Hess Reservoir. Long term obligations decreased in 2011 due to scheduled principal payments of approximately \$4.4 million.

## CHANGES IN NET POSITION

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>REVENUES</b>			
Operating revenue	\$ 23,346,225	\$ 21,657,566	\$ 21,267,144
Nonoperating revenues			
Taxes, net of collection fees	4,891,040	7,744,439	1,852,280
Net investment income	677,734	1,164,754	478,461
Farm land revenue	435,066	356,131	319,391
Other	<u>1,423,784</u>	<u>2,033,671</u>	<u>693,180</u>
Total nonoperating revenue	<u>7,427,624</u>	<u>11,298,995</u>	<u>3,343,312</u>
Total revenues	<u>30,773,849</u>	<u>32,956,561</u>	<u>24,610,456</u>
<b>EXPENSES</b>			
Operating			
Salaries	4,319,118	4,047,121	4,086,870
Employee benefits	1,493,771	1,407,791	1,434,690
Insurance	168,922	184,241	186,393
Professional services	1,503,907	1,226,852	776,409
Support services	208,213	165,341	184,990
Utilities	3,244,414	3,207,981	3,140,689
Contract labor and maintenance	1,633,475	1,529,704	1,826,695
Supplies	1,376,989	1,178,432	1,155,096
Community education	51,395	103,023	147,652
Information technology	309,522	325,229	311,060
Miscellaneous	446,285	674,300	515,677
Depreciation	<u>11,763,786</u>	<u>8,995,268</u>	<u>8,544,980</u>
Total operating expenses	<u>26,519,797</u>	<u>23,045,283</u>	<u>22,311,201</u>
Nonoperating expenses			
Water resource farms	186,618	135,543	150,188
Interest	10,091,280	2,691,577	1,151,772
Loss on disposal of assets	<u>76,243</u>	<u>1,125,768</u>	<u>135,964</u>
Total nonoperating expenses	<u>10,354,141</u>	<u>3,952,888</u>	<u>1,437,924</u>
Total expenses	<u>36,873,938</u>	<u>26,998,171</u>	<u>23,749,125</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	(6,100,089)	5,958,390	861,331
<b>CAPITAL CONTRIBUTIONS</b>	<u>9,591,989</u>	<u>7,045,916</u>	<u>3,718,050</u>
<b>CHANGES IN NET POSITION</b>	3,491,900	13,004,306	4,579,381
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>414,282,470</u>	<u>401,278,164</u>	<u>396,698,783</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$417,774,370</u>	<u>\$414,282,470</u>	<u>\$401,278,164</u>

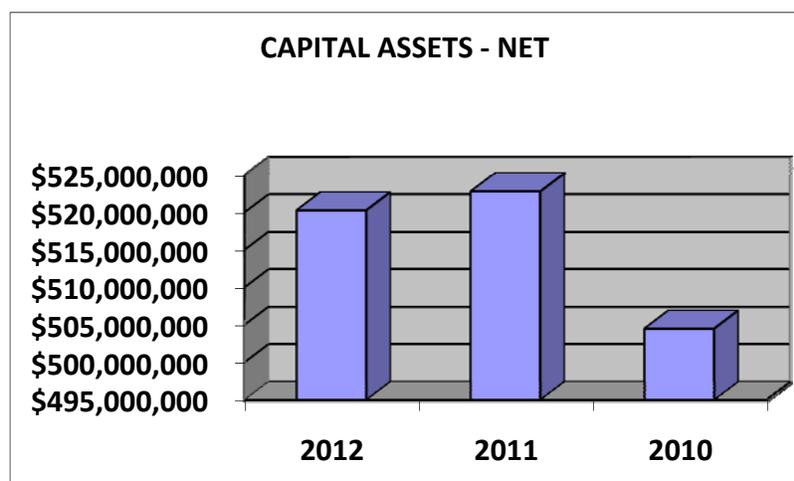
## CHANGES IN NET POSITION

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 close to \$8 million was capitalized which is not being 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.

The certified mill levy for the 2004 voter-approved general obligation debt increased to 12.872 mills in 2011, resulting in additional tax revenue of approximately \$5.5 million to pay the debt service on the 2004 CWRPDA loan. Net investment income increased by \$.7 million primarily due to investment income earned on the proceeds from the 2010 CWRPDA loan being held for construction of the 10 MGD water treatment plant. Other income increased in 2011 due to the Build America Bond subsidy of approximately \$1.1 million and inclusion fees of approximately \$.4 million. Professional services expenses increased primarily due to legal work required to respond to the proposed permit renewal for the District's wastewater plants and the legal work required to respond to various water legal issues. The increase in interest expense in 2011 is due to a full year's worth of interest expense for the 2010 CWRPDA loan. The loss on the disposal of assets is largely due to the disposal and release of ownership of A-3 well house. Capital contributions in the form of contributed water rights increased by approximately \$1.2 million in 2011 due to an inclusion of land into the District. Capital contributions in the form of tap fees and system development fees increased in 2011 by approximately \$2 million.

## CAPITAL ASSETS

The District's investment in capital assets at December 31, 2012 amounted to \$520,272,102 (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>2012</u>	<u>2011</u>	<u>2010</u>
Land	\$ 20,191,930	\$ 16,903,615	\$ 16,903,615
Water rights	133,621,063	133,490,263	132,328,263
Land improvements - Non-Depreciable	3,155,118	1,559,406	-
Construction in progress	15,913,541	208,400,360	183,107,087
Land improvements - Depreciable	9,292,337	9,357,731	10,049,948
Buildings	51,381,558	53,504,783	46,726,677
Infrastructure	87,778,368	84,012,775	85,716,521
Diversion structure	-	-	14,116,623
Machinery and equipment	13,541,661	15,412,702	15,331,969
Reservoir - Rueter Hess	185,249,612	-	-
Vehicles	146,914	138,948	204,738
Total capital assets - Net	<u>\$520,272,102</u>	<u>\$ 522,780,583</u>	<u>\$ 504,485,441</u>

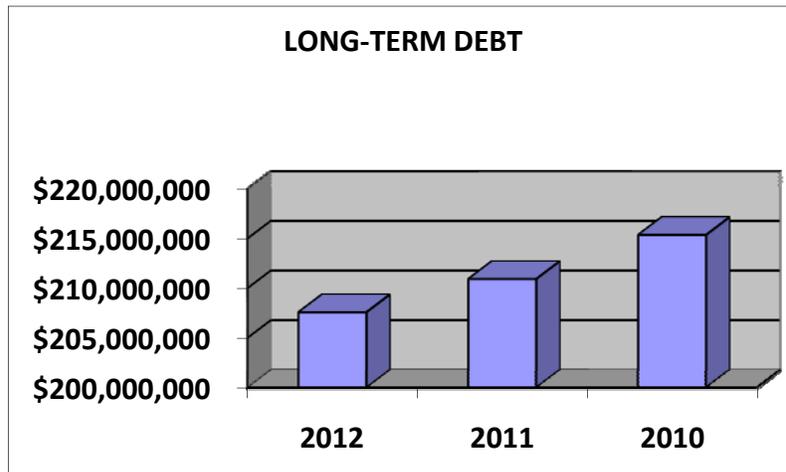
The major capital additions during 2012 and 2011 include:

	<u>2012</u>	<u>2011</u>
• Water Treatment Plant (in process)	\$5.6 million	\$1.8 million
• Rueter-Hess Reservoir Project	1.7 million	15.4 million
• Buildings (in process)	.5 million	-
• Wells and Well Houses	.4 million	.2 million
• Wastewater Plants Upgrades	.2 million	.1 million
• Infrastructure	.2 million	-
• Water Development (in process)	.1 million	.3 million
• Contributed Water/Sewer Lines	-	2.2 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>2012</u>	<u>2011</u>	<u>2010</u>
Revenue Bonds	\$106,202,892	\$ 2,365,000	\$ 2,890,000
Add bond premium	14,482,575	-	-
Colorado Water Resources and Power			
Development Authority loans	86,948,704	194,096,253	197,465,766
Less bond discount	(61,987)	(64,722)	(67,457)
Colorado Water Conservation Board loan	-	14,521,858	15,000,000
Total outstanding debt	<u>\$207,572,184</u>	<u>\$ 210,918,389</u>	<u>\$ 215,288,309</u>

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.

No new debt was added in 2011. The reduction in outstanding debt in 2011 was due to principal repayment. More detailed information about the District's long-term liabilities is presented in Note 6 to the financial statements.

## **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 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 2011, the District changed to a five tier rate structure and increased the monthly water service charge by 4%, from \$25.16 to \$26.16. Also in 2011, in order to shift a portion of the District's wastewater revenue from a fixed monthly rate to a volume-based rate, the District reduced the fixed monthly sewer rate from \$56.93 per month to \$8.62 per month and added a sewer volume rate of \$8 per 1000 gallons, based on winter months water consumption.

The District is continuing to experience growth in residential and commercial developments with a 2.3% and 1.3% increase in single family equivalent (SFE) connections during 2012 and 2011, respectively. 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. Water development fee rates remained unchanged in 2012. In 2011, water development fees increased by approximately 6% and sewer development fees ceased.

The District's long-term planning clearly spells out an expansion program that can be best categorized in two components; Short-Term Capital Improvements (10 years or less) and Long-Term Capital Improvements (10 years and beyond).

### **Short-Term Capital Improvements**

The current ten year Capital Improvement Plan (CIP) includes \$53.5 million in improvements to the water system and \$33 million in improvements to the waste water system over the next ten years. Water system improvements include \$50 million for the new 10 MGD water treatment plan, which is currently under construction and \$3.5 million for the construction of a 5 million gallon potable water storage tank, currently under design. Waste water system improvements include, but are not limited to, the construction of additional sanitary sewer interceptor lines, and additional treatment capacity at either the north or south water reclamation plants.

### **Long-Term Capital Improvements**

The Long-Term Plan of the District recognizes the need to transition from Denver Basin Groundwater to a renewable surface water supply. Over the last 20 years, the District has investigated many different possible sources of surface water, including water from the lower South Platte River, Flaming Gorge Reservoir, the lower Arkansas River Basin, and the upper South Platte River in conjunction with Denver Water, the City of Aurora and South Metro Water Supply Authority (WISE Project). The District will be considering joining the WISE Project in early 2013 for a portion of its long-term renewable water needs. In addition, the District will be completing a Water Resources Strategic Master Plan in 2013 to identify other potential renewable water projects and anticipated costs.

Additionally, during this period of time the District will be faced with the need to replace or upgrade aging infrastructure/equipment, continue to increase capacity of water and wastewater treatment in response to increased growth and demand, and provide for routine maintenance of its systems.

## **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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 46,564,704	\$ 37,756,686
Cash and cash equivalents - Restricted	28,921,293	342,365
Investments	12,293,974	14,367,190
Investments - Restricted	16,615,796	51,366,467
Accounts receivable		
Service fees	335,296	338,245
Inclusion fee	1,165,460	1,165,460
Other	569,429	594,822
Accrued interest receivable	135,233	263,206
Property taxes receivable	4,463,651	4,664,902
Other assets	3,700	3,700
Total current assets	<u>111,068,536</u>	<u>110,863,043</u>
<b>CAPITAL ASSETS</b>		
Not being depreciated	172,881,652	360,353,644
Being depreciated (net of accumulated depreciation)	347,390,450	162,426,939
Total capital assets	<u>520,272,102</u>	<u>522,780,583</u>
<b>BOND ISSUE COSTS</b>		
	1,548,272	513,566
<b>INCLUSION FEE RECEIVABLE</b>		
	3,496,380	4,661,840
Total long-term assets	<u>525,316,754</u>	<u>527,955,989</u>
<b>TOTAL ASSETS</b>	<u>636,385,290</u>	<u>638,819,032</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts and retainage payable	3,140,619	3,887,230
Accrued expenses	467,718	302,687
Accrued interest payable	1,735,585	3,767,387
Deferred property taxes	4,463,651	4,664,902
Construction deposits	324,846	227,441
Current portion of long-term debt		
Bonds and notes payable	4,949,726	4,572,208
Compensated absences	162,931	-
Total current liabilities	<u>15,245,076</u>	<u>17,421,855</u>
<b>NONCURRENT LIABILITIES</b>		
Long-term debt		
Bonds and notes payable	202,622,458	206,346,181
Compensated absences	425,096	503,679
Other post employment benefit	318,290	264,847
Total long-term liabilities	<u>203,365,844</u>	<u>207,114,707</u>
<b>TOTAL LIABILITIES</b>	<u>218,610,920</u>	<u>224,536,562</u>
<b>NET POSITION</b>		
Net investment in capital assets	353,892,182	358,673,440
Restricted for loan agreement requirements	4,343,891	4,325,412
Restricted for debt service	934	396,089
Restricted for employment contract	-	176,085
Unrestricted	59,537,363	50,711,444
<b>TOTAL NET POSITION</b>	<u>\$ 417,774,370</u>	<u>\$ 414,282,470</u>

The accompanying notes are an integral part of the financial statements.

**PARKER WATER AND SANITATION DISTRICT  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET POSITION**

Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 23,024,528	\$ 21,314,802
Other operating income	321,697	342,764
Total operating revenue	<u>23,346,225</u>	<u>21,657,566</u>
<b>OPERATING EXPENSES</b>		
Salaries	4,319,118	4,047,121
Employee benefits	1,493,771	1,407,791
Insurance	168,922	184,241
Professional services	1,503,907	1,226,852
Support services	208,213	165,341
Utilities	3,244,414	3,207,981
Contract labor and maintenance	1,633,475	1,529,704
Supplies	1,376,989	1,178,432
Community education	51,395	103,023
Information technology	309,522	325,229
Miscellaneous	446,285	674,300
Depreciation	11,763,786	8,995,268
Total operating expenses	<u>26,519,797</u>	<u>23,045,283</u>
<b>OPERATING (LOSS)</b>	<u>(3,173,572)</u>	<u>(1,387,717)</u>
<b>NONOPERATING REVENUES AND (EXPENSES)</b>		
Property taxes	4,532,006	7,253,967
Specific ownership taxes	359,034	490,472
Farm land revenue	435,066	356,131
Water resource farms	(186,618)	(135,543)
Net investment income	677,734	1,164,754
Interest expenses/fees	(10,091,280)	(2,691,577)
(Loss) on disposal of assets	(76,243)	(1,125,768)
Other income	1,423,784	2,033,671
Total nonoperating revenues and (expenses)	<u>(2,926,517)</u>	<u>7,346,107</u>
<b>GAIN (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<u>(6,100,089)</u>	<u>5,958,390</u>
<b>CAPITAL CONTRIBUTIONS</b>		
Tap fees received	2,986,289	1,271,950
Contributed assets from developers	130,800	2,214,560
Water resource fees	170,000	189,821
System development fees	6,304,900	3,369,585
Total capital contributions	<u>9,591,989</u>	<u>7,045,916</u>
<b>CHANGE IN NET POSITION</b>	3,491,900	13,004,306
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>414,282,470</u>	<u>401,278,164</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 417,774,370</u>	<u>\$ 414,282,470</u>

The accompanying notes are an integral part of the financial statements.

**PARKER WATER AND SANITATION DISTRICT  
STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers/operations	\$ 23,471,972	\$ 21,801,305
Cash payments to suppliers for goods and services	(8,710,595)	(8,142,828)
Cash payments to employees for services	(5,510,067)	(5,386,946)
Net cash flows provided from operating activities	<u>9,251,310</u>	<u>8,271,531</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Property and specific ownership tax, net of fees	721,335	1,493,489
Other nonoperating revenue	3,024,310	3,555,262
Other nonoperating expenses	(186,618)	(135,543)
Net cash provided by noncapital financing activities	<u>3,559,027</u>	<u>4,913,208</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Tap fees collected	2,986,289	1,271,950
Water resource fees received	170,000	189,821
System development fees received	6,304,900	3,369,585
Property tax revenue for debt service, net of fees	4,169,705	6,250,950
Acquisition of property and equipment	(9,633,733)	(18,584,175)
Proceeds on sales of capital assets	14,629	24,978
Debt proceeds, including premium	128,349,701	-
Bond issue costs	(1,068,969)	-
Principal paid	(30,734,407)	(4,372,655)
Defeasement of debt	(100,862,110)	-
Interest paid	(12,748,993)	(10,474,450)
Net cash (required) by capital and related financing activities	<u>(13,052,988)</u>	<u>(22,323,996)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of investments	47,367,000	20,884,000
Purchase of investments	(11,341,092)	(30,606,683)
Interest received	1,603,689	1,672,461
Net cash provided (required) by investing activities	<u>37,629,597</u>	<u>(8,050,222)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	37,386,946	(17,189,479)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>38,099,051</u>	<u>55,288,530</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 75,485,997</u>	<u>\$ 38,099,051</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) from operations	\$ (3,173,572)	\$ (1,387,717)
Adjustments to reconcile (loss) from operations to net cash provided by operating activities		
Depreciation and amortization	11,763,786	8,995,268
Changes in assets and liabilities related to operations		
Accounts receivable	28,342	(20,298)
Accounts and retainage payable	232,527	452,275
Accrued expenses	165,031	1,649
Compensated absences	84,348	12,874
Other post employment benefits	53,443	53,443
Construction deposits	97,405	164,037
Total adjustments	<u>12,424,882</u>	<u>9,659,248</u>
Net cash provided by operating activities	<u>\$ 9,251,310</u>	<u>\$ 8,271,531</u>

Cash flows from capital and related financing activities do not include \$130,800 and \$2,214,560 of water rights, water and sewer lines contributed to the District during 2012 and 2011, respectively, and \$(797,980) and \$(535,278) of market value adjustment on investments for 2012 and 2011, respectively.

The accompanying notes are an integral part of the financial statements.

**PARKER WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012 and 2011**

**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.

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.

**PARKER WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012 and 2011**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**

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.

**Capital Assets**

Capital assets, which include land, 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. 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, net of investment earnings on invested loan proceeds during the same period. Total interest incurred during the years ended December 31, 2012 and 2011 was \$10,362,917 and \$10,699,451, respectively. Interest expense capitalized during the year ended December 31, 2012 amounted to \$560,783. Net interest expense capitalized during the year ended December 31, 2011 amounted to \$8,297,020.

**PARKER WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Water Rights**

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.

**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 revenue in the year they are levied and measurable. The deferred property tax revenue are recorded as revenue in the year they are available or collected.

**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.

**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 four hours per pay period up to a maximum of 96 hours per year. Part-time employees are not entitled to any sick leave.

**PARKER WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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, 2012, the District implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The District has already been following these standards.

Effective January 1, 2012, the District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. As a result, net assets is now net position, the statement of net assets is now the statement of net position and the statement of net revenues, expenses and changes in fund net assets is now the statement of revenues, expenses and changes in fund net position.

**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.

At December 31, 2012 and 2011, the District's cash deposits had a carrying balance of \$12,722,655 and \$12,013,313, respectively.

**PARKER WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

**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

**Interest Rate Risk**

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>

The District owned the following investments as of December 31, 2011:

	Fair Value	Remaining Maturity		
		12 Months or Less	13 - 24 Months	25 - 36 Months
U.S. Government Agencies	\$ 55,625,253	\$ 38,264,263	\$ 14,482,947	\$ 2,878,043
U.S. Treasury Strips	5,142,993	5,142,993	-	-
U.S. Treasury Notes	3,167,519	752,403	603,117	1,811,999
Commercial paper	1,797,891	1,797,891	-	-
Investments held in trust	269	269	-	-
Local government investment pools	26,085,470	26,085,470	-	-
	<u>\$ 91,819,395</u>	<u>\$ 72,043,289</u>	<u>\$ 15,086,064</u>	<u>\$ 4,690,042</u>

**PARKER WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011**

**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, 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%). As of December 31, 2011, more than 5% of the District's investments are concentrated in Federal Home Loan Mortgage Corporation securities (28.2%), Federal Home Loan Bank securities (14.5%), Federal National Mortgage Association securities (12.5%), and Federal Farm Credit Bank securities (5.5%).

**Credit Risk**

As of December 31, 2012 and 2011, the District had invested \$34,948,184 and \$26,085,470, 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, 2012, the District had invested \$27,814,224 in Federated Prime Obligations fund, a money market fund. This fund is rated AAAM by Standard & Poor's.

The U.S. agency securities and U.S. Treasury notes are rated AA+ by Standard & Poor's.

Cash and investments are restricted for the following purposes:

	<b>2012</b>	<b>2011</b>
Restricted for Debt Service	\$ -	\$ 52,117
Restricted for Employment Agreement	-	176,085
Restricted Trust for Capital Improvements	934	269
Restricted for Operating Reserve	1,106,135	60,585
Restricted for Water Treatment Plant	<u>27,814,224</u>	<u>53,309</u>
Cash and cash equivalents - Restricted	<u>\$ 28,921,293</u>	<u>\$ 342,365</u>
Restricted for Debt Service	\$ -	\$ 343,703
Restricted for Operating Reserve	3,237,756	4,264,827
Restricted for Water Treatment Plant	<u>13,378,040</u>	<u>46,757,937</u>
Investments - Restricted	<u>\$ 16,615,796</u>	<u>\$ 51,366,467</u>

**PARKER WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012 and 2011**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

**Debt Service**

Cash and investments in the amount of \$395,820 at December 31, 2011 were restricted for debt service applicable to various debt obligations. These debt obligations were refunded in 2012.

**Employment Agreement**

In November 2008, the District entered into a four year employment agreement with the District Manager. The PWSD Board set aside the sum of \$700,000 into a separate account to satisfy the financial obligations of the District to fund this employment agreement. The District's financial obligation is reduced by \$175,000 each year over the life of the agreement. Cash in the amount of \$0 and \$176,085 was restricted at December 31, 2012 and 2011, respectively, for this agreement.

**Trust for Capital Improvements**

Cash and investments in the amount of \$934 and \$269 were held in trust at December 31, 2012 and 2011, respectively, by the Colorado Water Resources and Power Development Authority. Interest earnings held by the Power Development Authority, which the District has chosen to use for debt service, totaled \$934 in 2012 and \$269 in 2011.

**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 \$4,343,891 and \$4,325,412 at December 31, 2012 and 2011, 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 \$41,192,264 and \$46,811,246 at December 31, 2012 and 2011, respectively.

**PARKER WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

At December 31, 2012 and 2011, cash deposits and investments are classified on the statements of net assets as follows:

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 46,564,704	\$ 37,756,686
Cash and cash equivalents - Restricted	28,921,293	342,365
Investments	12,293,974	14,367,190
Investments - Restricted	<u>16,615,796</u>	<u>51,366,467</u>
	<u>\$ 104,395,767</u>	<u>\$ 103,832,708</u>
Cash deposits	\$ 12,722,655	\$ 12,013,313
Investments	<u>91,673,112</u>	<u>91,819,395</u>
	<u>\$ 104,395,767</u>	<u>\$ 103,832,708</u>

**NOTE 4 - INCLUSION FEES**

The District carried a receivable for the RidgeGate inclusion fee for \$4,661,840 and \$5,827,760 at December 31, 2012 and 2011, respectively. The receivable bears interest at 6.25%. At December 31, 2012, the current and noncurrent portions of the receivable were \$1,165,460 and \$3,496,380, respectively. At December 31, 2011, the current and noncurrent portions of the receivable were \$1,165,460 and \$4,661,840, respectively. At December 31, 2012, there were four remaining annual inclusion fee payments of \$1,165,460 due to the District.

**PARKER WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012 and 2011**

**NOTE 5 - CAPITAL ASSETS**

An analysis of the changes in capital assets for the years ended December 31, 2012 and 2011 follows:

	<b>2012</b>			<b>Balance at December 31, 2012</b>
	<b>Balance at December 31, 2011</b>	<b>Increases</b>	<b>Decreases</b>	
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	<u>208,400,360</u>	<u>6,756,073</u>	<u>199,242,892</u>	<u>15,913,541</u>
Total capital assets, not being depreciated	<u>360,353,644</u>	<u>11,772,228</u>	<u>199,244,220</u>	<u>172,881,652</u>
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	<u>1,526,697</u>	<u>94,866</u>	<u>66,108</u>	<u>1,555,455</u>
Total capital assets, being depreciated	<u>248,008,808</u>	<u>196,816,840</u>	<u>729,634</u>	<u>444,096,014</u>
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	<u>1,387,749</u>	<u>86,900</u>	<u>66,108</u>	<u>1,408,541</u>
Total accumulated depreciation	<u>85,581,869</u>	<u>11,763,786</u>	<u>640,091</u>	<u>96,705,564</u>
Total capital assets, being depreciated, net	<u>162,426,939</u>	<u>185,053,054</u>	<u>89,543</u>	<u>347,390,450</u>
Capital assets, net	<u>\$ 522,780,583</u>	<u>\$ 196,825,282</u>	<u>\$ 199,333,763</u>	<u>\$ 520,272,102</u>

**PARKER WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2012 and 2011

**NOTE 5 - CAPITAL ASSETS (CONTINUED)**

	2011			Balance at December 31, 2011
	Balance at December 31, 2010	Increases	Decreases	
Capital assets, not being depreciated:				
Land	\$ 16,903,615	\$ -	\$ -	\$ 16,903,615
Water rights	132,328,263	1,162,000	-	133,490,263
Diversion structure	14,116,623	-	14,116,623	-
Land improvements	-	1,559,406	-	1,559,406
Construction in progress	<u>183,107,087</u>	<u>25,526,387</u>	<u>233,114</u>	<u>208,400,360</u>
Total capital assets, not being depreciated	<u>346,455,588</u>	<u>28,247,793</u>	<u>14,349,737</u>	<u>360,353,644</u>
Capital assets, being depreciated:				
Land improvements	13,798,852	6,351	52,300	13,752,903
Buildings	63,579,639	9,682,598	1,758,697	71,503,540
Infrastructure	107,139,649	1,306,860	95,494	108,351,015
Machinery and equipment	51,270,819	3,481,494	1,877,660	52,874,653
Vehicles	<u>1,546,989</u>	<u>65,796</u>	<u>86,088</u>	<u>1,526,697</u>
Total capital assets, being depreciated	<u>237,335,948</u>	<u>14,543,099</u>	<u>3,870,239</u>	<u>248,008,808</u>
Less accumulated depreciation for:				
Land improvements	3,748,904	687,670	41,402	4,395,172
Buildings	16,852,962	2,117,988	972,193	17,998,757
Infrastructure	21,423,128	2,948,992	33,880	24,338,240
Machinery and equipment	35,938,850	3,109,032	1,585,931	37,461,951
Vehicles	<u>1,342,251</u>	<u>131,586</u>	<u>86,088</u>	<u>1,387,749</u>
Total accumulated depreciation	<u>79,306,095</u>	<u>8,995,268</u>	<u>2,719,494</u>	<u>85,581,869</u>
Total capital assets, being depreciated, net	<u>158,029,853</u>	<u>5,547,831</u>	<u>1,150,745</u>	<u>162,426,939</u>
Capital assets, net	<u>\$ 504,485,441</u>	<u>\$ 33,795,624</u>	<u>\$ 15,500,482</u>	<u>\$ 522,780,583</u>

**PARKER WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011**

**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, 2012 and 2011.

	<b>Balance at January 1, 2012</b>	<b>New Issues</b>	<b>Retirements</b>	<b>Balance at December 31, 2012</b>	<b>Due Within One Year</b>
1994 CWRPDA Clean Water Loan	\$ 358,517	\$ -	\$ 112,371	\$ 246,146	\$ 117,722
1994 CWRPDA Small Water Loan	128,333	-	40,833	87,500	45,834
1997 CWRPDA Clean Water Loan	1,222,196	-	181,461	1,040,735	192,136
1997 CWRPDA Small Water Loan	1,975,833	-	297,500	1,678,333	312,500
Water and Sewer Revenue					
Refunding Bonds,					
Series 1998	1,870,000	-	1,870,000	-	-
2000 CWRPDA Clean Water Loan	6,511,242	-	609,270	5,901,972	630,462
2000 CWRPDA Small Water Loan	9,750,832	-	448,334	9,302,498	472,500
2001 CWRPDA Clean Water Loan	2,848,284	-	241,380	2,606,904	246,744
Water and Sewer Revenue					
Refunding Bonds,					
Series 2001	495,000	-	495,000	-	-
2002 CWRPDA Clean Water Loan	12,061,016	-	271,400	11,789,616	276,828
2002 CWRPDA Small Water Loan	10,055,000	-	10,055,000	-	-
2002 CWCBC Loan	14,521,858	-	14,521,858	-	-
2004 CWRPDA Small Water and Clean Water Loan	97,700,000	-	94,890,000	2,810,000	1,370,000
2010 CWRPDA Loan	51,485,000	-	-	51,485,000	-
Less Bond Discount	(64,722)	-	(2,735)	(61,987)	-
2012 Revenue Refunding Bonds	-	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:	-	90,550,000	-	90,550,000	200,000
Deferred Loss on Bond Refunding	-	(7,292,108)	-	(7,292,108)	-
Add Bond Premium	-	11,360,453	-	11,360,453	-
<b>Total long-term debt</b>	<b><u>\$ 210,918,389</u></b>	<b><u>\$121,057,593</u></b>	<b><u>\$ 124,403,798</u></b>	<b><u>\$ 207,572,184</u></b>	<b><u>\$ 4,949,726</u></b>

**PARKER WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011**

**NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)**

	<u>Balance at January 1, 2011</u>	<u>New Issues</u>	<u>Retirements</u>	<u>Balance at December 31, 2011</u>	<u>Due Within One Year</u>
1994 CWRPDA Clean Water Loan	\$ 465,537	\$ -	\$ 107,020	\$ 358,517	\$ 112,371
1994 CWRPDA Small Water Loan	168,333	-	40,000	128,333	40,833
1997 CWRPDA Clean Water Loan	1,398,320	-	176,124	1,222,196	181,461
1997 CWRPDA Small Water Loan	2,258,333	-	282,500	1,975,833	297,500
Water and Sewer Revenue					
Refunding Bonds,					
Series 1998	2,285,000	-	415,000	1,870,000	435,000
2000 CWRPDA Clean Water Loan	7,099,320	-	588,078	6,511,242	609,270
2000 CWRPDA Small Water Loan	10,174,999	-	424,167	9,750,832	448,334
2001 CWRPDA Clean Water Loan	3,078,936	-	230,652	2,848,284	241,380
Water and Sewer Revenue					
Refunding Bonds,					
Series 2001	605,000	-	110,000	495,000	115,000
2002 CWRPDA Clean Water Loan	12,326,988	-	265,972	12,061,016	271,400
2002 CWRPDA Small Water Loan	10,055,000	-	-	10,055,000	-
2002 CWCB Loan	15,000,000	-	478,142	14,521,858	499,659
2004 CWRPDA Small Water and Clean Water Loan	98,955,000	-	1,255,000	97,700,000	1,320,000
2010 CWRPDA Loan	51,485,000	-	-	51,485,000	-
Less Bond Discount	(67,457)	-	(2,735)	(64,722)	-
<b>Total long-term debt</b>	<b><u>\$ 215,288,309</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 4,369,920</u></b>	<b><u>\$ 210,918,389</u></b>	<b><u>\$ 4,572,208</u></b>

**Loan Agreement, Colorado Water Resources and Power Development Authority, dated April 1, 1994**

Principal paid monthly with interest at 5.65%.

**Loan Agreement, Colorado Water Resources and Power Development Authority, dated August 1, 1994**

Principal paid February 1 and August 1 with interest at 4.892%.

**Loan Agreement, Colorado Water Resources and Power Development Authority, dated May 1, 1997**

Interest at 4.543% paid February 1 and August 1 with principal payments due August 1.

**PARKER WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011**

**NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)**

**Loan Agreement, Colorado Water Resources and Power Development Authority, dated June 1, 1997**

Principal paid monthly with interest at 5.37%.

**Water and Sewer Revenue Bonds, Series 1998, dated March 15, 1998**

Principal paid April 1 and October 1 with interest at 4.65% to 4.85%. As of December 31, 2012, \$1,870,000 of the remaining Water and Sewer Revenue Bonds, Series 1998 was refunded and paid.

**Loan Agreement, Colorado Water Resources and Power Development Authority, dated February 15, 2000**

Principal paid monthly with interest at 5.71%.

**Loan Agreement, Colorado Water Resources and Power Development Authority, dated May 15, 2000**

Principal paid February 1 and August 1 with interest at 4.66%.

**Loan Agreement, Colorado Water Resources and Power Development Authority, dated May 1, 2001**

Principal paid February 1 and August 1 with interest at 4.01%.

**Water and Sewer Revenue Refunding Bonds, dated August 23, 2001**

Interest at 4.0% to 4.6% paid April 1 and October 1 with principal payments due October 1. As of December 31, 2012, \$495,000 of the remaining Water and Sewer Revenue Bonds, Series 2001 was refunded and paid.

**Loan Agreement, Colorado Water Resources and Power Development Authority, dated September 1, 2002**

Principal paid February 1 and August 1 with interest at 3.62%.

**Loan Agreement, Colorado Water Resources and Power Development Authority, dated June 1, 2002**

Principal paid monthly with interest at 5.21%. As of December 31, 2012, \$10,055,000 of the remaining 2002 Colorado Water Resources and Power Development Authority Small Water Loan was refunded and paid.

**PARKER WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011**

**NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)**

**Loan Agreement, Colorado Water Conservation Board, dated November 14, 2002**

Principal paid October 1 with interest at 4.5%. As of December 31, 2012, \$14,521,858 of the remaining 2002 Colorado Water Conservation Board Loan was refunded and paid.

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

Interest at 5.78% paid February 1 and August 1. 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, 2012 and 2011, 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 with interest at 5.118%. 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 2012 and 2011, the District recognized \$4,169,705 and \$6,250,950, 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.

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

Interest at 2.0% to 5.0% paid May 1 and November 1 with 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, 2012 and 2011**

**NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)**

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

Interest at 2.0% to 5.0% paid February 1 and August 1 with 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, 2012 and 2011**

**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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 4,949,726	\$ 7,734,237	\$ 12,683,963
2014	5,216,743	9,107,966	14,324,709
2015	5,509,635	8,891,253	14,400,888
2016	5,624,557	8,689,134	14,313,691
2017	5,954,383	8,456,942	14,411,325
2018-2022	32,838,296	38,376,722	71,215,018
2023-2027	33,645,364	31,309,407	64,954,771
2028-2032	41,380,000	22,714,195	64,094,195
2033-2037	37,015,000	11,856,040	48,871,040
2038-2042	23,000,000	4,890,000	27,890,000
2043	5,310,000	265,500	5,575,500
	<u>\$200,443,704</u>	<u>\$152,291,396</u>	<u>\$352,735,100</u>

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

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

	<u>Balance January 1, 2011</u>	<u>Incurred</u>	<u>Retired</u>	<u>Balance December 31, 2011</u>	<u>Due Within One Year</u>
Compensated absences payable	\$ 490,805	\$ 317,189	\$ 304,315	\$ 503,679	\$ -

**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, 2012 and 2011, the District had a net investment in capital assets calculated as follows:

**PARKER WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012 and 2011**

**NOTE 7 - NET POSITION (CONTINUED)**

	<b>2012</b>	<b>2011</b>
Capital assets, net of accumulated depreciation	\$ 520,272,102	\$ 522,780,583
Unspent debt proceeds	41,192,264	46,811,246
Bonds and notes payable	<u>(207,572,184)</u>	<u>(210,918,389)</u>
	<u>\$ 353,892,182</u>	<u>\$ 358,673,440</u>

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, 2012 and 2011.

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

**NOTE 8 - COMMITMENTS**

**Construction Commitments**

As of December 31, 2012 and 2011, the District had unexpended construction related contract commitments of approximately \$27,135,267 and \$9,044,730, 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, 2012 and 2011. 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.

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.

**PARKER WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011**

**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, 2012 and 2011 are as follows:

	<b>2012</b>	<b>2011</b>
Plan members	<u>\$ 369,410</u>	<u>\$ 367,048</u>
District	<u>\$ 424,907</u>	<u>\$ 407,939</u>

**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 \$158,223 for 2012 and \$151,047 for 2011.

**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.

**PARKER WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011**

**NOTE 12 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)**

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.** Plan members contribute 100 percent of the premium costs. The District does not contribute to the cost of the premiums for plan members.

**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	5,285
Adjustment to annual required contribution	(7,411)
Annual OPEB cost (expense)	53,443
Contributions made	-
Increase in net OPEB obligation	53,443
Net OPEB obligation - Beginning of year	264,847
Net OPEB obligation - End of year	\$ 318,290

**PARKER WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011**

**NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 and the preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/10	\$ 70,468	0%	\$ 211,404
12/31/11	\$ 53,443	0%	\$ 264,847
12/31/12	\$ 53,443	0%	\$ 318,290

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 percent.

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.

**PARKER WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012 and 2011**

**NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

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 percent 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, 2012, was 27 years.

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**PARKER WATER AND SANITATION DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
Year Ended December 31, 2012**

Actuarial Valuation Date	Actuarial Value of Assets(a)	Actuarial Accrued Liability (AAL)-		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b - a) / c)
		Simplified Entry Age (b)	Unfunded AAL (UAAL) (b - a)			
12/31/2008	\$ -	\$ 330,169	\$ 330,169	0.00%	\$ 3,817,849	8.65%
12/31/2011	\$ -	\$ 379,224	\$ 379,224	0.00%	\$ 4,034,246	9.40%

**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, 2012

	<b>TOTAL</b>		
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance - Positive (Negative)</b>
<b>REVENUES</b>			
Charges for services	\$ 21,900,000	\$ 23,024,529	\$ 1,124,529
Operating tax revenues	662,300	721,335	59,035
Other operating income	205,000	321,697	116,697
Investment income	1,203,500	677,734	(525,766)
Other nonoperating income	2,314,550	2,603,872	289,322
Reuter-Hess mill levy	4,232,450	4,169,705	(62,745)
Tap fees	668,750	2,415,539	1,746,789
Water resource fees	50,000	170,000	120,000
Development fees	1,690,625	6,304,900	4,614,275
Wastewater Plant Expansion Fee	62,500	219,000	156,500
Renewable Water Fee	93,750	351,750	258,000
Farm income	348,000	435,066	87,066
Bond proceeds, including premium	128,349,701	128,349,701	-
<b>Total revenues</b>	<b>161,781,126</b>	<b>169,764,828</b>	<b>7,983,702</b>
<b>EXPENDITURES</b>			
Salaries	4,240,800	4,234,770	6,030
Employee benefits	1,454,300	1,440,328	13,972
Insurance	196,000	168,922	27,078
Professional services	909,000	1,503,907	(594,907)
Support services	279,000	208,213	70,787
Utilities	3,324,600	3,244,414	80,186
Contract labor and maintenance	2,580,100	1,633,475	946,625
Supplies	1,318,000	1,376,989	(58,989)
Community education	103,000	51,395	51,605
Information technology	329,550	309,522	20,028
Water resource farms	183,000	186,617	(3,617)
Miscellaneous expenses	773,700	446,286	327,414
Bond Issuance costs	1,100,322	1,068,969	31,353
Debt service	44,907,605	41,451,598	3,456,007
Debt service (defeased debt)	100,862,110	100,862,110	-
Capital outlay	17,120,400	8,654,592	8,465,808
<b>Total expenditures</b>	<b>179,681,487</b>	<b>166,842,107</b>	<b>12,839,380</b>
<b>EXCESS REVENUES OVER EXPENDITURES</b>	<b>\$ (17,900,361)</b>	<b>2,922,721</b>	<b>\$ 20,823,082</b>
<b>FUNDS AVAILABLE - BEGINNING OF YEAR</b>		<b>98,013,396</b>	
<b>FUNDS AVAILABLE - END OF YEAR</b>		<b>\$ 100,936,117</b>	

Funds available at December 31, 2012 is computed as follows:

Current assets	\$ 111,068,536
Current liabilities	(15,245,076)
Current portion of long-term obligations	5,112,657
	<b>\$ 100,936,117</b>

WATER			SEWER		
Final Budget	Actual	Variance - Positive (Negative)	Final Budget	Actual	Variance - Positive (Negative)
\$ 13,000,000	\$ 13,884,503	\$ 884,503	\$ 8,900,000	\$ 9,140,026	\$ 240,026
-	-	-	662,300	721,335	59,035
144,000	279,192	135,192	61,000	42,505	(18,495)
922,500	409,004	(513,496)	281,000	268,730	(12,270)
1,672,350	1,924,518	252,168	642,200	679,354	37,154
1,584,000	1,584,000	-	2,648,450	2,585,705	(62,745)
312,500	1,170,000	857,500	356,250	1,245,539	889,289
50,000	170,000	120,000	-	-	-
1,590,625	5,955,300	4,364,675	100,000	349,600	249,600
-	-	-	62,500	219,000	156,500
93,750	351,750	258,000	-	-	-
348,000	435,066	87,066	-	-	-
65,786,974	65,786,974	-	62,562,727	62,562,727	-
85,504,699	91,950,307	6,445,608	76,276,427	77,814,521	1,538,094
2,120,900	2,145,727	(24,827)	2,119,900	2,089,043	30,857
739,000	725,625	13,375	715,300	714,703	597
98,000	84,211	13,789	98,000	84,711	13,289
532,000	1,017,812	(485,812)	377,000	486,095	(109,095)
162,850	120,176	42,674	116,150	88,037	28,113
2,461,100	2,438,925	22,175	863,500	805,489	58,011
1,550,100	800,377	749,723	1,030,000	833,098	196,902
448,500	463,894	(15,394)	869,500	913,095	(43,595)
89,000	36,029	52,971	14,000	15,366	(1,366)
175,250	167,674	7,576	154,300	141,848	12,452
183,000	186,617	(3,617)	-	-	-
466,100	216,770	249,330	307,600	229,515	78,085
454,562	442,442	12,120	645,760	626,527	19,233
28,025,058	26,470,421	1,554,637	16,882,547	14,981,177	1,901,370
50,431,055	50,431,055	-	50,431,055	50,431,055	-
15,521,350	7,834,650	7,686,700	1,599,050	819,942	779,108
103,457,825	93,582,405	9,875,420	76,223,662	73,259,701	2,963,961
<u>\$ (17,953,126)</u>	<u>\$ (1,632,098)</u>	<u>\$ 16,321,028</u>	<u>\$ 52,765</u>	<u>\$ 4,554,820</u>	<u>\$ 4,502,055</u>

**RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO STATEMENT OF  
REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
Year Ended December 31, 2012**

Revenue (budgetary basis)	\$ 169,764,828
Contributed capital assets	130,800
Bond proceeds, net of premiums	(128,349,701)
Proceeds on sale of assets	(14,629)
Inclusion fee receivable paid	<u>(1,165,460)</u>
Total revenue per statement of revenues, expenses and changes in fund net position	<u>40,365,838</u>
Expenditures (budgetary basis)	166,842,107
Amortization of bond issue expense	34,263
Amortization of bond discount and premium, net	(99,391)
Depreciation	11,763,786
Capitalized interest	(560,783)
Capital outlay	(8,654,592)
Debt principal	(30,734,407)
Defeasement of debt	(100,862,110)
Bond issuance costs	(1,068,969)
Change in compensated absences and OPEB	137,792
Loss on sale of assets	<u>76,243</u>
Total expenses per statement of revenues, expenses and changes in fund net position	<u>36,873,938</u>
Change in net position per statement of revenues, expenses and changes in fund net position	<u><u>\$ 3,491,900</u></u>