

# Park Center Water District

Financial Statements  
With Independent Auditors' Report

December 31, 2016



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*By the Office of the State Auditor at 1:43 pm, Aug 11, 2017*

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# Park Center Water District

## Management's Discussion and Analysis

The Management Discussion and Analysis (MD&A) is designed to provide an easy-to-read discussion of the District's financial condition and operating results and to disclose to the reader important financial activities and issues related to the District's basic operations and mission. The District operates one business type activity and no governmental activities and is funded through water sales, tap fees, developer contributions and other miscellaneous receipts.

### **DESCRIPTION OF FINANCIAL STATEMENTS**

This annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements (including the footnotes)*, and *Supplementary Schedules*.

### **STATEMENTS OF NET POSITION AND ACTIVITIES**

#### **HIGHLIGHTS**

- In 2016 total assets were \$2,127,000, a decrease of \$ 41,000 from 2015.
- In 2016, revenues from water sales increased by \$97,000 over 2015.

#### **Condensed Financial Information**

Statement of Net Position	For the Years Ended	
	2016	2015
Current assets	\$ 575,845	\$ 485,869
Restricted assets	82,999	82,463
Property, plant and equipment	1,058,824	1,190,626
Land and water rights	409,589	409,794
Total Assets	\$ 2,127,257	\$ 2,168,752
Deferred Outflows of Resources	\$ 135,450	\$ 55,945
Current liabilities	\$ 92,362	\$ 104,217
Long-term Liabilities (net of current portion)	1,196,380	1,149,613
Total Liabilities	\$ 1,288,742	\$ 1,253,830
Deferred inflows of resources (property taxes)	\$ 40,709	\$ 48,487
Capital assets net of related debt	\$ 741,213	\$ 838,203
Restricted net assets	82,999	82,463
Unrestricted net assets	109,044	1,715
Total Net Position	\$ 933,256	\$ 922,381

<u>Statement of Activities and Changes in Net Position</u>	<u>For the Years Ended</u>	
	<u>2016</u>	<u>2015</u>
Water sales	\$ 1,017,906	\$ 920,431
Property taxes	21,768	21,189
Tap fees and developer contributions	10,000	-
Other sources	21,761	3,269
Total Revenues	<u>1,071,435</u>	<u>944,889</u>
Water operating expenses	(636,632)	(614,112)
General and administrative expenses	(386,112)	(412,175)
Interest expense	<u>(37,816)</u>	<u>(39,526)</u>
Total Expenses	<u>(1,060,560)</u>	<u>(1,065,813)</u>
Change in Net Position	10,875	(120,924)
Net position, beginning of the year	922,381	1,043,305
Net Position, End of the Year	<u>\$ 933,256</u>	<u>\$ 922,381</u>

### **BUDGETARY HIGHLIGHTS**

Changes between the original adopted budget, which was completed in December 2015, and the final budget in 2016, were primarily due to the legal fees and engineering fees associated with the Change Case for irrigation water and increased revenues in the form of water sales and tap fees. Water rates were adjusted to account for the increase in legal and engineering fees. Park Center leases well water from the Park Center Well owned by the Bureau of Land Management. Park Center is currently negotiating with BLM to sign a new lease for the well. The District has a long-term lease with the Bureau of Land Management for the Park Center well, BLM had an appraisal done on the well in 2016. The appraisal is projecting the cost of the well to increase from \$140 an acre foot to \$445 an acre foot. Treatment of the well water, due to its heavily mineralization, costs more than twice as much as treating surface water. Park Center has historically relied on surface waters originating from Pisgah Reservoir near Cripple Creek. Fortunately, heavy rainfall in late spring and early summer replenished reservoir levels in the state. For the first time in three years Pisgah Reservoir had enough storage for the summer season. In 2012 the State Engineer requested that we file a Change Case, which would add municipal use to the surface water we use. Expenses for the Change Case were anticipated during 2016, and will extend into 2017.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

No significant changes were made to capital assets during the year.

### **DEBT OUTSTANDING**

The District's long-term debt consists of 3 loans with Rural Development (an agency of the U.S. Government). As of December 31, 2016 the balance due on these loans was approximately \$727,000.

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### **ECONOMIC AND OTHER FACTORS**

For the second year in a row, water sales were under 100 million gallons. Slow economic growth in the area resulted in only two water taps being sold. The District decided to raise water rates in 2016. The minimum fee remained at \$37.00, while the second and third tier increased by \$1.50 each.

The District owns a substantial amount of shares in the Canon Heights Irrigation Company. As related before, the State Engineer asked that we initiate a Change Case to add municipal use to the shares we own or lease. This case has been filed and our engineering and legal water expenses will continue until the case is through the Water Court.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the general public with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, please contact:

District Manager  
Park Center Water District  
1660 Reservoir Road  
P.O. Box 1406  
Cañon City, CO 81215  
Tel: (719) 275-2055  
Fax: (719) 275-0268

# Holscher, Mayberry & Company, LLC

## Certified Public Accountants

Member of the American Institute of Certified Public Accountants  
Governmental Audit Quality Center  
and Private Company Practice Section

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### Independent Auditors' Report

To the Board of Directors  
Park Center Water District

#### *Report on the Financial Statements*

We have audited the accompanying Basic Financial Statements of the Park Center Water District which comprise the Statement of Net Position as of December 31, 2016 and the related statements of Revenues, Expenses and Changes in Net Position, and Cash Flows for the year then ended, and the related notes to the financial statements.

#### *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 Park Center Water District as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously audited the Park Center Water District 's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 28, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages M-1 – M-3 be presented to supplement the basic financial statements. Management's Discussion and Analysis, 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 performed for the purpose of forming an opinion on the Basic Financial Statements taken as a whole. The accompanying Supplementary Schedules (as listed in the table of contents) are not a required part of the Basic Financial Statements of the Park Center Water 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 financial statements. The 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 financial statements or to the 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 financial statements as a whole.



Englewood, Colorado  
May 1, 2017

## **Basic Financial Statements**

# Park Center Water District

## Statement of Net Position

December 31, 2016

(With Comparative Amounts for December 31, 2015)

	December 31	
	2016	2015
<b>Assets</b>		
<b>Current Assets</b>		
Cash and temporary investments	\$ 352,069	\$ 271,046
Accounts receivable (no allowance necessary)	99,947	90,205
Taxes receivable	19,400	19,400
Inventory	74,845	77,107
Prepaid expenses	29,584	28,111
Total Current Assets	575,845	485,869
<b>Restricted Cash</b>	82,999	82,463
<b>Property, Plant and Equipment</b>		
Land and water rights	409,589	409,794
Depreciable property, plant and equipment net of accumulated depreciation	1,058,824	1,190,626
Total Property, Plant and Equipment	1,468,413	1,600,420
Total Assets	\$ 2,127,257	\$ 2,168,752
<b>Deferred Outflows of Resources</b>		
Pension contribution timing difference	135,450	55,945
Total Deferred Outflows of Resources	\$ 135,450	\$ 55,945
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 32,275	\$ 39,134
Current portion of long-term debt	36,200	35,017
Accrued wages, taxes and employee benefits	18,402	24,172
Accrued interest	5,485	5,894
Total Current Liabilities	92,362	104,217
<b>Long-term Liabilities</b>		
Revenue bonds payable	691,000	727,200
Net pension liability	505,380	422,413
Total Long-term Liabilities	1,196,380	1,149,613
Total Liabilities	\$ 1,288,742	\$ 1,253,830
<b>Deferred Inflows of Resources</b>		
Unavailable revenues - property taxes	\$ 19,400	\$ 19,400
Pension change in district proportion, net	21,309	29,087
Total Deferred Inflows of Resources	\$ 40,709	\$ 48,487
<b>Net Position</b>		
Net invested in capital assets	\$ 741,213	\$ 838,203
Restricted for debt service	82,999	82,463
Unrestricted	109,044	1,715
Total Net Position	\$ 933,256	\$ 922,381

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

# Park Center Water District

## *Statement of Revenues, Expenses and Change in Net Position For the Year Ended December 31, 2016*

*(With Comparative Amounts for December 31, 2015)*

	For the Years Ended	
	2016	2015
<b><i>Operating Revenue</i></b>		
Water sales	\$ 1,017,906	\$ 920,431
Other operating revenue	9,688	2,840
Total Operating Revenue	<u>1,027,594</u>	<u>923,271</u>
<b><i>Operating Expenses</i></b>		
Water operating expenses	636,632	614,112
General and administrative expenses	386,112	412,175
Total Operating Expenses	<u>1,022,744</u>	<u>1,026,287</u>
Operating Income (Loss)	4,850	(103,016)
<b><i>Nonoperating Revenue (Expenses)</i></b>		
Taxes	21,768	21,189
Interest income	1,309	429
Sale of property	10,764	-
Interest expense	(37,816)	(39,526)
Net Nonoperating Revenue (Expenses)	<u>(3,975)</u>	<u>(17,908)</u>
Income (loss) before contributions	875	(120,924)
<b><i>Contributions</i></b>		
Tap fees	10,000	-
Change in net position	<u>\$ 10,875</u>	<u>\$ (120,924)</u>
Net position, beginning of the year	\$ 922,381	\$ 1,043,305
Change in net position	<u>10,875</u>	<u>(120,924)</u>
Net position, end of the year	<u>\$ 933,256</u>	<u>\$ 922,381</u>

# Park Center Water District

## *Statement of Cash Flows* *For the Year Ended December 31, 2016*

*(With Comparative Amounts for December 31, 2015)*

	For the Years Ended	
	2016	2015
<b>Cash Flows From Operating Activities</b>		
Cash received from customers	\$ 1,017,852	\$ 922,090
Cash paid to or on behalf of employees	(329,230)	(315,223)
Cash paid to suppliers	(577,870)	(586,655)
Net Cash Provided by Operating Activities	<u>110,752</u>	<u>20,212</u>
<b>Cash Flows From Noncapital Financing Activities</b>		
Taxes (net of treasurer's commission)	21,768	21,189
Net Cash Provided by Noncapital Financing Activities	<u>21,768</u>	<u>21,189</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Tap fees and capital contributions	10,000	-
Purchase of water shares	205	-
Sale of property	10,764	-
Principal paid on long-term debt	(35,017)	(32,883)
Interest paid	(38,225)	(39,966)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(52,273)</u>	<u>(72,849)</u>
<b>Cash Flows From Investing Activities</b>		
Interest on investments	1,312	429
Net Cash From Investing Activities	<u>1,312</u>	<u>429</u>
Net Increase (Decrease) in Cash	81,559	(31,019)
Cash and Cash Equivalents, beginning of year	<u>353,509</u>	<u>384,528</u>
Cash and Cash Equivalents, end of year	<u>\$ 435,068</u>	<u>\$ 353,509</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating income (loss)	\$ 4,850	\$ (103,016)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	131,801	131,501
Decrease (increase) in receivables	(9,742)	(1,181)
Decrease (increase) in inventories	2,262	6,506
Decrease (increase) in other assets	(1,473)	(8,746)
Decrease (increase) in deferred pension outflows	(79,505)	(23,195)
Increase (decrease) in accounts payable	(6,859)	13,146
Increase (decrease) in accrued payroll	(5,771)	(6,639)
Increase (decrease) in deferred pension inflows	(7,778)	29,087
Increase (decrease) in net pension liability	82,967	(17,251)
Net Cash Provided (Used) by Operating Activities	<u>\$ 110,752</u>	<u>\$ 20,212</u>

# Park Center Water District

## **Notes to the Financial Statements**

December 31, 2016

### **1 Summary of Significant Accounting Policies**

#### ***A Reporting Entity***

Because the District has been established for the sole purpose of providing water service, its general fund is insignificant in comparison to the enterprise fund. Therefore, for financial reporting purposes, the District shows its basic financial statements as one fund.

The Park Center Water District operates under the regulations pursuant to the Colorado Revised Statutes that designate a Board of Directors to act as the governing authority. The District provides potable water to the people within the boundaries of the District, which is located near Cañon City, Colorado.

The accompanying statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The financial statements of the District include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit or burden on the District
- there is fiscal dependency by the organization on the District

Based on the above criteria, the District has no component units.

#### ***B Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

#### ***C Fund Accounting***

The District uses one fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District uses only an enterprise fund.

#### ***D Use of Estimates***

Preparation of the financial statements of the District in conformity with generally accepted accounting principles requires the use of management's estimates, primarily related to the depreciable lives of its property and equipment. The nature of those estimates, however, is such that variances in actual results are generally immaterial.

#### ***E Encumbrances***

The District does not employ a purchase order system; therefore, encumbrances are not reflected in the financial statements.

# Park Center Water District

## **Notes to the Financial Statements**

December 31, 2016

### ***F Statement of Cash Flows***

The District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

### ***G Capital Assets and Depreciation***

Enterprise fund capital assets are capitalized in the fund accounts because the capital assets are used in the production of water sold. Generally assets are capitalized if the cost is \$5,000 or more and has an estimated useful life of at least 3 years. In estimating the useful life of an asset, management uses its best judgment at the time the asset is acquired. From time to time these judgments may be reevaluated and the useful life of a particular asset may be changed if it is determined that the useful life will be significantly longer or shorter than originally planned. If such a redetermination is necessary, depreciation is changed on a prospective basis.

Depreciation is provided, for those assets subject to depreciation, over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Office and Shop Building	40 years
Treatment Plant	5 – 30 years
Distribution System (infrastructure)	30 – 40 years
Other	3 – 5 years

### ***H Deferred Inflows of Resources***

In addition to liabilities, the statement of net position reports 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 and so will not be recognized as an inflow of resources (revenue) until that time.

### ***I Operating and Nonoperating Revenue***

Operating revenue is defined as revenue that is derived from ordinary monthly billings to customers of the District and other incidental charges of a routine nature such as turn on and off fees, final read fees, etc. All other revenue, including tap fees, is considered nonoperating revenue.

### ***J Inventory***

Inventories of materials and supplies are recorded on the statement of net position at the lower of cost or market using the first-in, first-out method of accounting.

### ***K Property Tax Revenue Recognition***

Property taxes attach as an enforceable lien on property as of January 1. Taxes are due and payable to the County Treasurer in full by April 30 or in two equal installments due February 28 and June 15.

Property taxes to be collected in 2017 are accrued as a receivable and the related deferred inflow of resources recorded. Property tax revenue is recognized as income as it becomes measurable and available.

### ***L Budgetary Practices***

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) In September the proposed budget is submitted to the District Board and a "Notice of Budget" is published stating that the proposed budget is on file for inspection.
- (2) In December the budget is approved and adopted fixing the rate of levy of taxation upon taxable property within the District and levies are certified to the county. A certified copy of the adopted budget is sent to the Division of Local Government within 30 days of adoption.

# Park Center Water District

## Notes to the Financial Statements

December 31, 2016

- (3) Prior to December 31, the District enacts an appropriation resolution for the ensuing fiscal year.

### 2 Cash and Investments

Deposits of the District at each bank where the funds are maintained are insured up to \$250,000, either by the Federal Deposit Insurance Corporation (FDIC) or by the Federal Savings and Loan Insurance Corporation (FSLIC). Colorado's Public Deposit Protection Act of 1975 enables any eligible public depository to elect to secure public deposits by pledging eligible collateral having a market value at all times equal to at least one hundred two percent (102%) of the aggregate of said deposits not insured.

#### A Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. Uninsured deposits in financial institutions are placed into three categories depending on the custody credit risk. The categories are as follows:

- a. Uncollateralized
- b. Collateralized with securities held by the pledging financial institution
- c. Collateralized with securities held by the pledging financial institution's trust department, or agent but not in the entity's name.

The following is a schedule of the District's cash and temporary investment balances categorized by custody credit risk and a reconciliation to the statement of net position for the year ending December 31, 2016:

<b>Description</b>	<b>Insured</b>	<b>Institutional Balance</b>	<b>Carrying Balance</b>
Sunflower Bank	\$ 244,264	\$ 244,264	239,028
Colotrust+ (rated AAAM by S & P)	N/A	196,039	196,039
<b>Total cash</b>		<u>\$ 440,303</u>	<u>\$ 435,067</u>
<b>Cash on the financial statements:</b>			
Cash and temporary investments			352,069
Restricted cash			82,999
<b>Total</b>			<u>\$ 435,067</u>

During the year ended December 31, 2015, the District invested funds in Colotrust. As an investment pool, it operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. It invests in securities that are specified by Colorado Revised Statutes (24-75-601). Authorized securities include U.S. Treasuries, U.S. Agencies, commercial paper (rated A1 or better) and bank deposits (collateralized through PDPA). Colotrust operates similar to a 2a-7-like money market fund with a share value equal to \$1.00 and a maximum weighted average maturity of 60 days. This fund is rated AAAM by the Standard and Poor's Corporation.

The fair value of the investments in Colotrust are not categorized because they are not evidenced by securities that exist in physical or book entry form.

#### B Investment Interest Rate Risk

The District has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates other than those included in State statute.

# Park Center Water District

## Notes to the Financial Statements

December 31, 2016

### C Investment Credit Risk

The District has no investment policy that limits its investment choices other than the limitation of state law as follows:

1. Direct obligations of the U.S. Government, its agencies, and instrumentalities to which the full faith and credit of the U.S. Government is pledged or obligations to the payment of which the full faith and credit of the State is pledged;
2. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out of state financial institutions;
3. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper, and repurchase agreements with certain limitations;
4. Town, municipal, or school district tax supported debt obligations; bond or revenue anticipation notes; money; or bond or revenue anticipation notes of public trusts whose beneficiary is a town, municipality, or school district;
5. Notes or bonds secured by a mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and obligations of the National Mortgage Association; and
6. Money market funds regulated by the Securities and Exchange Commission in which investments consist of the investments in 1, 2, 3, and 4 above.

### D Concentrations of Investment Credit Risk

The District places no limit on the amount it may invest in any one issuer. At December 31, 2016 the District had no concentration of investment credit risk.

The District invests excess funds under the prudent investor rule. Criteria for selection of investments and their order of priority are: 1) Safety; 2) liquidity; and 3) yield.

### E Investments

The following are the major categories of assets and liabilities measured at fair value on a recurring basis during the year ended December 31, 2016 using quoted market prices in active markets (Level 1), significant observable inputs for similar assets (Level 2) and significant unobservable inputs (Level 3):

Description	Level 1	Level 2	Level 3	Total
Local Government Pools	N/A	196,039	N/A	196,039

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

**Investment Pools:** Valued at the proportionate share of ownership of the quoted market prices of the underlying assets.

The District recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. During 2016, there were no changes in methods or assumptions utilized to derive the fair value of the District's assets and liabilities.

### F Restricted Cash

Rural Development has required the District to restrict cash to pay the annual installments on the water revenue bonds.

# Park Center Water District

## Notes to the Financial Statements

December 31, 2016

### 3 Capital Assets

The following is a schedule of changes in capital assets:

Description	Balance			Balance End of Year
	Beginning of Year	Additions	Deletions	
Treatment plant	\$ 2,154,587	\$ -	\$ -	\$ 2,154,587
Distribution system	1,710,517	-	-	1,710,517
Building	98,429	-	-	98,429
Equipment	112,849	-	-	112,849
Total	4,076,383	\$ -	\$ -	4,076,381
Less accumulated depreciation	(2,885,757)	(131,801)	-	(3,017,557)
Net fixed assets	\$ 1,190,626	N/A	N/A	\$ 1,058,824

### 4 Long-term Debt

#### A Summary of Long-term Debt Activity

Description	Balance			Balance End of Year	Amount Due Within One Year
	Beginning of Year	Proceeds From Borrowings	Payments		
Revenue Bonds	\$ 762,200	\$ -	\$ (35,000)	\$ 727,200	\$ 36,200

#### B Revenue Bonds

The District has issued Subordinate Lien Water Revenue Bonds, Series 1983 in the principal amount of \$345,400 to pay for District improvements. The net effective annual interest rate of this issue of bonds is 5.00%. Interest is payable on January 1 and July 1 of each year. The bonds mature serially January 1 of each year. The final payment is due in 2023. The balance of these bonds at December 31, 2016 is \$116,000.

The District has issued Water Revenue Bonds, Series 1993 in the principal amount of \$735,000 to pay for construction of a new treatment plant. The annual interest rate of this issue is 5.125%. Principal and interest are payable on June 1 and December 1 of each year through 2033. At December 31, 2016, the balance on these bonds is \$503,900.

The District has issued Water Revenue Bonds, Series 1994 in the principal amount of \$160,000 to pay for construction of a new treatment plant. The annual interest rate of this issue is 5.00%. Principal and interest are payable on June 1 and December 1 of each year through 2034. At December 31, 2016, the balance on these bonds is \$107,300.

# Park Center Water District

## Notes to the Financial Statements

December 31, 2016

### C Maturities on Long-term Debt

Year	Principal	Interest	Total
2017	\$ 36,200	\$ 36,450	\$ 72,650
2018	38,400	34,578	72,978
2019	40,800	32,590	73,390
2020	43,100	30,493	73,593
2021	44,500	28,284	72,784
2022 to 2026	199,700	108,866	308,566
2027 to 2031	213,700	59,896	273,596
2032 to 2036	110,800	7,919	118,719
Total	<u>\$ 727,200</u>	<u>\$ 339,076</u>	<u>\$ 1,066,276</u>

## 5 Commitments and Contingencies

### A TABOR Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, the entity has made certain interpretations of the amendment's language in order to determine its compliance.

### B Risk Management

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

### C Water Sources

One of the District's sources of water is a well owned by the U.S. Department of Interior, Bureau of Land Management (BLM). The District's lease of this well is for a period of 20 years and is due to expire in February 2028. The District has a preferential right for renewal of the lease at the end of this period. Terms of the lease allow the BLM to adjust the rates charged to the District every five years. Currently, the District is charged \$.43 per one thousand gallons of water pumped from the well.

The District's other source of water is through the Cañon Heights Irrigation and Reservoir Company. The District owns approximately 20% of the outstanding shares in that Company and leases another 2%.

### D Federal Financial Assistance Programs

The District has received significant amounts of money in the form of Federal grants and loans. Such grants and loans are subject to audit by the grantor agency. As of December 31, 2016, significant amounts of these grants had not been audited by the respective agencies.

# Park Center Water District

## **Notes to the Financial Statements**

December 31, 2016

### **6 Defined Benefit Pension Plan**

#### **Summary of Significant Accounting Policies**

*Pensions.* The District participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **General Information about the Pension Plan**

*Plan description.* Eligible employees of the District are provided with pensions through the Local Government Division Trust Fund (LGDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided.* PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the LGDTF.

# Park Center Water District

## Notes to the Financial Statements

December 31, 2016

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

*Contributions.* Eligible employees and the District are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

January 1 <sup>st</sup> through December 31 <sup>st</sup>	2016 <sup>1</sup>	2015 <sup>1</sup>
Employer contribution rate	10.00%	10.00%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. 24-51-208(1)(f)	-1.02%	-1.02%
Amount apportioned to the LGDTF	8.98%	8.98%
Amortization equalization disbursement (AED) as specified in C.R.S. 24-51-411	2.20%	2.20%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. 24-51-411	1.50%	1.50%
<b>Total employer contribution rate to the LGDTF</b>	<b>12.68%</b>	<b>12.68%</b>

<sup>1</sup> Rates are expressed as a percentage of salary as defined in C.R.S. 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the District were \$33,038 for the year ended December 31, 2016.

### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2016, the District reported a liability of \$505,380 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The District proportion of the net pension liability was based on the District contributions to the LGDTF for the calendar year 2015 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2015, the District proportion was .045878%, which was a decrease of .0075% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the District recognized pension expense of \$30,052. At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

# Park Center Water District

## **Notes to the Financial Statements**

December 31, 2016

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ 3,792	\$ (18)
Changes of assumptions or other inputs	\$ -	\$ (9,257)
Net difference between projected and actual earnings on pension plan investments	\$ 97,290	\$ -
Changes in proportion and differences between contributions recognized and proportionate share of contributions - Plan Basis	\$ -	\$ (12,034)
Contributions subsequent to the measurement date	\$ 34,368	\$ -
<b>Total</b>	<b>\$ 135,450</b>	<b>\$ (21,309)</b>

\$34,368 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	Fiscal year Total
2017	\$ (10,392)
2018	(23,523)
2019	(25,716)
2020	(20,142)
<b>Total</b>	<b>\$ (79,773)</b>

# Park Center Water District

## Notes to the Financial Statements

December 31, 2016

*Actuarial assumptions.* The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry Age
Price inflation	2.80%
Real wage growth	1.10%
Wage inflation	3.90%
Salary increase, including wage inflation	3.90-10.85%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.50%
Post retirement benefit increases:	
PERA benefit structure hired prior to 1/1//07 and DPS benefit structure (automatic)	2.00%
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

The LGDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

# Park Center Water District

## Notes to the Financial Statements

December 31, 2016

Asset Class	Target Allocation	10 Year Expected Geometric Rate of Return
U.S Equity - Large Cap	26.76%	5.00%
U.S Equity - Small Cap	4.40%	5.19%
Non U.S. Equity - Developed	22.06%	5.29%
Non U.S. Equity - Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

\* In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

*Discount rate.* The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate share of the net pension asset (liability)	\$ (774,799)	\$ (505,380)	\$ (281,923)

*Pension plan fiduciary net position.* Detailed information about the LGDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

# Park Center Water District

## **Notes to the Financial Statements**

December 31, 2016

### **7 Defined Contribution Pension Plans**

#### **Voluntary Investment Program**

*Plan Description* - Employees of the District that are also members of the LGDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Funding Policy* - The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees have the option of contributing pre or post-tax dollars.

### **8 Postemployment Healthcare Benefits**

#### **Health Care Trust Fund**

*Plan Description* – The District contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Funding Policy* – The District is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending December 31, 2015 and the preceding two fiscal years, the District contributions to the HCTF were \$2,658, \$2,638 and \$2908, respectively, equal to their required contributions for each year.

## **Supplemental Schedules**

# Park Center Water District

## Schedule of Budget Comparison

	For the Year Ended December 31, 2016		
	Final Budget	Actual	Balance Favorable (Unfavorable)
<b>Source of Funds</b>			
Water sales	\$ 1,025,000	\$ 1,017,906	\$ (7,094)
Other operating revenue	10,250	9,688	(562)
Tap fees	10,000	10,000	-
Tax revenues	23,000	21,768	(1,232)
Interest income	1,300	1,309	9
Property sales	11,000	10,764	(236)
Total Funds Available	<u>1,080,550</u>	<u>1,071,435</u>	<u>(9,115)</u>
<b>Uses of Funds, Expenditures and Disbursements</b>			
Water operating expenses - net of depreciation	699,550	504,831	194,719
General and administrative expenses	269,550	386,112	(116,562)
<i>Debt service:</i>			
Bonds and notes	71,000	73,254	(2,254)
Capital outlay	-	(205)	205
Total Uses Of Funds	<u>1,040,100</u>	<u>963,992</u>	<u>76,108</u>
Net Sources and uses of funds	<u>\$ 40,450</u>	<u>\$ 107,443</u>	<u>\$ 66,993</u>
<b>Adjustments to Arrive at Net Income</b>			
Less depreciation expense		(131,801)	
Add capitalized assets		(205)	
Add principal payments on debt		35,017	
Other differences		421	
Net Adjustments to Arrive at Net Income		<u>(96,568)</u>	
Net Income Per Financial Statements		<u>\$ 10,875</u>	

# Park Center Water District

## *Schedules of Operating Expenses*

	For the Years Ending	
	2016	2015
<b>Water Operating Expenses</b>		
Wages	\$ 141,144	\$ 130,015
Payroll taxes and employee benefits	34,050	28,172
Depreciation	131,801	131,501
Raw water	24,752	35,197
Operating supplies	169,349	176,471
Repairs and maintenance	54,074	73,580
Tests	16,093	7,311
Engineering	53,733	18,615
Other	11,636	13,249
Total Water Operating Expenses	<u>636,632</u>	<u>614,111</u>
<b>General and Administrative Expenses</b>		
Wages	119,143	119,263
Payroll taxes and employee benefits	24,806	19,775
Legal	96,908	116,244
Office supplies and expense	11,727	14,266
Postage	5,005	5,826
Insurance	73,859	79,621
Telephone	7,059	7,507
Utilities	24,088	26,067
Director's Fees	5,158	4,719
Professional Fees	5,150	5,750
Other	13,209	13,137
Total General and Administrative Expenses	<u>386,112</u>	<u>412,175</u>
Total Operating Expenses	<u>\$ 1,022,744</u>	<u>\$ 1,026,286</u>

[End]