

PARK CENTER WATER DISTRICT

**Financial Statements
With
Independent Auditors' Report**

**For the Year Ended
December 31, 2017**



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July 18, 2018

Park Center Water District

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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 2017 total assets were \$2,183,000, a decrease of \$ 56,000 from 2016.
- In 2017, revenues from water sales decreased by \$15,000 over 2016.

Condensed Financial Information

CONDENSED STATEMENT OF NET POSITION

	2017	2016
ASSETS		
Current and Other Assets	\$ 728,908	\$ 658,845
Capital Assets	1,453,941	1,468,413
Total Assets	2,182,849	2,127,258
DEFERRED OUTFLOWS	164,813	135,450
LIABILITIES		
Current Liabilities	27,170	41,783
Noncurrent Liabilities	1,325,393	1,246,959
Total Liabilities	1,352,563	1,288,742
DEFERRED INFOWS	23,709	40,709
NET POSITION		
Net Investment in Capital Assets	763,241	741,213
Restricted	83,932	82,999
Unrestricted	124,217	109,045
Total Net Position	\$ 971,390	\$ 933,257

CONDENSED STATEMENT OF ACTIVITIES

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Utility Charges	\$ 1,003,226	\$ 1,017,906
Other Charges for Services	4,641	3,688
Total Program Revenues	<u>1,007,867</u>	<u>1,021,594</u>
OPERATING EXPENSES		
Personnel Services	483,382	371,345
Administrative/ Office Expense	10,775	8,891
Insurance	22,917	21,657
Operating Supplies	148,168	169,349
Professional Fees	39,995	192,108
Repairs and Maintenance	82,517	57,074
Travel and Training	11,882	13,095
Telephone and Utilities	31,997	31,147
Other Operating Expenses	15,410	16,823
Depreciation Expense	131,815	131,801
Other Capital Outlay	3,560	9,453
Total Program Expenses	<u>982,418</u>	<u>1,022,743</u>
OTHER INCOME(EXPENSE)		
Tax Revenue	22,069	21,768
Investment Earnings	2,481	1,309
Interst Expense	(35,772)	(37,816)
Gain (Loss) on Sale of Assets	-	10,764
Total Other Income (Expense)	<u>(11,222)</u>	<u>(3,975)</u>
Contributed Capital	<u>11,000</u>	<u>16,000</u>
CHANGE IN NET POSITION		
	<u>25,227</u>	<u>10,876</u>
Net Position, Beginning	933,257	922,381
Prior Period Restatement	12,906	-
Net Position, Beginning (as Restated)	<u>946,163</u>	<u>922,381</u>
NET POSITION, ENDING	<u>\$ 971,390</u>	<u>\$ 933,257</u>

BUDGETARY HIGHLIGHTS

Changes between the original adopted budget, which was completed in December 2016, and the final budget in 2017, were primarily due to a reduction in water sales due to higher than anticipated rainfall in the summer months. Park Center has historically relied on surface waters originating from Pisgah Reservoir near Cripple Creek. 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 2017 and will extend into 2018. Park Center was able to utilize surface water through the majority of 2017, reducing costs for purchasing and treatment of the water. 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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

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

	12/31/16			12/31/17
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Capital assets not being depreciated				
Land	\$ 63,771	\$ -	\$ -	\$ 63,771
Water rights	<u>345,818</u>	<u>117,342</u>	<u>-</u>	<u>463,160</u>
Total capital assets not being depreciated	<u>409,589</u>	<u>117,342</u>	<u>-</u>	<u>526,931</u>
Capital assets being depreciated				
Building	98,429	-	-	98,429
Treatment plant	2,154,587	-	-	2,154,587
Distribution system	1,710,517	-	-	1,710,517
Equipment	<u>112,849</u>	<u>-</u>	<u>-</u>	<u>112,849</u>
Total capital assets being depreciated	4,076,382	-	-	4,076,382
Accumulated depreciation	<u>(3,017,557)</u>	<u>(131,815)</u>	<u>-</u>	<u>(3,149,372)</u>
Net capital assets being depreciated	<u>1,058,825</u>	<u>(131,815)</u>	<u>-</u>	<u>927,010</u>
 Net capital assets	 <u>\$ 1,468,414</u>	 <u>\$ (14,473)</u>	 <u>\$ -</u>	 <u>\$ 1,453,941</u>

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, 2017 the balance due on these loans was approximately \$691,000.

	Balance	Proceeds	Balance	Current
	<u>1/1/2017</u>	<u>From Borrowings</u>	<u>12/31/2017</u>	<u>Portion</u>
		<u>Payments</u>		
USDA Revene Bonds	<u>\$ 727,200</u>	<u>\$ -</u>	<u>\$ 690,700</u>	<u>\$ 38,400</u>

ECONOMIC AND OTHER FACTORS

For the third year in a row, water sales were under 100 million gallons. Slow economic growth in the area resulted in only one water tap being sold. The District has not increased water rates since 2016.

The District owns a substantial number 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

FINANCIAL SECTION

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

Board of Directors
Park Center Water District
Cañon City, Colorado

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of the Park Center Water District, as of and for the year ended December 31, 2017, and the related notes to the financial statements which collectively comprise the basic financial statements of the District, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 controls. 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 respective financial position of the Park Center Water District, as of December 31, 2017, and the respective changes in financial position and cash flows for the year then ended in conformity 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 1, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of a Matter

As discussed in Note 12 to the financial statements, the 2016 financial statements have been restated to reflect accrued wages that should have been reported as of December 31, 2016. In addition, it was determined that the deferred outflows related to pension benefits had been understated as of December 31, 2016. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information – Management Discussion and Analysis and Pension Schedules (Unaudited)

Accounting principles generally accepted in the United States of America require that the management, discussion and analysis on pages M1-M4 and pension schedules on pages 25 - 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Required Supplementary Information – Budgetary Comparison Schedules and Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The budgetary comparison schedule on page 27 and listed as other supplementary information is presented for purposes of additional analysis and are not a required part of the financial statements. The 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. Such information has been subjected to the auditing procedures applied in the audit of the 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 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
April 24, 2018

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Basic Financial Statements

PARK CENTER WATER DISTRICT

STATEMENT OF NET POSITION

DECEMBER 31, 2017

With Comparative Totals for December 31, 2016

	<u>Total</u>	
	<u>2017</u>	<u>2016</u>
ASSETS AND DEFERRED OUTFLOWS		
ASSETS		
Current Assets		
Cash and Investments		
Cash	\$ 244,034	\$ 239,029
Investments	184,588	113,040
Restricted Cash and Investments	83,932	82,999
Receivables		
Property Tax Receivable	19,400	19,400
Accounts Receivable	100,527	99,948
Inventory	67,238	74,845
Prepaid Expenses	29,189	29,584
Total Current Assets	<u>728,908</u>	<u>658,845</u>
Noncurrent Assets		
Capital Assets not being depreciated	526,931	409,589
Capital Assets being depreciated	4,076,382	4,076,382
Accumulated Depreciation	<u>(3,149,372)</u>	<u>(3,017,558)</u>
Total Noncurrent Assets	<u>1,453,941</u>	<u>1,468,413</u>
TOTAL ASSETS	<u>2,182,849</u>	<u>2,127,258</u>
DEFERRED OUTFLOWS OF FINANCIAL RESOURCES		
Pension Contribution Timing	36,285	34,368
Pension Investment Earnings Timing - net	73,917	97,290
Pension Benefits Timing - net	10,953	3,792
Pension Change in Assumptions - net	43,658	-
TOTAL DEFERRED OUTFLOWS	<u>164,813</u>	<u>135,450</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 2,347,662</u>	<u>\$ 2,262,708</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION		
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 10,592	\$ 32,275
Accrued Liabilities	4,790	4,023
Accrued Salaries and Benefits	6,680	-
Accrued Interest Payable	5,108	5,485
Total Current Liabilities	<u>27,170</u>	<u>41,783</u>
Noncurrent Liabilities		
Due within one year	38,400	36,200
Due in more than one year	<u>1,286,993</u>	<u>1,210,759</u>
Total Noncurrent Liabilities	<u>1,325,393</u>	<u>1,246,959</u>
TOTAL LIABILITIES	<u>1,352,563</u>	<u>1,288,742</u>
DEFERRED INFLOWS OF FINANCIAL RESOURCES		
Pension Benefits Timing - net	-	18
Pension External Change in Proportion - net	1,780	9,257
Pension Change in Assumptions - net	2,529	12,034
Other Deferred Inflows	19,400	19,400
TOTAL DEFERRED INFLOWS	<u>23,709</u>	<u>40,709</u>
NET POSITION		
Net Investment in Capital Assets	763,241	741,213
Restricted Net Position	83,932	82,999
Unrestricted Net Position	<u>124,217</u>	<u>109,045</u>
TOTAL NET POSITION	<u>971,390</u>	<u>933,257</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 2,347,662</u>	<u>\$ 2,262,708</u>

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

PARK CENTER WATER DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017

With Comparative Totals for the Year Ended December 31, 2016

	<u>Total</u>	
	<u>2017</u>	<u>2016</u>
Operating Revenues		
Utility Charges	\$ 1,003,226	\$ 1,017,906
Other Charges for Services	4,641	3,688
Total Revenues	<u>1,007,867</u>	<u>1,021,594</u>
Operating Expenses		
Personnel Services	483,382	371,345
Administrative/Office Expenses	10,775	8,891
Insurance	22,917	21,657
Operating Supplies	148,168	169,349
Professional Fees	39,995	192,108
Repairs and Maintenance	82,517	57,074
Travel and Training	11,882	13,095
Telephone and Utilities	31,997	31,147
Other Operating Expenses	15,410	16,823
Depreciation Expense	131,815	131,801
Other Capital Outlay	3,560	9,453
Total Expenditures	<u>982,418</u>	<u>1,022,743</u>
Operating Income (Loss)	<u>25,449</u>	<u>(1,149)</u>
Other Income (Expense)		
Tax Revenue	22,069	21,768
Investment Earnings	2,481	1,309
Interest Expense	(35,772)	(37,816)
Gain (Loss) on Sale of Assets	-	10,764
Total Other Income (Expense)	<u>(11,222)</u>	<u>(3,975)</u>
Net Income (Loss)	14,227	(5,124)
Contributed Capital		
Plant Investment Fees	5,000	10,000
Cash in Lieu of Fees	6,000	6,000
Total Contributed Capital	<u>11,000</u>	<u>16,000</u>
Change in Net Position	<u>25,227</u>	<u>10,876</u>
Net Position, Beginning	933,257	922,381
Prior Period Restatement	12,906	-
Net Position, Beginning (As Restated)	<u>946,163</u>	<u>922,381</u>
Net Position, Ending	<u>\$ 971,390</u>	<u>\$ 933,257</u>

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

PARK CENTER WATER DISTRICT

STATEMENT OF CASH FLOWS -

FOR THE YEAR ENDED DECEMBER 31, 2017

With Comparative Totals for the Year Ended December 31, 2016

	<u>Total</u>	
	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 1,007,288	\$ 1,011,852
Cash Paid to Suppliers	(380,135)	(525,861)
Cash Paid to or on behalf of Employees	(395,225)	(381,236)
Net Cash Provided by Operating Activities	<u>231,928</u>	<u>104,755</u>
Cash Flows From Capital and Related Financing Activities:		
Tap Fees Received	11,000	16,000
Debt Principal Payments	(36,500)	(35,017)
Interest Payments	(36,149)	(38,225)
Proceeds of Capital Asset Sales	-	10,763
Acquisition of Capital Assets	(117,342)	205
Cash Flows Used by Capital and Related Financing Activities	<u>(178,991)</u>	<u>(46,274)</u>
Cash Flows (Uses) From Noncapital Financing Activities:		
Tax Revenue	<u>22,069</u>	<u>21,768</u>
Cash Flows (Uses) From Investing Activities:		
Interest Received	<u>2,481</u>	<u>1,309</u>
Net Increase (Decrease) in Cash	77,487	81,558
Cash - Beginning	<u>435,067</u>	<u>353,509</u>
Cash - Ending	<u>\$ 512,554</u>	<u>\$ 435,067</u>
Cash	\$ 244,034	\$ 239,028
Investments	184,588	113,040
Restricted Cash and Investments	<u>83,932</u>	<u>82,999</u>
Total	<u>\$ 512,554</u>	<u>\$ 435,067</u>
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:		
Operating Income (Loss)	\$ 25,449	\$ (1,149)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation Expense	131,815	131,801
Changes in Assets and Liabilities Related to Operations:		
(Increase) Decrease in:		
Accounts Receivable	(579)	(9,742)
Inventory	7,607	2,262
Prepaid Expenses	395	(1,473)
Pension Deferred Outflows	(10,047)	(79,505)
(Increase) Decrease in:		
Accounts Payable	(21,684)	(6,858)
Accrued Liabilities	768	(195)
Accrued Salaries and Benefits	270	(19,954)
Accrued Compensated Absences	4,826	14,379
Pension Deferred Inflows	(17,000)	(7,778)
Pension Liability	<u>110,108</u>	<u>82,967</u>
Total Adjustments	<u>206,479</u>	<u>105,904</u>
Net Cash Used for Operating Activities	<u>\$ 231,928</u>	<u>\$ 104,755</u>

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

PARK CENTER WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Because the District has been established for the sole purpose of providing water service for financial reporting purposes, the District shows its basic financial statements as a single proprietary 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.

Reporting Entity

Park Center Water District is a political subdivision of the State of Colorado governed by a five member board of directors. 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.

PARK CENTER WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 (proprietary) fund.

Budgets

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

The District's adopted annual budget is all prepared on the modified accrual basis of accounting, ie the District budgets for capital outlay and debt principal repayments but does not budget for depreciation. The District may authorize supplemental appropriations during the budget year. All budgetary appropriations lapse at year-end.

PARK CENTER WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

The District does not utilize encumbrance accounting.

Cash and Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The District considers its investment in Colotrust as a cash equivalent.

Investments

Investments are stated at fair value based on quoted market values, with the exception of money market funds and external investment pools. These are stated at cost, which is equal to fair value.

Receivables

Under the accrual basis of accounting, receivables consist of all revenues earned at year-end and not yet received. Based upon a review of the existing accounts receivable, no allowance for doubtful accounts is required.

Capital Assets

Capital assets, which include land, buildings, vehicles and equipment, are reported in the governmental activities column of the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and a useful life of more of at least three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or annexed capital assets are recorded at estimated market value at the date of donation or annexation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation on exhaustible assets is recorded as an expense for the Statement of Revenues, Expenses and Changes in Net Position with accumulated depreciation reflected in the Statement of Net Position. Depreciation on the remaining capital assets is provided on the straight-line basis over the following estimated useful lives:

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

PARK CENTER WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accumulated Unpaid Leave (Compensated Absences)

The District permits an employee to carry over unused vacation pay to the next calendar year, up to 240 hours without board approval. The District also allows the accumulation of up to 60 days of sick leave. The accumulated vacation balance as of December 31, 2017 was \$19,205.

Long-Term Obligations

Long-term debt is reported at face value, including all applicable premiums and discounts and deferred amounts from refunding. Costs related to the issuance of debt are expensed when incurred. Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government's deferred outflows consist of pension related items as further described in Note 4.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows related to pension liabilities as further described in Note 4 as well as for taxes levied in 2017 to be collected in 2018.

Net Position

In the financial statements, net position is either shown as net investment in capital assets, with these assets essentially being nonexpendable; restricted when constraints placed on the net position are externally imposed; or unrestricted.

Amounts are reported as "restricted" when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. The District's has restricted net position for debt retirement.

Net Position Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted or unrestricted in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider available restricted net position to have been depleted before using unrestricted net position.

PARK CENTER WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

Property taxes are levied on November 1 and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's office collects property taxes and remits to the District on a monthly basis.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data has not been presented for all of the statements and footnotes since their inclusion would make the report unduly complex and difficult to read.

NOTE 2: CASH AND INVESTMENTS

The District's cash and investment balances as of the year ended December 31, 2017 are as follows:

Cash and Investments	\$ 428,622
Restricted Cash and Investments	<u>83,932</u>
Total Cash and Investments	<u>\$ 512,554</u>

This balance is comprised of:

Cash	\$ 244,034
Investments	<u>268,520</u>
Total Cash and Investments	<u>\$ 512,554</u>

PARK CENTER WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2: CASH AND INVESTMENTS (Continued)

DEPOSITS

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The District's deposit policy is in accordance with CRS 11-10.5-101, The Colorado Public Deposit Protection Act (PDPA), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels (\$250,000) must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution's internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and December 31, 2017, all of the District's deposits as shown below were either insured by federal depository insurance or collateralized under PDPA and are therefore not deemed to be exposed to custodial credit risk.

At December 31, 2017 the District's deposits are categorized as follows:

	<u>Bank</u> <u>Balance</u>	<u>Book</u> <u>Balance</u>
FDIC Insured	\$ 250,000	\$ 244,034
PDPA Secured (Not in Entity's Name)	<u>18,850</u>	<u>-</u>
Total Cash	<u>\$ 268,850</u>	<u>\$ 244,034</u>

INVESTMENTS

The following is a summary of District policies related to investments.

Credit Risk

Colorado statutes specify which instruments units of local government may invest, which include:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of the U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

PARK CENTER WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 2: CASH AND INVESTMENTS (Continued)

INVESTMENTS(Continued)

The District’s investment policy limits its investments to those allowed by Colorado Revised Statute 24-75-601.1 as described above.

Concentration of Credit Risk

The District places no limit on the amount that may be invested in any one issuer.

Interest Rate Risk

Colorado Statutes require that no investment may have a maturity in excess of five years from the date of purchase unless authorized by the local board. The District does not have a 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 contained in state statutes.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2017, the District did not have any investments requiring safekeeping.

Investments Held

During the year ended December 31, 2017, the District invested funds in the 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). The pool 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 Colotrust investment consists of the following:

	<u>Fair Value</u>	<u>Weighted Maturity</u>	<u>Rating</u>
Local Government Pool (Colotrust)	\$ 184,588	-	AAAm
Local Government Pool (Colotrust) - Restricted	<u>83,932</u>	-	AAAm
Total Investments	<u>\$ 268,520</u>		

RESTRICTED CASH AND INVESTMENTS

Rural Development has required the District to restrict cash to pay the annual installments on the water notes payable.

PARK CENTER WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 3: CAPITAL ASSETS

Changes in capital assets for the year ended December 31, 2017 was as follows:

	12/31/16			12/31/17
	Balance	Additions	Deletions	Balance
Capital assets not being depreciated				
Land	\$ 63,771	\$ -	\$ -	\$ 63,771
Water rights	345,818	117,342	-	463,160
Total capital assets not being depreciated	<u>409,589</u>	<u>117,342</u>	<u>-</u>	<u>526,931</u>
Capital assets being depreciated				
Building	98,429	-	-	98,429
Treatment plant	2,154,587	-	-	2,154,587
Distribution system	1,710,517	-	-	1,710,517
Equipment	112,849	-	-	112,849
Total capital assets being depreciated	4,076,382	-	-	4,076,382
Accumulated depreciation	<u>(3,017,557)</u>	<u>(131,815)</u>	<u>-</u>	<u>(3,149,372)</u>
Net capital assets being depreciated	<u>1,058,825</u>	<u>(131,815)</u>	<u>-</u>	<u>927,010</u>
Net capital assets	<u>\$ 1,468,414</u>	<u>\$ (14,473)</u>	<u>\$ -</u>	<u>\$ 1,453,941</u>

NOTE 4: 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.

PARK CENTER WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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 FINANCIAL STATEMENTS
December 31, 2017

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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 1st through December 31st	2017¹	2016¹	2015¹
Employer contribution rate	10.00%	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%	-1.02%
Amount apportioned to the LGDTF	8.98%	8.98%	8.98%
Amortization equalization disbursement (AED) as specified in C.R.S. 24-51-411	2.20%	2.20%	2.20%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. 24-51-411	1.50%	1.50%	1.50%
Total employer contribution rate to the LGDTF	12.68%	12.68%	12.68%

¹ 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 \$35,031 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, 2017, the District reported a liability of \$615,488 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The District proportion of the net pension liability was based on the District contributions to the LGDTF for the calendar year 2016 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2016, the District proportion was .04558%, which was a decrease of .00785% from its proportion measured as of December 31, 2015.

PARK CENTER WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended December 31, 2017, the District recognized pension expense of \$112,094. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ 10,953	\$ -
Changes of assumptions or other inputs	\$ -	\$ (1,780)
Net difference between projected and actual earnings on pension plan investments	\$ 73,917	\$ -
Changes in proportion and differences between contributions recognized and proportionate share of contributions - Plan Basis	\$ -	\$ (2,529)
Contributions subsequent to the measurement date	\$ 36,285	\$ -
Total	\$ 121,155	\$ (4,309)

\$36,285 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, 2018. 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
2018	\$ (31,811)
2019	(27,336)
2020	(20,711)
2021	(703)
Total	\$ (80,561)

PARK CENTER WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial assumptions. The total pension liability as of December 31, 2016 was determined based on the December 31, 2015 actuarial valuation using the following rollforward assumptions and other inputs:

Actuarial cost method	Entry Age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increase, including wage inflation	3.50-10.45%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
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)

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA’s board on November 18, 2016 to more closely reflect PERA’s actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the RP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

PARK CENTER WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

Several factors were considered in evaluating the long-term rate of return assumption for the LGDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) were developed by the investment consultant 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.

PARK CENTER WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

As of November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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 7.25 percent.

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied to actuarial method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA’s Board on November 18, 2016
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

PARK CENTER WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED which will drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR Transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, 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 of 7.25 percent 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, and therefore, the discount rate is 7.25 percent.

As of the prior measurement date, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use the municipal bond index rate, and therefore, the discount rate was 7.50 percent.

PARK CENTER WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension asset (liability)	\$ (907,509)	\$ (615,488)	\$ (373,663)

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.

NOTE 5: DEFINED CONTRIBUTION PENSION PROGRAMS
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.

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.

PARK CENTER WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 6: 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.

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, 2017 and the preceding two fiscal years, the District contributions to the HCTF were \$2,702, \$2,559 and \$2,459, respectively, equal to their required contributions for each year.

NOTE 7: LONG-TERM OBLIGATIONS

The following is a schedule of changes in debt for the year ended December 31, 2017:

	Proceeds		Balance 12/31/2017	Current Portion
	Balance 1/1/2017	From Borrowings		
USDA Revenue Bonds	<u>\$727,200</u>	<u>\$ -</u>	<u>\$ 36,500</u>	<u>\$ 690,700</u>
				<u>\$38,400</u>

Bonds Payable

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, 2017 is \$102,000.

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, 2017, the balance on these bonds is \$485,600.

PARK CENTER WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 7: LONG-TERM OBLIGATIONS(Continued)

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, 2017, the balance on these bonds is \$103,100.

Debt payments to maturity on these bonds are as follows:

Fiscal Year	Principal	Interest	Total
2018	\$ 38,400	\$ 34,578	\$ 74,996
2019	40,800	32,590	73,390
2020	43,100	30,493	73,593
2021	44,500	28,284	72,784
2022	47,100	25,984	73,084
2023-2027	190,800	99,045	289,845
2028-2032	225,600	48,838	274,438
2033-2037	60,400	2,814	63,214
Total	<u>\$ 690,700</u>	<u>\$ 302,626</u>	<u>\$ 995,344</u>

NOTE 8: FUND BALANCE RESERVATIONS/APPROPRIATIONS

Emergency Reserve

On November 3, 1992, the voters of Colorado approved Amendment 1, commonly known as the TABOR Amendment, which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations, which apply to the State of Colorado, all local governments, and special districts.

The District's financial activity for the year ended December 31, 2017 will provide the basis for calculation of future limitations adjusted for allowable increases tied to inflation and local growth. Subsequent to December 31, 2017, revenue in excess of the District's "spending limit" must be refunded unless voters approve the retention of such excess revenue. TABOR generally requires voter approval for any new tax, tax increases, and new debt.

TABOR is extremely complex and subject to interpretation. Ultimate implementation may depend upon litigation and legislative guidance.

The District believes it is in compliance with the provisions of the TABOR Amendment.

PARK CENTER WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 9: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to firemen; and natural disasters. The District purchases commercial insurance for all risks of loss. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

NOTE 10: COMMITMENTS AND CONTINGENCIES

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%.

NOTE 11: BUDGET VIOLATION

The District's expenditures exceeded budgeted amounts in the Water Funds in the amounts of \$65,420, which may be a violation of state statutes.

NOTE 12: PRIOR YEAR RESTATEMENT

The financial statements show a restatement of the beginning net position in the amount of \$12,906. As part of the current year audit procedures, it was noted that the District had accrued wages that should be recorded as of December 31, 2016. This resulted in a reduction of net position in the amount of \$(6,410). In addition, it was determined that the deferred outflows related to future pension benefits had been understated as of December 31, 2016 resulting in an increase in net position of \$19,316.

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REQUIRED SUPPLEMENTARY INFORMATION
(Pension Schedules Unaudited)

PARK CENTER WATER DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION ASSET (LIABILITY)**

**PERA Pension Plan
Last 10 Fiscal Years⁽¹⁾**

	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>
District's proportion of the net pension asset (liability)	0.045580%	0.045878%	0.047128%	0.053427%
District's proportionate share of the net pension asset (liability)	\$ (615,488)	\$ (505,380)	\$ (422,413)	\$ (439,666)
District's covered-employee payroll	\$ 276,273	\$ 260,550	\$ 258,241	\$ 285,040
District's proportionate share of the net pension asset (liability) as a percentage of covered-employee payroll	222.78%	193.97%	163.57%	154.25%
Plan fiduciary net position as a percentage of the total pension liability	73.65%	76.87%	80.72%	81.00%

Note: All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

⁽¹⁾ - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

PARK CENTER WATER DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS
PERA Pension Plan
Last 10 Fiscal Years⁽¹⁾**

	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>
Contractually required contributions	\$ 35,031	\$ 33,038	\$ 32,745	\$ 36,143
Actual contributions	<u>(35,031)</u>	<u>(33,038)</u>	<u>(32,745)</u>	<u>(36,143)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 276,273	\$ 260,550	\$ 258,241	\$ 285,040
Contributions as a percentage of covered-employee payroll	12.68%	12.68%	12.68%	12.68%

Note: All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

⁽¹⁾ - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

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Other Supplementary Information

PARK CENTER WATER DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

BUDGET AND ACTUAL

Water Fund

FOR THE YEAR ENDED DECEMBER 31, 2017

With Comparative Totals for the Year Ended December 31, 2016

	2017		Variance with Final Budget	2016 Actual
	Final Budget	Actual		
Operating Revenues				
Utility Charges	\$ 1,015,000	\$ 1,003,226	\$ (11,774)	\$ 1,017,906
Other Charges for Services	3,750	4,641	891	3,688
Total Revenues	<u>1,018,750</u>	<u>1,007,867</u>	<u>(10,883)</u>	<u>1,021,594</u>
Operating Expenses				
Personnel Services	403,500	483,382	(79,882)	371,345
Administrative/Office Expenses	11,250	10,775	475	8,891
Insurance	24,000	22,917	1,083	21,657
Operating Supplies	160,000	148,168	11,832	169,349
Professional Fees	156,325	39,995	116,330	192,108
Repairs and Maintenance	81,500	82,517	(1,017)	57,074
Travel and Training	12,000	11,882	118	13,095
Telephone and Utilities	32,300	31,997	303	31,147
Other Operating Expenses	16,850	15,410	1,440	16,823
Other Capital Outlay	4,800	120,902	(116,102)	9,248
Total Expenditures	<u>902,525</u>	<u>967,945</u>	<u>(65,420)</u>	<u>890,737</u>
Operating Income (Loss)	<u>116,225</u>	<u>39,922</u>	<u>(76,303)</u>	<u>130,857</u>
Other Income (Expense)				
Tax Revenue	22,400	22,069	(331)	21,768
Investment Earnings	2,500	2,481	(19)	1,309
Debt Service	(73,000)	(72,272)	728	(72,832)
Gain (Loss) on Sale of Assets	-	-	-	10,764
Total Other Income (Expense)	<u>(48,100)</u>	<u>(47,722)</u>	<u>378</u>	<u>(38,991)</u>
Net Income (Loss) before Transfers	68,125	(7,800)	(75,925)	91,866
Contributed Capital				
Plant Investment Fees	5,000	5,000	-	10,000
Cash in Lieu of Fees	6,000	6,000	-	6,000
Total Contributed Capital	<u>11,000</u>	<u>11,000</u>	<u>-</u>	<u>16,000</u>
Change in Net Position (Budget Basis)	<u>\$ 79,125</u>	3,200	<u>\$ (75,925)</u>	107,866
Budget to GAAP Reconciliation				
Principal Paid		36,500		35,016
Depreciation Expense		(131,815)		(131,801)
Capital Outlay		117,342		(205)
Change in Net Position - GAAP Basis		<u>25,227</u>		<u>10,876</u>
Net Position, Beginning		933,257		922,381
Prior Period Restatement		12,906		-
Net Position, Beginning (As Restated)		<u>946,163</u>		<u>922,381</u>
Net Position, Ending		<u>\$ 971,390</u>		<u>\$ 933,257</u>

See accompanying Independent Auditors' Report.