

PARKER WATER AND SANITATION DISTRICT
Douglas County, Colorado

FINANCIAL STATEMENTS
December 31, 2009 and 2008

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Independent Auditor's Report

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

We have audited the accompanying basic financial statements of Parker Water and Sanitation District as of and for the years ended December 31, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker Water and Sanitation District as of December 31, 2009 and 2008 and its changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and other post-employment benefit information on pages II through IX and 24 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Parker Water and Sanitation District's basic financial statements. The supplemental information listed in the table of contents is presented for purposes of additional analysis and legal compliance and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Clifton Gunderson LLP

Greenwood Village, Colorado
May 27, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Parker Water and Sanitation District's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2009 and 2008. Please read it in conjunction with the District's financial statements, which begin on page 1.

FINANCIAL HIGHLIGHTS

- The assets of the Parker Water and Sanitation District exceeded its liabilities at the close of the most recent fiscal year by \$396,698,783 (net assets). Of this amount, \$64,187,243 (unrestricted net assets) may be used to meet the District's ongoing obligations to customers and creditors.
- The Water and Sewer Enterprises of the District are business type activities that are intended to recover all or a significant portion of their costs through user fees and charges. During 2009, the water rates remained unchanged from the levels set in January 2005 and the sewer rates remained unchanged from the levels set in January 2006.
- The District collected tap fees for 62 and 304 Single Family Equivalents (SFE's) sold during 2009 and 2008, respectively, for new construction in the District.
- The District levies taxes for operations. By law, the District is generally prohibited from levying a greater amount of revenue than was levied in the preceding year plus five and one-half percent or the limits defined under the Colorado constitutional amendment known as TABOR, whichever is less. The previous reductions in the mill levy, from 2001 through 2008, were due to the substantial annual increases in assessed valuations and number of customers. The certified 2009 mill levy for operations was 1.839 mills and the 2010 mill levy for operations is 1.939 mills. The certified 2010 mill levy for the 2004 voter-approved general obligation debt for the construction of Rueter-Hess Reservoir is 1.615 mills.
- Contributed assets from developers consisting of contributed water and sewer lines and water rights acquired by inclusions totaled \$3,622,016 in 2009 and \$6,061,579 in 2008.
- At December 31, 2009 and 2008, the District is carrying a receivable in the amount of \$8,158,220 and \$9,323,680, respectively for the outstanding inclusion fee due for RidgeGate. The balance to the District is due over the next seven years.
- The District entered into a reservoir storage space agreement in August 2008 with three participating entities. The purchase agreement grants each entity storage rights within Rueter-Hess Reservoir. The purchase price paid by the participating entities totaled \$59,360,318.

OVERVIEW OF THE FINANCIAL STATEMENTS

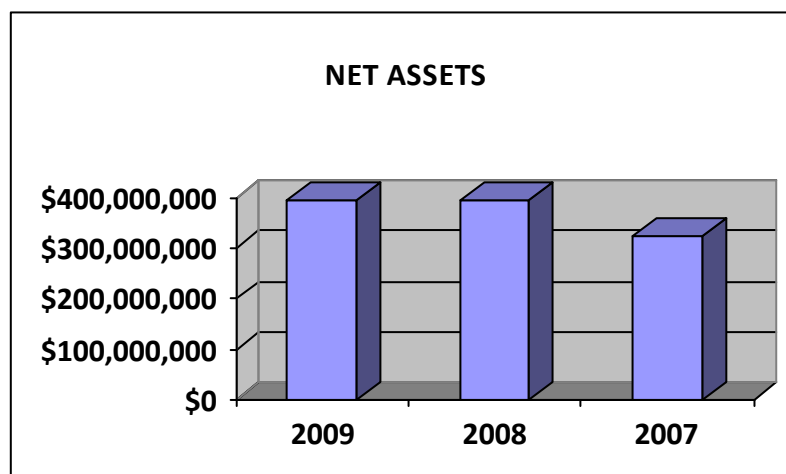
This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Required statements for proprietary funds are: 1) Statement of Net Assets, 2) Statement of Revenues, Expenses and Changes in Fund Net Assets, and 3) Statement of Cash Flows. The Statement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

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

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

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

FINANCIAL SUMMARY AND ANALYSIS



NET ASSETS

	<u>2009</u>	<u>2008</u>	<u>2007</u>
ASSETS			
Current nonrestricted assets	\$ 67,585,306	\$ 98,741,845	\$ 60,850,378
Current restricted assets	5,215,861	12,458,936	11,091,516
Capital assets	482,703,132	443,037,511	411,880,219
Other long-term assets	6,992,760	8,158,220	9,323,680
Total assets	<u>562,497,059</u>	<u>562,396,512</u>	<u>493,145,793</u>
LIABILITIES			
Current liabilities	13,616,416	9,838,558	8,950,407
Long term obligations	152,181,860	155,792,559	159,406,887
Total liabilities	<u>165,798,276</u>	<u>165,631,117</u>	<u>168,357,294</u>
NET ASSETS			
Invested in capital assets, net of related debt	327,295,679	284,023,979	255,840,251
Restricted	5,215,861	5,400,008	4,657,044
Unrestricted	64,187,243	107,341,408	64,291,204
Total net assets	<u>\$ 396,698,783</u>	<u>\$ 396,765,395</u>	<u>\$ 324,788,499</u>

NET ASSETS

The decrease in current nonrestricted assets in 2009 was due primarily to the payment of construction expenses related to the continued construction of Rueter-Hess Reservoir. Current restricted assets decreased by approximately \$7 million as the balance of the deposit held in escrow was used to pay the Rueter-Hess Reservoir outlet structure expenses.

Total net assets decreased slightly in 2009, the decrease in unrestricted assets and increase in invested capital assets, net of related debt is primarily related to continued construction of Rueter-Hess Reservoir.

CHANGES IN NET ASSETS

	<u>2009</u>	<u>2008</u>	<u>2007</u>
REVENUES			
Operating revenue	\$ 16,472,802	\$ 17,865,315	\$ 17,424,188
Nonoperating revenues			
Taxes, net of collection fees	931,076	897,742	822,688
Net investment income	965,462	2,598,202	4,001,392
Farm land revenue	350,537	301,895	533,470
Inclusion fees	-	357,585	12,835,700
Other	497,738	464,062	232,412
Total nonoperating revenue	<u>2,744,813</u>	<u>4,619,486</u>	<u>18,425,662</u>
Total revenues	<u>19,217,615</u>	<u>22,484,801</u>	<u>35,849,850</u>
EXPENSES			
Operating			
Salaries	4,061,469	3,739,345	3,496,800
Employee benefits	1,321,649	1,308,127	1,053,898
Insurance	209,368	72,232	328,880
Professional services	825,769	827,182	741,391
Support services	226,580	235,165	121,781
Utilities	2,476,831	2,932,304	2,468,659
Contract labor and maintenance	1,639,313	1,494,211	1,543,952
Supplies	1,422,420	1,363,970	1,231,835
Information technology	229,508	224,502	264,703
Miscellaneous	601,713	753,307	596,918
Depreciation	8,676,301	8,209,286	7,840,743
Total operating expenses	<u>21,690,921</u>	<u>21,159,631</u>	<u>19,689,560</u>
Nonoperating expenses			
Water resource farms	133,359	175,578	175,400
Interest	2,581,482	2,679,010	2,783,968
(Gain) Loss on disposal of assets	100,941	(789,457)	122,416
Total nonoperating expenses	<u>2,815,782</u>	<u>2,065,131</u>	<u>3,081,784</u>
Total expenses	<u>24,506,703</u>	<u>23,224,762</u>	<u>22,771,344</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	(5,289,088)	(739,961)	13,078,506
CAPITAL CONTRIBUTIONS	<u>5,222,476</u>	<u>72,716,857</u>	<u>58,570,084</u>
CHANGES IN NET ASSETS	(66,612)	71,976,896	71,648,590
NET ASSETS - BEGINNING OF YEAR	<u>396,765,395</u>	<u>324,788,499</u>	<u>253,139,909</u>
NET ASSETS - END OF YEAR	<u>\$396,698,783</u>	<u>\$396,765,395</u>	<u>\$324,788,499</u>

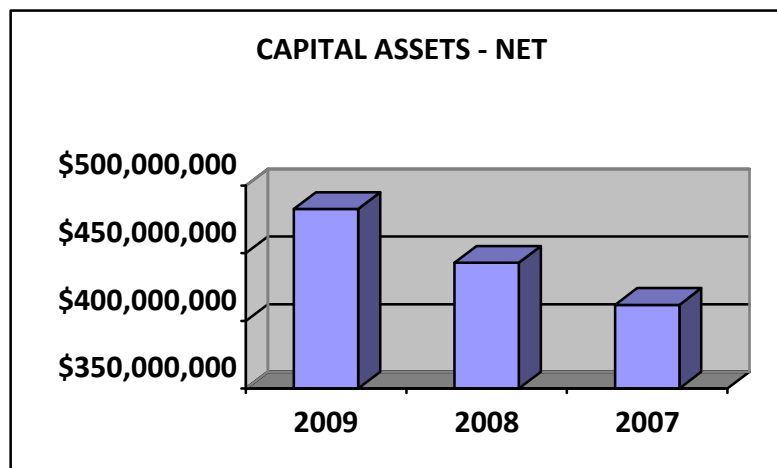
CHANGES IN NET ASSETS

Operating revenue decreased in 2009 by approximately \$1.4 million due to conservation and the increase in precipitation in the spring of 2009, resulting in less irrigation revenue. The \$2.6 million decrease in net investment income, resulted from a declining interest rate on investments during 2009 and the use of invested cash on the continued construction of Rueter-

Hess Reservoir. Capital contributions in 2009 were lower because the Rueter-Hess storage income, \$59.4 million, received in 2008 was for the one time sale of storage space in Rueter-Hess Reservoir. Capital contributions in 2009 were also lower due to the decrease in system development fees, down \$3.9 million, related to the decrease in the number of tap fees paid during 2009. Contributed assets from developers also decreased in 2009 by approximately \$2.4 million.

CAPITAL ASSETS

The District's investment in capital assets at December 31, 2009 amounted to \$482,703,132 (net of accumulated depreciation). This investment in capital assets includes land, water rights, buildings, distribution systems and furniture and equipment. Analysis of changes in capital assets is as follows:



CAPITAL ASSETS

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Land	\$ 16,850,192	\$ 16,850,192	\$ 10,551,703
Water rights	132,189,511	132,144,701	130,922,447
Construction in progress	154,768,752	112,390,341	104,416,126
Land improvements	10,737,789	11,426,303	10,899,109
Buildings	48,492,787	50,200,961	42,086,501
Infrastructure	87,484,075	84,535,706	80,100,440
Diversion structure	14,116,623	14,116,623	14,050,952
Machinery and equipment	17,681,474	20,764,478	18,249,847
Vehicles	381,930	608,206	603,094
Total capital assets - Net	<u>\$482,703,132</u>	<u>\$443,037,511</u>	<u>\$ 411,880,219</u>

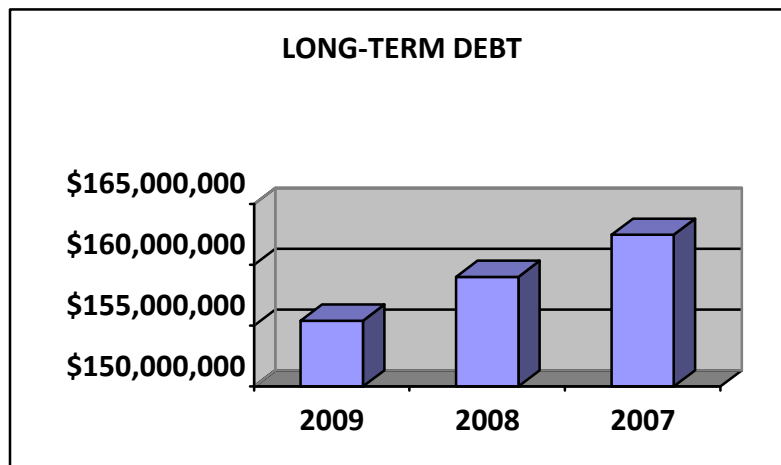
The major capital additions during 2009 and 2008 include:

	<u>2009</u>	<u>2008</u>
• Rueter-Hess Reservoir Project (in process)	\$34.0 million	\$13.1 million
• Contributed Water/Sewer Lines	\$3.6 million	\$5.4 million
• Water Treatment Plant (in process)	\$2.8 million	\$1.4 million
• Water Infrastructure	\$2.1 million	\$.6 million
• Water Development (in process)	\$.5 million	\$.2 million
• Water Development	-	\$.6 million
• Wells and Well Houses	\$.2 million	\$6.0 million
• Daft Construction	\$.1 million	\$2.5 million
• Wastewater Plants Upgrades	\$.1 million	\$.3 million
• Transportation Equipment	-	\$.2 million
• Diversion Structure	-	\$.1 million
• Wastewater Infrastructure	-	\$.1 million
• Regional Pump System	-	\$6.8 million

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

LONG-TERM DEBT

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



LONG-TERM DEBT

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenue Bonds	\$ 3,390,000	\$ 3,870,000	\$ 4,335,000
Colorado Water Resources and Power Development Authority loans	149,217,202	152,343,281	155,339,189
Colorado Water Conservation Board loans	<u>2,800,251</u>	<u>2,800,251</u>	<u>2,800,251</u>
Total outstanding debt	<u>\$155,407,453</u>	<u>\$159,013,532</u>	<u>\$ 162,474,440</u>

The reduction in debt is due to principal repayment. There was no new debt added in 2009 or 2008. The District's revenue bond rating is A from Standard & Poor's rating services. More detailed information about the District's long-term liabilities is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND RATES

Parker Water and Sanitation District's water rates utilize a flat rate plus tiered consumption pricing to encourage conservation. Sewer fees are set at a monthly flat fee. Rates for the water and sewer enterprises are set by the Board of Directors to meet the cost of operations and to fund debt service, except for the financing for the Rueter-Hess Reservoir. In 2009 and 2008 the District's sewer and water enterprise rates remained unchanged.

The District is continuing to experience some growth in residential and commercial developments with a 1.2% and 3.1% increase in single family equivalents (SFE) during 2009 and 2008, respectively. Water development fees and sewer development fees remained unchanged in 2009 and 2008.

During 2009, the District engaged a rate study consulting firm to update the District's water and wastewater user charges and tap fees. The consulting firm was engaged to assist the District with conducting a series of workshops that integrated a Community Working Group into the study, to update the District's water and wastewater tap fees with an equitable and current approach, to develop a financial plan that forecast revenue requirements for both the water and wastewater systems, to calculate cost-of-service rates, and to develop alternative water and wastewater rates that encourage conservation and accomplish the District's other goals, including the need to meet the financial requirements of the District's capital improvement plan. The final report for the rate study can be found at www.pwsd.org.

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

Short-Term Capital Improvements

The current 10 year Capital Improvement Plan (CIP) anticipates \$53.5 million in improvements to the water system and \$33 million in improvements to the waste water system over the next ten years. Anticipated improvements include but are not limited to: construction of an additional 5 million gallons of potable water storage, construction of a new 10 MGD water treatment plant, construction of additional sanitary sewer interceptor lines, and additional treatment capacity at either the north or south water reclamation plants.

Long-Term Capital Improvements

The Long-Term Plan of the District recognizes the need to replace the District's current water source (ground water) with a renewable surface water supply. Over the last 20 years the District has investigated many different possible sources of surface water and currently is involved in pursuing four possible options including: purchase, treatment and transmission of water from the lower South Platte River, purchase and transmission of water from Flaming Gorge Reservoir, purchase, treatment and transmission of water from the lower Arkansas River Basin, and purchase, treatment and transmission of water from the upper South Platte River in conjunction with Denver Water, the City of Aurora and South Metro Water Supply Authority.

Preliminary planning for the Lower South Platte project indicates that the District could need between \$700 million and \$1 billion in order to fully accomplish the replacement of its ground water supply. Preliminary analysis of other potential projects indicates that this same capital requirement will be required regardless of which potential project might come to completion.

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

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

PARKER WATER AND SANITATION DISTRICT
STATEMENTS OF NET ASSETS
December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 49,334,989	\$ 79,321,841
Cash and cash equivalents - Restricted	5,215,861	12,458,936
Investments	14,674,569	16,681,940
Accounts receivable		
Service fees	313,375	411,933
Inclusion fee	1,165,460	1,165,460
Other	270,309	101,713
Accrued interest receivable	62,595	160,758
Property taxes receivable	1,760,309	894,500
Other assets	3,700	3,700
Total current assets	<u>72,801,167</u>	<u>111,200,781</u>
CAPITAL ASSETS		
Not being depreciated	317,925,078	275,501,857
Being depreciated (net of accumulated depreciation)	164,778,054	167,535,654
Total capital assets	<u>482,703,132</u>	<u>443,037,511</u>
INCLUSION FEE RECEIVABLE	<u>6,992,760</u>	<u>8,158,220</u>
Total long-term assets	<u>489,695,892</u>	<u>451,195,731</u>
TOTAL ASSETS	<u>562,497,059</u>	<u>562,396,512</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts and retainage payable	5,121,138	2,383,430
Accrued expenses	279,843	264,200
Accrued interest payable	2,488,605	2,530,252
Deferred property taxes	1,760,309	894,500
Construction deposits	140,824	70,837
Current portion of long-term debt		
Bonds and notes payable	3,825,697	3,695,339
Total current liabilities	<u>13,616,416</u>	<u>9,838,558</u>
NONCURRENT LIABILITIES		
Long-term debt		
Bonds and notes payable	151,581,756	155,318,193
Compensated absences	459,168	403,898
Other post employment benefit	140,936	70,468
Total long-term liabilities	<u>152,181,860</u>	<u>155,792,559</u>
TOTAL LIABILITIES	<u>165,798,276</u>	<u>165,631,117</u>
NET ASSETS		
Invested in capital assets, net of related debt	327,295,679	284,023,979
Restricted for loan agreement requirements	4,300,971	4,287,905
Restricted for debt service	389,671	396,914
Restricted for employment contract	525,219	715,189
Unrestricted	64,187,243	107,341,408
TOTAL NET ASSETS	<u>\$ 396,698,783</u>	<u>\$ 396,765,395</u>

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

PARKER WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES		
Charges for services	\$ 16,267,261	\$ 17,486,367
Other operating income	205,541	378,948
Total operating revenue	<u>16,472,802</u>	<u>17,865,315</u>
OPERATING EXPENSES		
Salaries	4,061,469	3,739,345
Employee benefits	1,321,649	1,308,127
Insurance	209,368	72,232
Professional services	825,769	827,182
Support services	226,580	235,165
Utilities	2,476,831	2,932,304
Contract labor and maintenance	1,639,313	1,494,211
Supplies	1,422,420	1,363,970
Information technology	229,508	224,502
Miscellaneous	601,713	753,307
Depreciation	8,676,301	8,209,286
Total operating expenses	<u>21,690,921</u>	<u>21,159,631</u>
OPERATING (LOSS)	<u>(5,218,119)</u>	<u>(3,294,316)</u>
NONOPERATING REVENUES AND (EXPENSES)		
Property taxes	878,724	840,841
Specific ownership taxes	66,822	71,311
County Treasurer's collection fees	(14,470)	(14,410)
Farm land revenue	350,537	301,895
Water resource farms	(133,359)	(175,578)
Net investment income	965,462	2,598,202
Interest expenses/fees	(2,581,482)	(2,679,010)
Gain (loss) on disposal of assets	(100,941)	789,457
Inclusion fees	-	357,585
Other income	497,738	464,062
Total nonoperating revenues and (expenses)	<u>(70,969)</u>	<u>2,554,355</u>
(LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>(5,289,088)</u>	<u>(739,961)</u>
CAPITAL CONTRIBUTIONS		
Tap fees received	370,745	1,596,485
Contributed assets from developers	3,622,016	6,061,579
Water resource fees	125,000	730,000
System development fees	1,104,715	4,968,475
Rueter-Hess storage income	-	59,360,318
Total capital contributions	<u>5,222,476</u>	<u>72,716,857</u>
CHANGE IN NET ASSETS	(66,612)	71,976,896
NET ASSETS - BEGINNING OF YEAR	396,765,395	324,788,499
NET ASSETS - END OF YEAR	<u>\$ 396,698,783</u>	<u>\$ 396,765,395</u>

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

**PARKER WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers/operations	\$ 16,472,751	\$ 17,766,714
Cash payments to suppliers for goods and services	(7,427,691)	(8,835,384)
Cash payments to employees for services	<u>(5,241,737)</u>	<u>(5,008,079)</u>
Net cash flows provided from operating activities	<u>3,803,323</u>	<u>3,923,251</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property and specific ownership tax, net of fees	931,076	897,742
Other nonoperating revenue	2,013,735	2,289,002
Other nonoperating expenses	<u>(133,359)</u>	<u>(175,578)</u>
Net cash provided by noncapital financing activities	<u>2,811,452</u>	<u>3,011,166</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Tap fees collected	370,745	1,596,485
Water resource fees received	125,000	730,000
System development fees received	1,104,715	4,968,475
Rueter-Hess storage fees received	-	59,360,318
Acquisition of property and equipment	(37,174,586)	(26,669,266)
Proceeds on sales of capital assets	-	876,546
Principal paid	(3,606,079)	(3,460,908)
Interest paid	<u>(7,744,195)</u>	<u>(7,889,084)</u>
Net cash provided (required) by capital and related financing activities	<u>(46,924,400)</u>	<u>29,512,566</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	21,150,000	26,994,672
Purchase of investments	(19,344,089)	(21,292,349)
Interest received	<u>1,273,787</u>	<u>2,789,431</u>
Net cash provided (required) by investing activities	<u>3,079,698</u>	<u>8,491,754</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(37,229,927)</u>	<u>44,938,737</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>91,780,777</u>	<u>46,842,040</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 54,550,850</u>	<u>\$ 91,780,777</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) from operations	<u>\$ (5,218,119)</u>	<u>\$ (3,294,316)</u>
Adjustments to reconcile (loss) from operations to net cash provided by operating activities		
Depreciation	8,676,301	8,209,286
Changes in assets and liabilities related to operations		
Accounts receivable	(70,038)	47,582
Other assets	-	-
Accounts and retainage payable	203,811	(932,511)
Accrued expenses	15,643	47,643
Compensated absences	55,270	(78,718)
Other post employment benefits	70,468	70,468
Construction deposits	<u>69,987</u>	<u>(146,183)</u>
Total adjustments	<u>9,021,442</u>	<u>7,217,567</u>
Net cash provided by operating activities	<u>\$ 3,803,323</u>	<u>\$ 3,923,251</u>

Cash flows from capital and related financing activities do not include \$3,622,016 and \$6,061,579 of water rights, water and sewer lines contributed to the District during 2009 and 2008, respectively, and \$(201,459) and \$69,893 of market value adjustment on investments for 2009 and 2008, respectively.

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

**PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 1 - DEFINITION OF REPORTING ENTITY

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The District has elected to follow Governmental Accounting Standards Board pronouncements. Therefore, statements issued by the Financial Accounting Standards Board after November 30, 1989 are not applied.

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

Basis of Accounting

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

**PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses

The District distinguishes between operating revenues and expenses and nonoperating items in the Statements of Revenues, Expenses and Changes in Fund Net Assets. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing water and sanitation services to its customers. Operating revenues consist of charges to customers for service provided. Operating expenses include the cost of service, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

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

Budgets

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

Cash Equivalents

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

Capital Assets

Capital assets, which include land, buildings, water and sewer distribution and collection systems and furniture and equipment, are reported by the District. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capitalized Interest

Interest incurred during construction is reflected in the capitalized value of the asset constructed, net of investment earnings on invested bond proceeds during the same period. Total interest incurred during the years ended December 31, 2009 and 2008 was \$7,413,402 and \$7,558,624, respectively. Net interest expense capitalized during the year ended December 31, 2009 amounted to \$5,112,364 (\$5,121,066 interest expense, less \$8,702 investment earnings on restricted bond proceeds). Net interest expense capitalized during the year ended December 31, 2008 amounted to \$4,965,979 (\$5,168,762 interest expense, less \$202,783 investment earnings on restricted bond proceeds).

Water Rights

The cost of water rights includes acquisition cost, legal and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed.

Property Taxes

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

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue in the year they are levied and measurable. The deferred property tax revenue are recorded as revenue in the year they are available or collected.

Capital Contributions

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

PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Full-time employees, who have been employed by the District for one or more years, receive annual vacation leave with pay. Part-time employees are not entitled to paid vacations. Vacation time of 5 – 15 days may be carried over from one year to the next depending upon the employee's length of service. No more than 25 days may be accumulated at any point in time. The District's sick leave policy permits the accumulation of four (4) hours per pay period up to a maximum of 96 hours per year. Part-time employees are not entitled to any sick leave. Employees with less than five years of service are not paid for unused sick days upon termination of employment. Employees with five years of service are paid for 50% of unused sick days upon termination of employment. Employees with fifteen years of service are paid for 100% of unused sick days upon termination of employment. The District's sick leave policy permits a maximum accumulation of 520 sick hours.

Reclassifications

For comparability, certain 2008 amounts have been reclassified where appropriate to conform with 2009 financial statement presentation.

NOTE 3 - CASH AND INVESTMENTS

Cash Deposits

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

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

At December 31, 2009 and 2008, the District's cash deposits had a carrying balance of \$5,645,950 and \$3,898,029, respectively.

Investments

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

**PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

Interest Rate Risk

The District owned the following investments as of December 31, 2009:

	Fair Value	Remaining Maturity		
		12 Months or Less	13 - 24 Months	25 - 36 Months
U.S. Treasury Bills	\$ 1,295,915	\$ 1,295,915	\$ -	\$ -
U.S. Government Agencies	13,378,654	12,075,096	1,303,558	-
Investments held in trust	992	992	-	-
Local government investment pool	48,903,908	48,903,908	-	-
	<u>\$ 63,579,469</u>	<u>\$ 62,275,911</u>	<u>\$ 1,303,558</u>	<u>\$ -</u>

The District owned the following investments as of December 31, 2008:

	Fair Value	Remaining Maturity		
		12 Months or Less	13 - 24 Months	25 - 36 Months
U.S. Government Agencies	\$ 16,681,940	\$ 14,201,284	\$ 2,480,656	\$ -
Investments held in trust	7,068,256	7,068,256	-	-
Local government investment pool	80,814,492	80,814,492	-	-
	<u>\$104,564,688</u>	<u>\$102,084,032</u>	<u>\$ 2,480,656</u>	<u>\$ -</u>

Concentration of Credit Risk

The District does not have a policy that addresses specific limitations on the amount that can be invested in any one issuer, but does require diversification of investments, excluding U.S. Treasury securities. As of December 31, 2009, more than 5% of the District's investments are concentrated in Federal Home Loan Bank securities (7.8%) and Federal National Mortgage Association securities (5.4%). As of December 31, 2008, more than 5% of the District's investments are concentrated in Federal Home Loan Mortgage Corporation (5.8%) and Federal National Mortgage Association securities (5.7%).

PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Credit Risk

As of December 31, 2009 and 2008, the District had invested \$48,903,908 and \$80,814,492, respectively, in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust is rated AAAM by Standard and Poor's.

The U.S. agency securities are rated AAA by Standard and Poor's.

Cash and investments are restricted for the following purposes:

Debt Service

Cash and investments in the amount of \$388,679 and \$396,914 at December 31, 2009 and 2008, respectively, were restricted for debt service applicable to various debt obligations.

Employment Agreement

In November 2008, the District entered into a four year employment agreement with the District Manager. The PWSD Board set aside the sum of \$700,000 into a separate account to satisfy the financial obligations of the District to fund this employment agreement. The District's financial obligation is reduced by \$175,000 each year over the life of the agreement. Cash in the amount of \$525,219 and \$715,189 was restricted at December 31, 2009 and 2008, respectively, for this agreement.

Trust for Capital Improvements

Cash and investments in the amount of \$992 and \$88,956 were held in trust at December 31, 2009 and 2008, respectively, by the Colorado Water Resources and Power Development Authority. Interest earnings held by the Power Development Authority, which the District has chosen to use for debt service, totaled \$992 in 2009 and \$88,956 in 2008.

Cash and investments in the amount of \$0 and \$6,979,300 were held in trust at December 31, 2009 and 2008, respectively, by Wells Fargo Bank for the cost of completing the Rueter-Hess Reservoir outlet structures (See Note 14).

Operating Reserve

The loan agreements with the Colorado Water Resources and Power Development Authority generally require that the District maintain a three month operating reserve. For this purpose, the District had restricted cash and investments of \$4,300,971 and \$4,287,905 at December 31, 2009 and 2008, respectively.

**PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

At December 31, 2009 and 2008, cash deposits and investments are classified on the statements of net assets as follows:

	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 49,334,989	\$ 79,321,841
Cash and cash equivalents - Restricted	5,215,861	12,458,936
Investments	<u>14,674,569</u>	<u>16,681,940</u>
	<u>\$ 69,225,419</u>	<u>\$ 108,462,717</u>
Cash deposits	\$ 5,645,950	\$ 3,898,029
Investments	<u>63,579,469</u>	<u>104,564,688</u>
	<u>\$ 69,225,419</u>	<u>\$ 108,462,717</u>

NOTE 4 - INCLUSION FEES

The District carried a receivable for the RidgeGate inclusion fee for \$8,158,220 and \$9,323,680 at December 31, 2009 and 2008, respectively. The receivable bears interest at 6.25%. At December 31, 2009, the current and noncurrent portions of the receivable were \$1,165,460 and \$6,992,760, respectively. At December 31, 2008, the current and noncurrent portions of the receivable were \$1,165,460 and \$8,158,220, respectively. At December 31, 2009, there were seven remaining annual inclusion fee payments of \$1,165,460 due to the District.

**PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 5 - CAPITAL ASSETS

An analysis of the changes in capital assets for the years ended December 31, 2009 and 2008 follows:

	2009			
	Balance at December 31, 2008	Increases	Decreases	
	(As restated)			
Capital assets, not being depreciated:				
Land	\$ 16,850,192	\$ -	\$ -	\$ 16,850,192
Water rights	132,144,701	44,810	-	132,189,511
Diversion structure	14,116,623	-	-	14,116,623
Construction in progress	<u>112,390,341</u>	<u>42,492,742</u>	<u>114,331</u>	<u>154,768,752</u>
Total capital assets, not being depreciated	<u>275,501,857</u>	<u>42,537,552</u>	<u>114,331</u>	<u>317,925,078</u>
Capital assets, being depreciated:				
Land improvements	13,803,446	4,811	9,405	13,798,852
Buildings	63,569,258	35,239	-	63,604,497
Infrastructure	100,304,626	5,731,604	27,278	106,008,952
Machinery and equipment	51,383,148	247,988	448,716	51,182,420
Vehicles	<u>1,551,189</u>	<u>-</u>	<u>-</u>	<u>1,551,189</u>
Total capital assets, being depreciated	<u>230,611,667</u>	<u>6,019,642</u>	<u>485,399</u>	<u>236,145,910</u>
Less accumulated depreciation for:				
Land improvements	2,377,143	688,231	4,311	3,061,063
Buildings	13,368,297	1,743,413	-	15,111,710
Infrastructure	15,768,920	2,762,386	6,429	18,524,877
Machinery and equipment	30,618,670	3,255,995	373,719	33,500,946
Vehicles	<u>942,983</u>	<u>226,276</u>	<u>-</u>	<u>1,169,259</u>
Total accumulated depreciation	<u>63,076,013</u>	<u>8,676,301</u>	<u>384,458</u>	<u>71,367,856</u>
Total capital assets, being depreciated, net	<u>167,535,654</u>	<u>(2,656,659)</u>	<u>100,941</u>	<u>164,778,054</u>
Capital assets, net	<u>\$ 443,037,511</u>	<u>\$ 39,880,893</u>	<u>\$ 215,272</u>	<u>\$ 482,703,132</u>

PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	2008				
	Balance at	Increases	Decreases		Balance at
	December 31,				December 31,
	2007			2008	
	(As restated)			(As restated)	
Capital assets, not being depreciated:					
Land	\$ 10,551,703	\$ 6,298,489	\$ -	\$ 16,850,192	
Water rights	130,922,447	1,303,344	81,090	132,144,701	
Diversion structure	14,050,952	65,671	-	14,116,623	
Construction in progress	<u>104,416,126</u>	<u>17,814,819</u>	<u>9,840,604</u>	<u>112,390,341</u>	
Total capital assets, not being depreciated	<u>259,941,228</u>	<u>25,482,323</u>	<u>9,921,694</u>	<u>275,501,857</u>	
Capital assets, being depreciated:					
Land improvements	12,615,746	1,187,700	-	13,803,446	
Buildings	53,884,598	9,684,660	-	63,569,258	
Infrastructure	93,318,500	6,986,126	-	100,304,626	
Machinery and equipment	45,714,335	5,711,053	42,240	51,383,148	
Vehicles	<u>1,421,303</u>	<u>242,410</u>	<u>112,524</u>	<u>1,551,189</u>	
Total capital assets, being depreciated	<u>206,954,482</u>	<u>23,811,949</u>	<u>154,764</u>	<u>230,611,667</u>	
Less accumulated depreciation for:					
Land improvements	1,716,637	660,506	-	2,377,143	
Buildings	11,798,097	1,570,200	-	13,368,297	
Infrastructure	13,218,060	2,550,860	-	15,768,920	
Machinery and equipment	27,464,488	3,194,729	40,547	30,618,670	
Vehicles	<u>818,209</u>	<u>232,991</u>	<u>108,217</u>	<u>942,983</u>	
Total accumulated depreciation	<u>55,015,491</u>	<u>8,209,286</u>	<u>148,764</u>	<u>63,076,013</u>	
Total capital assets, being depreciated, net	<u>151,938,991</u>	<u>15,602,663</u>	<u>6,000</u>	<u>167,535,654</u>	
Capital assets, net	<u>\$ 411,880,219</u>	<u>\$ 41,084,986</u>	<u>\$ 9,927,694</u>	<u>\$ 443,037,511</u>	

**PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 6 - LONG-TERM LIABILITIES

The following is an analysis of the changes in the District's long-term obligations for the years ended December 31, 2009 and 2008.

	Balance at January 1, <u>2009</u>	<u>New Issues</u>	<u>Retirements</u>	Balance at December 31, <u>2009</u>	Due Within One <u>Year</u>
1994 CWRPDA Clean Water Loan	\$ 668,875	\$ -	\$ 101,669	\$ 567,206	\$ 101,669
1994 CWRPDA Small Water Loan	244,166	-	35,833	208,333	40,000
1997 CWRPDA Clean Water Loan	1,734,557	-	165,450	1,569,107	170,787
1997 CWRPDA Small Water Loan	2,778,333	-	252,500	2,525,833	267,500
Water and Sewer Revenue					
Refunding Bonds,					
Series 1998	3,060,000	-	380,000	2,680,000	395,000
2000 CWRPDA Clean Water Loan	8,217,198	-	550,992	7,666,206	566,886
2000 CWRPDA Small Water Loan	10,957,500	-	379,167	10,578,333	403,334
2001 CWRPDA Clean Water Loan	3,524,148	-	219,924	3,304,224	225,288
Water and Sewer Revenue					
Refunding Bonds,					
Series 2001	810,000	-	100,000	710,000	105,000
2002 CWRPDA Clean Water Loan	12,853,504	-	260,544	12,592,960	265,972
2002 CWRPDA Small Water Loan	10,055,000	-	-	10,055,000	-
2002 CWCBC Loan	2,800,251	-	-	2,800,251	89,261
2004 CWRPDA Small Water and Clean Water Loan	<u>101,310,000</u>	<u>-</u>	<u>1,160,000</u>	<u>100,150,000</u>	<u>1,195,000</u>
Total long-term debt	<u>\$ 159,013,532</u>	<u>\$ -</u>	<u>\$ 3,606,079</u>	<u>\$ 155,407,453</u>	<u>\$ 3,825,697</u>

**PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

	Balance at January 1, <u>2008</u>	<u>New Issues</u>	<u>Retirements</u>	Balance at December 31, <u>2008</u>	Due Within One <u>Year</u>
1994 CWRPDA Clean Water Loan	\$ 765,194	\$ -	\$ 96,319	\$ 668,875	\$ 101,669
1994 CWRPDA Small Water Loan	279,166	-	35,000	244,166	35,832
1997 CWRPDA Clean Water Loan	1,894,670	-	160,113	1,734,557	165,450
1997 CWRPDA Small Water Loan	3,020,000	-	241,667	2,778,333	252,500
Water and Sewer Revenue					
Refunding Bonds,					
Series 1998	3,425,000	-	365,000	3,060,000	380,000
2000 CWRPDA Clean Water Loan	8,746,998	-	529,800	8,217,198	550,992
2000 CWRPDA Small Water Loan	11,315,833	-	358,333	10,957,500	379,167
2001 CWRPDA Clean Water Loan	3,738,708	-	214,560	3,524,148	219,924
Water and Sewer Revenue					
Refunding Bonds,					
Series 2001	910,000	-	100,000	810,000	100,000
2002 CWRPDA Clean Water Loan	13,108,620	-	255,116	12,853,504	260,544
2002 CWRPDA Small Water Loan	10,055,000	-	-	10,055,000	-
2002 CWCB Loan	2,800,251	-	-	2,800,251	89,261
2004 CWRPDA Small Water and Clean Water Loan	<u>102,415,000</u>	<u>-</u>	<u>1,105,000</u>	<u>101,310,000</u>	<u>1,160,000</u>
Total long-term debt	<u>\$ 162,474,440</u>	<u>\$ -</u>	<u>\$ 3,460,908</u>	<u>\$ 159,013,532</u>	<u>\$ 3,695,339</u>

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

Principal is due monthly with interest at 5.65%.

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

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

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

Principal paid February 1 and August 1 with interest at 4.543%.

**PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

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

Principal paid monthly with interest at 5.37%.

Water and Sewer Revenue Bonds, dated March 15, 1998

Principal paid April 1 and October 1 with interest at 4.65% to 4.85%.

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

Principal paid monthly with interest at 5.71%.

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

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

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

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

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

Principal paid April 1 and October 1 with interest at 4.0% to 4.6%.

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

Principal paid monthly with interest at 5.21%.

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

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

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

The agreement grants the District the authority to borrow up to a total of \$15,000,000. Interest only payments at 4.5% are made annually until November 14, 2010 at which time the current outstanding loan amount is to be amortized over a 20 year period at 4.5% interest. If the total amount is drawn down prior to November 14, 2010, the District must begin making principal and interest payments within 120 days of withdrawing the full loan.

**PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

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

The District has pledged the revenue from the operation and use of its facilities and other legally available revenue, after the payment of operation and maintenance expenses of the system, for the repayment of the above referenced loans. The loan agreements contain various restrictive covenants and requirements, including rate covenants, maintenance of a three month operating reserve (see Note 3) and compliance with an additional bond and/or indebtedness test. At December 31, 2009 and 2008, the District was in compliance with these covenants and requirements of the loan agreements.

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

Principal paid February 1 and August 1 with interest at 5.118%. This loan constitutes a general obligation debt of the District. On May 4, 2004, voters of the District authorized the District to levy property taxes to pay the loan. Such taxes are intended to be used as a guaranty for payment of the bonds only if the Board of Directors determines other revenues are not sufficient to pay the debt service on the bonds. As of December 31, 2009 and 2008, the District has not collected any taxes for this purpose. Taxes were levied for collection in 2010.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 3,825,697	\$ 7,601,441	\$ 11,427,138
2011	3,987,791	7,446,104	11,433,895
2012	4,170,024	7,259,842	11,429,866
2013	4,346,588	7,093,073	11,439,661
2014	4,583,188	6,902,709	11,485,896
2015-2019	26,750,641	31,042,099	57,792,740
2020-2024	28,992,222	24,132,677	53,124,899
2025-2029	17,351,302	18,396,015	35,747,317
2030-2034	17,150,000	14,335,688	31,485,688
2035-2039	22,055,000	9,418,500	31,473,500
2040-2043	22,195,000	2,987,513	25,182,513
	<u>\$155,407,453</u>	<u>\$136,615,659</u>	<u>\$292,023,112</u>

**PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

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

	Balance January 1, <u>2009</u>	<u>Incurred</u>	<u>Retired</u>	Balance December 31, <u>2009</u>
Compensated absences payable	\$ 403,898	\$ 313,869	\$ 258,599	\$ 459,168

	Balance January 1, <u>2008</u>	<u>Incurred</u>	<u>Retired</u>	Balance December 31, <u>2008</u>
Compensated absences payable	\$ 482,616	\$ 251,432	\$ 330,150	\$ 403,898

NOTE 7 - NET ASSETS

The District has net assets consisting of three components - invested in capital assets net of related debt, restricted, and unrestricted.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2009 and 2008, the District had an investment in capital assets, net of related debt calculated as follows:

	<u>2009</u>	<u>2008</u>
Capital assets, net of accumulated depreciation	\$482,703,132	\$ 443,037,511
Bonds and notes payable	<u>(155,407,453)</u>	<u>(159,013,532)</u>
	<u>\$327,295,679</u>	<u>\$284,023,979</u>

Restricted assets include net assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. See Note 3 for restrictions of assets as of December 31, 2009 and 2008.

Unrestricted net assets consist of net assets that do not meet the definition of invested in capital assets or restricted.

PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 8 - COMMITMENTS

Construction Commitments

As of December 31, 2009 and 2008, the District had unexpended construction related contract commitments of approximately \$40,377,864 and \$55,544,732, respectively.

Colorado State University

The District entered into an agreement with Colorado State University on July 1, 2006 to develop a model to sustain irrigated agricultural land while meeting the increasing urban water needs in Colorado. The term of the agreement ended December 31, 2009. An amendment to extend the agreement is currently under consideration. As a result of this agreement, the District paid the University \$270,802 for 2009 and \$162,132 for 2008.

NOTE 9 - RISK MANAGEMENT

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2009 and 2008. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

NOTE 10 - DEFINED CONTRIBUTION PLAN

The employees of the District participate in a defined contribution plan established by the District and maintained and administered by Great-West Life and Annuity Insurance Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees become plan members immediately upon employment. Under this plan, 9% of the plan members' compensation is withheld and remitted to the Plan Administrator along with a matching payment of 10% from the District. The District's

**PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 10 - DEFINED CONTRIBUTION PLAN (CONTINUED)

contributions, plus earnings, become vested at a rate of 20% for each year of participation in the plan. District contributions for plan members who leave employment before they are fully vested are returned to the District. There is no liability for benefits under the plan beyond the District's matching payments. Plan provisions and contribution requirements are established and may be amended by the District's Board of Directors.

Contributions actually made by plan members and the District for the year ended December 31, 2009 and 2008 are as follows:

	2009	2008
Plan members	<u>\$ 360,245</u>	<u>\$ 340,458</u>
District	<u>\$ 401,128</u>	<u>\$ 382,346</u>

NOTE 11 - DEFERRED COMPENSATION PLAN - ASSETS IN TRUST

The District has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is administered by Great-West Life and Annuity Insurance Company. Participation in the plan is optional for all employees. The plan allows the employees to defer a portion of their salary until future years. The District matches deferrals by employees up to 5% of the employees' payroll. Contributions made to this plan by the District were \$149,969 for 2009 and \$153,816 for 2008.

NOTE 12 - TAX, SPENDING AND DEBT LIMITATIONS

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

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

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

**PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008**

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

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

NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

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

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

Annual required contribution	\$ 70,468
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	70,468
Contributions made	-
Increase in net OPEB obligation	70,468
Net OPEB obligation - Beginning of year	70,468
Net OPEB obligation - End of year	\$ 140,936

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2009 and the preceding year were as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
12/31/08	\$ 70,468	0%	\$ 70,468
12/31/09	\$ 70,468	0%	\$ 140,936

PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Funded Status and Funding Progress. As of December 31, 2008, when the most recent calculation was made, the actuarial accrued liability for benefits was \$330,169, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,817,849, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 8.65 percent.

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

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

The following simplifying assumptions were made:

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

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

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

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

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

Health insurance premiums - 2008 health insurance premiums for plan members were used as the basis for calculation of the present value of total benefits to be paid.

Payroll growth rate - The expected long-term payroll growth rate was assumed to be 4%.

**PARKER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Based on the historical and expected returns of the District's investment portfolio, a discount rate of 3.0 percent was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2008, was thirty years.

NOTE - 14 RUETER-HESS RESERVOIR STORAGE

The District entered into a storage space agreement in August 2008 with three participating entities, the Town of Castle Rock, Stonegate Village Metropolitan District, and Castle Pines North Metropolitan District. Storage easement was purchased by each of the participating entities and the purchase grants each entity storage rights within Rueter-Hess Reservoir.

The purchase price paid by the participating entities totaled \$59,560,918. The agreement required that Parker Water deposit \$7,800,000 of the purchase price with an escrow agent for the cost of completing the outlet structures. During 2009, the balance of the deposit held by the escrow agent was used on outlet structure expenses.

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

REQUIRED SUPPLEMENTAL INFORMATION

**PARKER WATER AND SANITATION DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
Year Ended December 31, 2009**

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

SUPPLEMENTAL INFORMATION

PARKER WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE
BUDGET TO ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2009

	TOTAL		
	Final Budget	Actual	Variance - Positive (Negative)
REVENUES			
Charges for services	\$ 17,795,900	\$ 16,267,261	\$ (1,528,639)
Operating tax revenues	964,500	945,546	(18,954)
Other operating income	365,000	205,541	(159,459)
Interest income	2,430,000	965,462	(1,464,538)
Other nonoperating income	2,531,000	1,663,198	(867,802)
Tap fees	238,550	370,745	132,195
Sale of water	1,094,100	-	(1,094,100)
Water resource fees	27,500	125,000	97,500
Development fees	779,250	1,104,715	325,465
Farm income	265,000	350,537	85,537
Total revenues	26,490,800	21,998,005	(4,492,795)
EXPENDITURES			
Salaries	4,125,400	4,006,201	119,200
Water purchase	1,094,100	-	1,094,100
Employee benefits	1,332,600	1,251,181	81,419
Insurance	227,000	209,368	17,632
Professional services	609,845	825,769	(215,924)
Support services	260,500	226,580	33,920
Utilities	3,256,000	2,476,831	779,169
Contract labor and maintenance	1,952,100	1,639,313	312,787
Supplies	1,611,230	1,422,420	188,810
Information technology	264,450	229,508	34,942
Farm expenses	265,000	133,359	131,641
Miscellaneous expenses	749,850	601,713	148,138
Debt service	5,356,600	6,202,031	(845,431)
Capital outlay	45,941,100	44,820,846	1,120,254
Total expenditures	67,045,775	64,045,119	3,000,656
EXCESS REVENUES OVER EXPENDITURES	<u>\$ (40,554,975)</u>	<u>(42,047,114)</u>	<u>\$ (1,492,139)</u>
FUNDS AVAILABLE - BEGINNING OF YEAR		105,057,562	
FUNDS AVAILABLE - END OF YEAR		\$ 63,010,448	
Funds available at December 31, 2009 is computed as follows:			
Current assets		\$ 72,801,167	
Current liabilities		(13,616,416)	
Current portion of long-term obligations		3,825,697	
		\$ 63,010,448	

WATER			SEWER		
Final Budget	Actual	Variance - Positive (Negative)	Final Budget	Actual	Variance - Positive (Negative)
\$ 10,362,600	\$ 8,807,520	\$ (1,555,080)	\$ 7,433,300	\$ 7,459,741	\$ 26,441
-	-	-	964,500	945,546	(18,954)
295,000	170,551	(124,449)	70,000	34,990	(35,010)
1,925,000	566,909	(1,358,091)	505,000	398,553	(106,447)
1,474,500	953,792	(520,708)	1,056,500	709,406	(347,094)
125,000	155,000	30,000	113,550	215,745	102,195
-	-	-	1,094,100	-	(1,094,100)
27,500	125,000	97,500	-	-	-
600,000	764,140	164,140	179,250	340,575	161,325
265,000	350,537	85,537	-	-	-
<u>15,074,600</u>	<u>11,893,449</u>	<u>(3,181,151)</u>	<u>11,416,200</u>	<u>10,104,556</u>	<u>(1,311,644)</u>
2,037,600	1,978,883	58,717	2,087,800	2,027,318	60,482
1,094,100	-	1,094,100	-	-	-
666,300	626,510	39,790	666,300	624,671	41,629
113,500	104,434	9,066	113,500	104,934	8,566
414,845	569,129	(154,284)	195,000	256,640	(61,640)
184,500	147,539	36,961	76,000	79,041	(3,041)
2,501,000	1,798,829	702,171	755,000	678,002	76,998
1,201,300	931,970	269,330	750,800	707,343	43,457
518,030	331,932	186,098	1,093,200	1,090,488	2,712
142,125	123,779	18,346	122,325	105,729	16,596
265,000	133,359	131,641	-	-	-
425,800	372,045	53,756	324,050	229,668	94,382
2,483,000	2,735,845	(252,845)	2,873,600	3,466,186	(592,586)
42,715,550	42,160,992	554,558	3,225,550	2,659,854	565,696
<u>54,762,650</u>	<u>52,015,245</u>	<u>2,747,405</u>	<u>12,283,125</u>	<u>12,029,873</u>	<u>253,252</u>
<u>\$ (39,688,050)</u>	<u>\$ (40,121,796)</u>	<u>\$ (433,746)</u>	<u>\$ (866,925)</u>	<u>\$ (1,925,317)</u>	<u>\$ (1,058,392)</u>

**RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Year Ended December 31, 2009**

Revenue (budgetary basis)	\$21,998,005
Contributed capital assets	3,622,016
Inclusion fee receivable paid	<u>(1,165,460)</u>
Total revenue per statement of revenues, expenses and changes in fund net assets	<u>24,454,561</u>
 Expenditures (budgetary basis)	 64,045,119
Depreciation	8,676,301
Capital outlay	(44,820,846)
Debt principal	(3,606,079)
Change in compensated absences and OPEB	125,737
Loss on sale of assets	<u>100,941</u>
Total expenses per statement of revenues, expenses and changes in fund net assets	<u>24,521,173</u>
 Change in net assets per statement of revenues, expenses and changes in fund net assets	 <u>\$ (66,612)</u>