

PLATTE CANYON WATER AND SANITATION DISTRICT
Arapahoe and Jefferson Counties, Colorado

FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	I
MANAGEMENT'S DISCUSSION AND ANALYSIS.	1
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	8
Statement of Changes in Net Position	9
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet.....	10
Statement of Revenues, Expenditures, and Changes in Fund Balances	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Changes in Net Position.....	12
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual:	
Special Revenue Fund - Subdistrict No. 1	13
Special Revenue Fund - Subdistrict No. 2	14
Proprietary Fund Financial Statements	
Statement of Net Position	15
Statement of Revenues, Expenses and Changes in Fund Net Position.....	16
Statement of Cash Flows	17
Notes to Financial Statements	19
SUPPLEMENTARY INFORMATION	
Schedule of Operating Expenses - Enterprise Fund	34
Schedule of Revenues, Expenditures and Changes in Funds Available – Budget and Actual (Non-GAAP Budgetary Basis) - Enterprise Fund	35
Reconciliation of Actual (Non-GAAP Budgetary Basis) to Statement of Revenues, Expenses and Changes in Net Position - Enterprise Fund.....	36
OTHER INFORMATION	
Schedule of Debt Service Requirements to Maturity- Governmental Activities Long-Term Obligations	37



SCHILLING & COMPANY, INC.

Certified Public Accountants

P.O. Box 631579
HIGHLANDS RANCH, CO 80163

PHONE: 720.348.1086
FAX: 720.348.2920

Independent Auditor's Report

Board of Directors
Platte Canyon Water and Sanitation District
Arapahoe and Jefferson Counties, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Platte Canyon Water and Sanitation District (District) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Platte Canyon Water and Sanitation District, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the Special Revenue Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior-Year Comparative Information

We have previously audited the District's 2016 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, and each major fund in our report dated March 24, 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.

The other information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
March 23, 2018

**PLATTE CANYON WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

This discussion and analysis is designed to provide an analysis of the District's financial condition and operating results and to inform the reader on the District's financial issues and activities.

The Management's Discussion and Analysis (MD&A) should be read in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

- The District remains in strong financial position with assets exceeding liabilities and deferred inflows of resources at the close of 2017 by \$20,133,746. Of this amount, \$9,549,765 or 47.4% is unrestricted and may be used to meet the District's ongoing obligations to citizens.
- Total net position increased \$215,527 or 1.1 %.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Platte Canyon Water and Sanitation District's basic financial statements. The District's basic financial statements comprise three components: 1) the government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information and other information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Platte Canyon Water and Sanitation District's finances, in a manner similar to private-sector business.

The *Statement of Net Position* presents information on all of the District's assets and liabilities, deferred inflows of resources and net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Changes in Net Position* presents information which reflects how the District's net position changed during the past year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods. (e.g., earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes (*Governmental Activities*) from other functions that are intended to recover all or a significant portion of their costs through taxes and contract services (*Business-type Activities*). The Governmental Activities of the District include the financing and construction of certain water and sewer system improvements of the blended component units. The Business-type Activities of the District include the effective and economical operation of water and sewer systems.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by state law and bond covenants. All of the District funds can be divided into two categories: Governmental Funds and Proprietary Funds.

Governmental Funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well on balances of *spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the *governmental funds* with similar information presented for *governmental activities* in the governmental-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheets and the governmental funds statement of revenue, expenditures, and changes in funds balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains two individual governmental funds, both of which are considered major funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenue, expenditures, and changes in fund balances.

Proprietary Funds – When the District charges entities for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Changes in Net Position. In fact, the District's enterprise fund (a component of proprietary funds) is the same as the business-type activities reported in the government-wide statements, but provides more detail and additional information, such as a cash flow statement.

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$20,133,509 at the close of 2017.

Net Position

Combined Net Position of the Platte Canyon Water and Sanitation District at December 31, 2017 and 2016 were:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current assets and other assets	\$ 104,565	\$ 99,093	\$ 12,244,740	\$ 12,734,176	\$ 12,349,305	\$ 12,833,269
Capital assets	-	-	10,445,405	9,835,550	10,445,405	9,835,550
Total assets	104,565	99,093	22,690,145	22,569,726	22,794,710	22,668,819
Long-term obligations	439,211	479,851	306,991	274,936	746,202	754,787
Other liabilities	43,529	42,331	185,233	415,282	228,762	457,613
Total Liabilities	482,740	522,182	492,224	690,218	974,964	1,212,400
Deferred property tax revenue	57,500	57,500	1,628,500	1,480,700	1,686,000	1,538,200
Total deferred inflows of resources	57,500	57,500	1,628,500	1,480,700	1,686,000	1,538,200
Net Position:						
Investment in capital assets	-	-	10,445,405	9,835,550	10,445,405	9,835,550
Restricted	44,176	38,467	94,400	89,500	138,576	127,967
Unrestricted	(479,851)	(519,056)	10,029,616	10,473,758	9,549,765	9,954,702
Total net position	\$ (435,675)	\$ (480,589)	\$ 20,569,421	\$ 20,398,808	\$ 20,133,746	\$ 19,918,219

A significant portion (51.9%) of the District's net position reflects its investment in capital assets (e.g. land, water and sewer systems, equipment, etc.). The District uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Unrestricted net position may be used to meet the District's ongoing obligations to maintain the water and sewer systems within the jurisdictional boundaries. Unrestricted net position makes up 47.4% of total net position.

Platte Canyon Water and Sanitation District Subdistrict No. 1 (Subdistrict No.1) and Platte Canyon Water and Sanitation District Subdistrict No. 2 (Subdistrict No. 2) financed the construction of water distribution system improvements which were conveyed to the District when completed. The related outstanding debt will be repaid with tax levies on property located within each Subdistrict. Negative net position will be reported for the Governmental Activities until the long-term debt obligation is satisfied. The District is not obligated to repay the debt in any way. Additional information regarding the Subdistricts may be found in Note 1 (Blended Component Units) of this report.

Changes in Net Position

The District's program and general revenue of \$3,215,759 is more than program expenses of \$3,000,231 by \$215,527. This increase is less favorable than the increase in net position in 2016 of \$285,976 primarily due to the increase in water operations.

The table below shows the summarized revenue and expenses for 2017 and 2016.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Program revenue:						
Charges for services	\$ -	\$ -	\$ 1,390,528	\$ 1,319,558	\$ 1,390,528	\$ 1,319,558
Capital contributions	-	-	18,400	2,000	18,400	2,000
General revenue:						
Property taxes	57,608	57,780	1,483,781	1,484,559	1,541,389	1,542,339
Specific ownership tax	5,628	4,634	140,833	118,261	146,461	122,895
Net investment income	711	437	118,270	58,315	118,981	58,752
Miscellaneous	-	-	-	26,833	-	26,833
Total revenue	63,947	62,851	3,151,812	3,009,526	3,215,759	3,072,377
Program expenses:						
General government	865	867	-	-	865	867
Interest on long-term debt	18,168	19,444	-	-	18,168	19,444
Water operations	-	-	1,055,369	884,458	1,055,369	884,458
Sewer operations	-	-	639,376	624,779	639,376	624,779
Contract services	-	-	1,286,454	1,256,853	1,286,454	1,256,853
Total program expenses	19,033	20,311	2,981,199	2,766,090	3,000,232	2,786,401
Increase (decrease) in net position	44,914	42,540	170,613	243,436	215,527	285,976
Net Position-Beginning of Year	(480,589)	(523,129)	20,398,808	20,155,372	19,918,219	19,632,243
Net Position-End of Year	\$ (435,675)	\$ (480,589)	\$ 20,569,421	\$ 20,398,808	\$ 20,133,746	\$ 19,918,219

Governmental Activities

Property taxes were levied to satisfy the required annual debt payments on long-term obligations (see Note 5).

Business-type Activities

Business-type activities reflect an increase in Net Position of \$170,613 in 2017 compared to a \$243,436 increase in 2016.

- Total revenue increased by \$142,286 or 4.7%. The increase in charges for services of \$70,970 is due to both the increase in rates charged and the amount of administration and maintenance provided to Districts under contract. Net investment income increased \$59,955 attributable to the increase in market yields as well as a lower negative fair value adjustment required in 2017 compared to 2016.

- Total program expenses increased by \$215,109 or 7.8%. There was an increase in labor and administrative costs due to some full-time staffing changes and the hiring of a temporary seasonal position during the summer months of 2017. In accordance with an Intergovernmental Agreement for Joint Office and Garage Facility with Southwest Metropolitan Water and Sanitation District (see Note 9 – Operating Lease Agreement) the District contributed to the remodel of the office building. Administrative and overhead costs are allocated to water and sewer operations based on hours devoted to each activity. The percentage of hours devoted to water activities increased from 42.5% in 2016 to 50.5% in 2017, resulting in a shift of costs being allocated to water operations.

THE DISTRICT'S FUNDS

As noted earlier, Platte Canyon Water and Sanitation District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The Governmental Funds are accounted for using the modified accrual basis of accounting. As the District completed the year, its Governmental Funds reported a combined fund balance of \$47,065. This amount is comprised of accumulated net property taxes and specific ownership taxes and is restricted for the payment of the outstanding loans.

The budgets for the special revenue funds are prepared on a basis consistent with generally accepted accounting principles (GAAP).

Proprietary Fund

Unrestricted net position for the District's enterprise fund at the end of 2017 amounted to \$10,029,616 compared to \$10,473,758 in 2016.

BUDGETARY HIGHLIGHTS

The District prepares its Enterprise Fund budget on a non-GAAP budgetary basis of accounting to recognize the fiscal impact of sale of assets, capital outlay, in addition to operations and nonoperating revenues and contributions. Capital contributions of facilities and depreciation are not reflected on the budget as they do not affect "funds available". This budgetary accounting is required by state statutes.

The District's actual revenues exceeded budgeted revenues by \$195,858. Actual contract services revenue exceeded budgeted revenue by \$133,186 due to an increase in administrative and maintenance time being devoted to Districts under contract.

Total budgeted expenditures exceeded total actual expenditures by \$710,284. In addition to budgeting for emergency reserve, the District budgets an additional 15% of the projected water and sewer capital expenses to cover unanticipated increases in construction costs. This amount was budgeted at \$327,434. The positive budget variance of \$391,110 relates to the rehabilitation of the Scott J. Morse Pump station which was continued from 2016 and a water main replacement project planned for 2017. The costs for completing both projects were less than anticipated.

A negative budget variance for operations and administration resulted in the amount of \$28,739. Actual expenditures for sewer operations and maintenance were \$38,828 less than the amount budgeted. This difference is due to no emergency sewer main break repairs or remedial repairs required during 2016. There was a high occurrence of emergency water main breaks during 2017 resulting in a negative budget variance of \$25,243 in water operations and maintenance. Negative budget variances for building maintenance of \$59,353 and office expenses of \$23,302 are due to the building remodel project anticipated to be completed in 2016 being delayed until early 2017.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The table below provides a summary of total capital assets, net of depreciation where applicable at December 31, 2017 and 2016.

	Business-Type Activities	
	2017	2016
Land	\$ 5,000	\$ 5,000
Construction in progress	28,668	881,536
Total non-depreciable assets	<u>33,668</u>	<u>886,536</u>
Water distribution system	6,317,340	4,935,943
Sewage collection system	3,418,818	3,218,147
Maintenance equipment	597,958	699,728
Office equipment	77,621	95,196
Total depreciable assets	<u>10,411,737</u>	<u>8,949,014</u>
Total capital assets	<u>\$ 10,445,405</u>	<u>\$ 9,835,550</u>

The District completed six major capital projects lining 8,770 feet of sewer collection system mains amounting to \$356,297 and replacing 2,940 feet of a water distribution mains including the replacement of a pressure reducing valve amounting to \$404,920. Additionally, the District completed construction on the replacement of the major components of the Scott J. Morse Pump station which began in 2016. The total cost of this project amounted to \$1,186,415.

Additional information on the District's capital assets can be found in Note 4 of this report.

Debt

Subdistrict No. 1 and Subdistrict No. 2 have loans outstanding at December 31, 2017. During 2017, principal and interest payments on the loans were made as required. Detail of the long-term debt obligations are presented in Note 5.

Economic Factors and Next Year's Budget

- Property and specific ownership taxes for general operating purposes were budgeted in the amount of \$1,754,256, which represents 54.1% of total District budgeted revenue.
- Revenue from contract services is expected to be \$1,348,110.
- The average yield on investments is projected to be 1.35% resulting in estimated investment income of approximately \$132,171.
- The budget for operating expenditures and capital expenditures is \$2,454,290 and \$1,547,129, respectively.
- Total expenditures for 2018 are projected to exceed revenue by \$758,803 which will be funded by the District's current funds available.
- The Subdistrict No. 1 levied a property tax assessment in the amount of \$28,525, which is budgeted to satisfy its annual debt requirements.
- The Subdistrict No. 2 levied a property tax assessment in the amount of \$29,085, which is budgeted to satisfy its annual debt requirements.

Requests for Information

This report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Financial Administrator, Platte Canyon Water and Sanitation District, 8739 W. Coal Mine Ave., Littleton, Colorado 80123.

BASIC FINANCIAL STATEMENTS

PLATTE CANYON WATER AND SANITATION DISTRICT
STATEMENT OF NET POSITION
December 31, 2017

(with comparative totals for December 31, 2016)

	Governmental	Business-type	Total	
	Activities	Activities	2017	2016
ASSETS				
Cash and cash equivalents	\$ 46,640	\$ 3,144,692	\$ 3,191,332	\$ 3,565,758
Investments	-	6,896,750	6,896,750	7,160,695
Receivable from County Treasurers	425	10,732	11,157	9,888
Accounts receivable	-	127,591	127,591	111,078
Accrued interest receivable	-	20,418	20,418	21,050
Property taxes receivable	57,500	1,628,500	1,686,000	1,538,200
Prepaid expenses	-	65,885	65,885	60,968
Prepaid lease, current portion	-	15,460	15,460	15,460
Prepaid lease, long-term portion	-	334,712	334,712	350,172
Land	-	5,000	5,000	5,000
Construction in progress	-	28,668	28,668	881,536
Capital assets, (net of accumulated depreciation):				
Water distribution system	-	6,317,340	6,317,340	4,935,943
Sewage collection system	-	3,418,818	3,418,818	3,218,147
Maintenance equipment	-	597,958	597,958	699,728
Office equipment	-	77,621	77,621	95,196
Total assets	104,565	22,690,145	22,794,710	22,668,819
LIABILITIES				
Accounts and retainage payable	-	94,194	94,194	323,859
Accrued salaries and benefits	-	59,341	59,341	65,151
Accrued interest payable	2,889	-	2,889	3,126
Deposits from developers	-	3,625	3,625	-
Long-term obligations, due within one year	40,640	28,073	68,713	65,477
Long-term obligations, due in more than one year	439,211	306,991	746,202	754,787
Total liabilities	482,740	492,224	974,964	1,212,400
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax revenue	57,500	1,628,500	1,686,000	1,538,200
Total deferred inflows of resources	57,500	1,628,500	1,686,000	1,538,200
NET POSITION				
Investment in capital assets	-	10,445,405	10,445,405	9,835,550
Restricted for debt service	44,176	-	44,176	38,467
Restricted for Emergencies	-	94,400	94,400	89,500
Unrestricted	(479,851)	10,029,616	9,549,765	9,954,702
TOTAL NET POSITION	\$ (435,675)	\$ 20,569,421	\$ 20,133,746	\$ 19,918,219

These financial statements should be read only in connection with the accompanying notes to financial statements.

PLATTE CANYON WATER AND SANITATION DISTRICT
STATEMENT OF CHANGES IN NET POSITION
For the Year Ended December 31, 2017

(with comparative totals for December 31, 2016)

	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>			
		<u>Charges For Services</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
						<u>2017</u>	<u>2016</u>
FUNCTIONS/PROGRAMS							
Governmental Activities							
General government	\$ 865	\$ -	\$ -	\$ (865)	\$ -	\$ (865)	\$ (867)
Interest on long term obligations	18,168	-	-	(18,168)	-	(18,168)	(19,444)
Total Governmental Activities	<u>19,033</u>	<u>-</u>	<u>-</u>	<u>(19,033)</u>	<u>-</u>	<u>(19,033)</u>	<u>(20,311)</u>
Business-type Activities							
Water operations	1,055,369	-	9,400	-	(1,045,969)	(1,045,969)	(884,458)
Sewer operations	639,376	-	9,000	-	(630,376)	(630,376)	(622,779)
Contract services	1,286,454	1,390,528	-	-	104,074	104,074	62,705
Total Business-type Activities	<u>2,981,199</u>	<u>1,390,528</u>	<u>18,400</u>	<u>-</u>	<u>(1,572,271)</u>	<u>(1,572,271)</u>	<u>(1,444,532)</u>
Total Primary Government	<u>\$ 3,000,232</u>	<u>\$ 1,390,528</u>	<u>\$ 18,400</u>	<u>(19,033)</u>	<u>(1,572,271)</u>	<u>(1,591,304)</u>	<u>(1,464,843)</u>
GENERAL REVENUE							
Property tax revenue				57,608	1,483,781	1,541,389	1,542,339
Specific ownership tax				5,628	140,833	146,461	122,895
Net investment income				711	118,270	118,981	58,752
Miscellaneous				-	-	-	26,833
Total General Revenue				<u>63,947</u>	<u>1,742,884</u>	<u>1,806,831</u>	<u>1,750,819</u>
Change in Net Position				<u>44,914</u>	<u>170,613</u>	<u>215,527</u>	<u>285,976</u>
Net Position - Beginning of year				<u>(480,589)</u>	<u>20,398,808</u>	<u>19,918,219</u>	<u>19,632,243</u>
Net Position - End of year				<u>\$ (435,675)</u>	<u>\$ 20,569,421</u>	<u>\$ 20,133,746</u>	<u>\$ 19,918,219</u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

**PLATTE CANYON WATER AND SANITATION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2017**

	Subdistrict No.1	Subdistrict No.2	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 25,763	\$ 20,877	\$ 46,640
Receivable from County Treasurer	210	215	425
Property taxes receivable	28,500	29,000	57,500
Total assets	\$ 54,473	\$ 50,092	104,565
 DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	\$ 28,500	\$ 29,000	57,500
Total deferred inflows of resources	28,500	29,000	57,500
FUND BALANCES			
Restricted for debt service	25,973	21,092	47,065
Total fund balances	25,973	21,092	47,065
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 54,473	\$ 50,092	
 Amounts reported for governmental activities in the Statement of Net Position are different because:			
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:			
Loans payable			(479,851)
Interest payable			(2,889)
Net Position of Governmental Activities			\$ (435,675)

These financial statements should be read only in connection with the accompanying notes to financial statements.

PLATTE CANYON WATER AND SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	<u>Subdistrict No.1</u>	<u>Subdistrict No.2</u>	<u>Total Governmental Funds</u>
REVENUE			
Property taxes	\$ 28,524	\$ 29,084	\$ 57,608
Specific ownership taxes	2,787	2,841	5,628
Net investment income	375	336	711
Total revenue	<u>31,686</u>	<u>32,261</u>	<u>63,947</u>
EXPENDITURES			
Debt service			
Principal	19,858	19,347	39,205
Interest	8,667	9,738	18,405
Treasurer fees	428	437	865
Total expenditures	<u>28,953</u>	<u>29,522</u>	<u>58,475</u>
NET CHANGE IN FUND BALANCES	2,733	2,739	5,472
FUND BALANCE - BEGINNING OF YEAR	<u>23,240</u>	<u>18,353</u>	<u>41,593</u>
FUND BALANCES - END OF YEAR	<u>\$ 25,973</u>	<u>\$ 21,092</u>	<u>\$ 47,065</u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

**PLATTE CANYON WATER AND SANITATION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF CHANGES IN NET POSITION
For the Year Ended December 31, 2017**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 5,472

Amounts reported for Governmental Activities in the Statement of Changes in Net Position are different because:

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Change in accrued interest payable 237

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net position.

Principal payments on loans 39,205

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 44,914

These financial statements should be read only in connection with the accompanying notes to financial statements.

PLATTE CANYON WATER AND SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND - SUBDISTRICT NO. 1
For the Year Ended December 31, 2017

	Original and Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUE			
Property taxes	\$ 28,524	\$ 28,524	\$ -
Specific ownership taxes	1,854	2,787	933
Net investment income	137	375	238
Total revenue	<u>30,515</u>	<u>31,686</u>	<u>1,171</u>
EXPENDITURES			
Debt service			
Principal	19,857	19,858	(1)
Interest	8,667	8,667	-
Treasurer fees	430	428	2
Total expenditures	<u>28,954</u>	<u>28,953</u>	<u>1</u>
NET CHANGE IN FUND BALANCE	1,561	2,733	1,172
FUND BALANCE - BEGINNING OF YEAR	<u>22,854</u>	<u>23,240</u>	<u>386</u>
FUND BALANCE - END OF YEAR	<u>\$ 24,415</u>	<u>\$ 25,973</u>	<u>\$ 1,558</u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

PLATTE CANYON WATER AND SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND - SUBDISTRICT NO. 2
For the Year Ended December 31, 2017

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUE			
Property taxes	\$ 29,084	\$ 29,084	\$ -
Specific ownership taxes	1,890	2,841	951
Net investment income	107	336	229
Total revenue	<u>31,081</u>	<u>32,261</u>	<u>1,180</u>
EXPENDITURES			
Debt service			
Principal	19,347	19,347	-
Interest	9,737	9,738	(1)
Treasurer fees	440	437	3
Total expenditures	<u>29,524</u>	<u>29,522</u>	<u>2</u>
NET CHANGE IN FUND BALANCE	1,557	2,739	1,182
FUND BALANCE - BEGINNING OF YEAR	<u>17,855</u>	<u>18,353</u>	<u>498</u>
FUND BALANCE - END OF YEAR	<u>\$ 19,412</u>	<u>\$ 21,092</u>	<u>\$ 1,680</u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

PLATTE CANYON WATER AND SANITATION DISTRICT
STATEMENT OF NET POSITION
ENTERPRISE FUND
December 31, 2017

(with comparative totals for December 31, 2016)

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,144,692	\$ 3,524,546
Investments	6,896,750	7,160,695
Receivable from County Treasurers	10,732	9,507
Accounts receivable	127,591	111,078
Accrued interest receivable	20,418	21,050
Property taxes receivable	1,628,500	1,480,700
Prepaid expenses	65,885	60,968
Current portion of prepaid lease	15,460	15,460
Total Current assets	11,910,028	12,384,004
Non-current assets		
Prepaid lease	334,712	350,172
Land	5,000	5,000
Construction in progress	28,668	881,536
Capital assets, net of depreciation:		
Water distribution system	6,317,340	4,935,943
Sewage collection system	3,418,818	3,218,147
Maintenance equipment	597,958	699,728
Office equipment	77,621	95,196
Total Noncurrent assets	10,780,117	10,185,722
TOTAL ASSETS	22,690,145	22,569,726
 LIABILITIES		
Current liabilities		
Accounts payable	94,194	286,620
Retainage payable	-	37,239
Accrued salaries and benefits	59,341	65,151
Deposits from developers	3,625	-
Long-term obligations, current portion	28,073	26,272
Total Current liabilities	185,233	415,282
Non-current liabilities		
Long-term obligations, non-current portion	306,991	274,936
TOTAL LIABILITIES	492,224	690,218
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue	1,628,500	1,480,700
TOTAL DEFERRED INFLOWS OF RESOURCES	1,628,500	1,480,700
NET POSITION		
Investment in capital assets	10,445,405	9,835,550
Restricted for emergencies	94,400	89,500
Unrestricted	10,029,616	10,473,758
TOTAL NET POSITION	\$ 20,569,421	\$ 20,398,808

These financial statements should be read only in connection with the accompanying notes to financial statements.

PLATTE CANYON WATER AND SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
ENTERPRISE FUND
For the Year Ended December 31, 2017

(with comparative totals for December 31, 2016)

	2017	2016
OPERATING REVENUE		
Contract Services	\$ 1,363,658	\$ 1,315,503
Other	26,870	4,055
Total operating revenue	1,390,528	1,319,558
OPERATING EXPENSES		
Water operations	657,640	582,377
Sewer operations	403,656	411,457
Contract services	1,286,454	1,256,853
General and administrative	591,009	493,109
Total operating expenses	2,938,759	2,743,796
(LOSS) FROM OPERATIONS	(1,548,231)	(1,424,238)
NONOPERATING REVENUE (EXPENSES)		
Property taxes	1,483,781	1,484,559
Specific ownership taxes	140,833	118,261
Net investment income	118,270	58,315
Loss on disposal of property and equipment	(20,165)	26,833
County Treasurer's collection fees	(22,275)	(22,294)
Total nonoperating revenue (expenses)	1,700,444	1,665,674
INCOME BEFORE CAPITAL CONTRIBUTIONS	152,213	241,436
CAPITAL CONTRIBUTIONS		
Tap fees	11,900	2,000
Contributed assets	6,500	-
Total capital contributions	18,400	2,000
CHANGE IN NET POSITION	170,613	243,436
NET POSITION - BEGINNING OF YEAR	20,398,808	20,155,372
NET POSITION - END OF YEAR	\$ 20,569,421	\$ 20,398,808

These financial statements should be read only in connection with the accompanying notes to financial statements.

PLATTE CANYON WATER AND SANITATION DISTRICT
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
For the Year Ended December 31, 2017

(with comparative totals for December 31, 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contract services and customers	\$ 1,377,640	\$ 1,337,543
Cash payments to suppliers for goods and services	(755,158)	(566,282)
Cash payments to employees for services	(1,571,574)	(1,496,404)
Cash flows used for operating activities	(949,092)	(725,143)
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes - Net	1,460,281	1,460,881
Specific ownership taxes	140,833	118,261
Cash flows provided by noncapital financing activities	1,601,114	1,579,142
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributed capital - Tap fees	11,900	2,000
Acquisition of capital assets	(1,426,623)	(886,615)
Proceeds from sale of capital assets	-	26,955
Cash flows used for capital and related financing activities	(1,414,723)	(857,660)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	128,847	100,009
Purchase of investments	(995,000)	(4,505,768)
Matured investments	1,249,000	5,139,381
Cash flows provided by investing activities	382,847	733,622
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(379,854)	729,961
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	3,524,546	2,794,585
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,144,692	\$ 3,524,546

(Continued)

These financial statements should be read only in connection with the accompanying notes to financial statements

PLATTE CANYON WATER AND SANITATION DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

(with comparative totals for December 31, 2016)

(Continued)

	2017	2016
Reconciliation of (loss) from operations to net cash used for operating activities		
(Loss) from operations	\$ (1,548,231)	\$ (1,424,238)
Adjustments to reconcile (loss) from operations to net cash used for operating activities		
Depreciation and amortization	604,651	611,055
Effects of changes in operating assets and liabilities:		
Receivables	(16,513)	19,481
Prepaid expenses	(4,917)	600
Accounts payable	(15,753)	29,857
Accrued salaries and benefits	(5,810)	2,107
Compensated absences	33,856	37,491
Deposits from developers	3,625	(1,496)
Total adjustments	599,139	699,095
Net cash used for operating activities	\$ (949,092)	\$ (725,143)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Contributions of capital assets from developers	\$ 6,500	\$ -
Loss on disposal of property and equipment	\$ 20,165	\$ -

These financial statements should be read only in connection with the accompanying notes to financial statements

PLATTE CANYON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 – DEFINITION OF REPORTING ENTITY

The District, a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Jefferson and Arapahoe Counties, Colorado. The District was established to provide water and sanitation services.

The District has maintenance agreements with Southwest Metropolitan Water and Sanitation District and other water and sanitation districts. The agreements provide that the District will perform administration and maintenance services using the District's personnel and equipment, with reimbursement to the District for labor, materials and use of equipment and general and administration expenses (See Note 9).

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.

Blended Component Units

Platte Canyon Water and Sanitation Subdistrict No. 1 (Subdistrict No. 1) was established in 2005 pursuant to the provisions of § 32-1-1101(f) of the Colorado Revised Statutes. The area of the Subdistrict No. 1, located entirely within the District boundaries, is known as the Columbine Townhouses III Subdivision (Subdivision). The Subdistrict No. 1 was formed for the purpose of financing certain public water distribution system improvements needed to serve the Subdivision. The Subdistrict No. 1 will assess a levy against all real property within its boundaries for the payment of principal and interest on the loan. The Subdistrict No. 1 is included as a blended component unit of the District because the District's board members are the same, the District provides substantial support to the Subdistrict No. 1, and the improvements within the Subdistrict No. 1 ultimately benefit the District as a whole. Separate financial statements are not prepared for the Subdistrict No. 1.

PLATTE CANYON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

In 2007 the District Board of Directors established the Platte Canyon Water and Sanitation Subdistrict No. 2 (Subdistrict No. 2) pursuant to the provisions of § 32-1-1101(f) of the Colorado Revised Statutes. The area of Subdistrict No. 2, located entirely within the District boundaries, is known as the Colombine Townhouses Four Subdivision (Subdivision). Subdistrict No. 2 was formed for the purpose of financing certain public water distribution system improvements needed to serve the Subdivision. The Subdistrict No. 2 will assess a levy against all real property within its boundaries for the payment of principal and interest on the loan. The Subdistrict No. 2 is included as a blended component unit of the District because the District's board members are the same, the District provides substantial support to Subdistrict No. 2, and the improvements will ultimately benefit the District as a whole. Separate financial statements are not prepared for the Subdistrict No. 2.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide and fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-type activities*, which rely, to a significant extent on fees and charges for support.

The statement of changes in net position demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or entities who use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among *program revenues* are reported instead as *general revenues*. Internally dedicated resources are reported as *general revenues* rather than as *program revenues*.

Separate financial statements are provided for the governmental funds and the proprietary fund because all are considered major funds.

PLATTE CANYON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus and accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

Governmental fund financial statements are reported using the *current financial resources measurement focus and modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenue to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property and specific ownership taxes as well as investment income associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

Subdistrict No. 1 Fund and Subdistrict No. 2 Fund – These funds are included as blended component units of the District. The funds are used to account for the financing of certain public water distribution system improvements needed to serve specific subdivisions located in the District. The costs of the improvements are confined to the individual subdivisions by a separate tax levy than that of the District as a whole.

The District reports the following major proprietary fund:

Enterprise Fund – This fund is used to account for the effective and economical operation of water and sewer systems within the jurisdictional boundaries of the District.

Functional expenses for business-type activities in the government-wide and proprietary fund financial statements include allocated indirect overhead expense.

PLATTE CANYON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating revenues of the District's enterprise fund consist of charges to other local governments for services provided. Operating expenses for the enterprise fund include cost of service, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenue and expenses or capital contributions.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

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 appropriation is at the total fund expenditures level and lapses at year end. 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. A budget is legally adopted for each fund of the District. The budgets for the Special Revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgetary comparisons for the Proprietary Fund are presented on a non-GAAP budgetary basis. Capital outlay is budgeted as an expenditure and depreciation is not budgeted. Budgeted amounts in the financial statements are as originally adopted, or as amended by the Directors.

Cash Equivalents and Investments

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

Receivables

All receivables are recorded at their gross value and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Prepaid Expenses

Payments made to vendors for services which will benefit periods after December 31 are recorded as prepaid items.

PLATTE CANYON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Property Taxes

Property taxes are levied by the District 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 Treasurers collect the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayer election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are normally held in November or December. The County Treasurers remit the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are considered deferred inflows of resources and are recorded initially as deferred revenue in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected (the year that it is levied for).

Capital Assets

Capital assets which include property, equipment, and infrastructure are reported in the business-type activities columns in the government-wide financial statements and the proprietary funds in the fund financial statements. Such assets are recorded at cost except for those assets which have been contributed which are recorded at estimated fair value at the date of contribution or at developer's cost. Capital assets are defined by the District as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of three years. Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Distribution and Collection Systems	20 – 40 years
Maintenance and Office Equipment	3 – 10 years

Compensated Absences

The District accrues accumulated unpaid vacation, sick leave and a deferred merit award when earned by the employee. The District has a policy which allows employees to accumulate unused vacation and sick leave up to a certain maximum number of hours. The District compensates employees based on a merit award percentage up to a maximum of forty-five completed years of service. The accumulated vacation, sick leave, and deferred merit award are recorded as an accrued liability and current salary expense when incurred in the proprietary fund financial statements. In the event of termination, an employee is reimbursed for the accumulated hours and compensated for the total number of completed years of service up to the maximum amounts.

PLATTE CANYON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Developer Deposits

Developer deposits include funds that have been collected by the District for services to be provided in subsequent periods. At the time the services are provided, the liability is removed from the government-wide and proprietary fund Statements of net position or the governmental fund balance sheet and revenue is recognized.

Fund Balances / Governmental Funds

The District's fund balances fall under the category of "restricted" because the balances are constrained for specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

At December 31, 2017, the District reported restricted fund balance in the Subdistrict No. 1 and Subdistrict No. 2 Special Revenue Funds in the amounts of \$25,973 and \$21,092 respectively, are to be used exclusively for debt service requirements (see Note 5).

Net Position

The District has net position consisting of three components – net investment in capital assets, restricted and unrestricted. Net investment in capital assets, consists of capital assets, net of accumulated depreciation and if applicable, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net position includes amounts 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 11). Net position in the Government Activities in the amount of \$44,176 is restricted for debt service requirements (see Note 5)

Negative net position will be reported for the Governmental Activities until the long-term debt obligation is satisfied. At December 31, 2017, negative unrestricted net position in the amount of \$479,851 was reported for the Governmental Activities.

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 data has not been presented in all statements because such inclusion would make certain statements unduly complex and difficult to understand. Also, certain amounts presented in the prior year data have been reclassified to be consistent with the current year presentation.

PLATTE CANYON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 3 – CASH AND INVESTMENTS

At December 31, 2017 the District had the following cash and investments:

Cash on hand	\$ 150
Deposits	1,155,057
Investments	8,932,875
Total	<u>\$10,088,082</u>

Cash deposits and investments are reflected on the December 31, 2017 Statement of Net Position as follows:

Cash and cash equivalents	\$ 3,191,332
Investments	6,896,750
Total	<u>\$10,088,082</u>

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires deposits of all units of local government to be made in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as 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 102% of the uninsured deposits.

Investments

The District is required to comply with State statutes and the District’s investment policy which specify instruments meeting defined rating, maturity, and concentration risk criteria in which the District may invest, which include the following. State statute does not address custodial risk.

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

PLATTE CANYON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

At December 31, 2017 the District had the following investments:

Investment	Rating	Maturities (in Years)			Total
		Less than 1	1 - 5	More than 5	
U.S. Government Instrumentalities	AAA/AA+	\$ 992,710	\$ 2,949,900	\$ 965,060	\$ 4,907,670
U.S. Treasury Notes	N/A	995,080	-	-	995,080
Local Government Investment Pool	AAA _m	3,030,125	-	-	3,030,125
		<u>\$ 5,017,915</u>	<u>\$ 2,949,900</u>	<u>\$ 965,060</u>	<u>\$ 8,932,875</u>

Interest Rate Risk – The District’s investment policy limits investment maturities by investment type. Maturities for investments in U.S. Treasuries and U.S. Agencies are limited to a maximum of 10 years.

Credit risk – The District’s investment policy limits investments to U.S. Treasury obligations, U.S. Government Agency and Instrumentality securities, local government investment pools, and certain money market mutual funds approved by the Board of Directors. At the time of purchase, investments must have a credit rating equal to or greater than that specified by state statutes.

Concentration of Credit Risk – It is the policy of the District to diversify its investment portfolio to eliminate risk of loss resulting from over concentration of assets in a specific maturity, a specific class, and specific issuer of securities. The District policy includes cash deposits in the total portfolio when determining concentration of investments. The policy provides that the total portfolio of the District may be comprised of 100% U.S. Treasury Notes. However, investment in U.S. Government instrumentalities may not exceed 50% of the District’s total portfolio and investment in any one issuer may not exceed 20% of the total portfolio. Investments in local government investment pools as well as money market mutual funds may not exceed 25% of the District’s total portfolio. The policy provides for variances in the stated maximum percentage limitations not to exceed 10% at any given time. At December 31, 2017, the District’s investment in Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association and Federal Farm Credit Bank were 11.11%, 16.67%, 16.35%, and 10.80%, respectively, of the District’s total investments and 9.84%, 14.76%, 14.48% and 9.57%, respectively, of the District’s total portfolio.

Local Government Investment pool – At December 31, 2017, the District has invested 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. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies and instrumentalities, and repurchase agreements collateralized with certain U.S. government agencies or instrumentalities. COLOTRUST PLUS+ may also invest in the highest

PLATTE CANYON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

rated commercial paper. Both the COLOTRUST PRIME and COLOTRUST PLUS+ portfolios are rated AAAM by Standard and Poor's.

Investment Valuation

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District also has investments not categorized within the fair value hierarchy. These investments are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments. The District held investments in COLOTRUST at yearend which uses the NAV measurement.

COLOTRUST determines the NAV of the shares of each portfolio as of the close of business of each day. The NAV is calculated at fair value using various inputs in determine value in accordance with FASB guidance. It is the goal of the Trust to maintain a NAV of \$1.00 per share, however changes in interest rates may affect the fair value of the securities held by COLOTRUST and there can be no assurance that the NAV will not vary from \$1.00 per share.

At December 31, 2017 fair value and NAV measurements of the District's investments are as follows:

	<u>Carrying Amount</u>
Investment measured at fair value:	
U.S. Government Instrumentalities (Level 1 inputs)	\$ 4,907,670
U.S. Treasury Notes (Level 1 inputs)	995,080
Total investments by fair value level	<u>5,902,750</u>
Investments measured at NAV:	
Local Government Investment Pool	<u>3,030,125</u>
Total investments at carrying amount	<u><u>\$ 8,932,875</u></u>

PLATTE CANYON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 4 – CAPITAL ASSETS

The following is an analysis of changes in the business-type activities capital assets for the year ended December 31, 2017:

<u>By Classification</u>	<u>Balance January 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at December 31, 2017</u>
Business-type Activities				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Construction in progress	881,536	388,914	1,241,782	28,668
Total non-depreciable assets	<u>886,536</u>	<u>388,914</u>	<u>1,241,782</u>	<u>33,668</u>
Water distribution system	12,457,335	1,666,421	315,681	13,808,075
Sewage collection system	9,339,930	356,297	73,112	9,623,115
Maintenance equipment	1,431,554	25,064	4,995	1,451,623
Office equipment	371,152	24,297	46,762	348,687
Total capital assets being depreciated	<u>23,599,971</u>	<u>2,072,079</u>	<u>440,550</u>	<u>25,231,500</u>
Less Accumulated Depreciation				
Water distribution system	(7,521,392)	(264,858)	(295,515)	(7,490,735)
Sewage collection system	(6,121,783)	(155,627)	(73,113)	(6,204,297)
Maintenance equipment	(731,826)	(126,834)	(4,995)	(853,665)
Office equipment	(275,956)	(41,872)	(46,762)	(271,066)
Total Accumulated Depreciation	<u>(14,650,957)</u>	<u>(589,191)</u>	<u>(420,385)</u>	<u>(14,819,763)</u>
Total capital assets being depreciated, net	<u>8,949,014</u>	<u>1,482,888</u>	<u>20,165</u>	<u>10,411,737</u>
Net Capital Assets	<u>\$ 9,835,550</u>	<u>\$ 1,871,802</u>	<u>\$ 1,261,947</u>	<u>\$ 10,445,405</u>

Depreciation expense for the years ended December 31, 2017 was charged to the following programs:

Business-type Activities:	
Water operations	\$ 300,986
Sewer operations	186,189
Contract services	102,016
	<u>\$ 589,191</u>

PLATTE CANYON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5 – LONG-TERM OBLIGATIONS

The following is an analysis of changes in the governmental activities and business-type activities long-term obligations for the year ended December 31, 2017:

	<u>Balance January 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at December 31, 2017</u>	<u>Due within one year</u>
Government Activities:					
Subdistrict No. 1					
(2006) - \$400,000					
CWRPDA Loan	\$ 236,048	\$ -	\$ 19,858	\$ 216,190	\$ 20,609
Subdistrict No. 2					
(2008) - \$475,000					
CWRPDA Loan	283,008	-	19,347	263,661	20,031
	<u>519,056</u>	<u>\$ -</u>	<u>\$ 39,205</u>	479,851	<u>\$ 40,640</u>
Less current portion	<u>(39,205)</u>			<u>(40,640)</u>	
	<u>\$ 479,851</u>			<u>\$ 439,211</u>	
Business-type Activities:					
Accrual for compensated					
absences	\$ 301,208	<u>\$ 131,488</u>	<u>\$ 97,632</u>	\$ 335,064	<u>\$ 28,073</u>
Less current portion	<u>(26,272)</u>			<u>(28,073)</u>	
	<u>\$ 274,936</u>			<u>\$ 306,991</u>	

Accrual for compensated absences (see Note 2) is liquidated from the Enterprise fund.

The detail of the District's governmental activities long-term obligation is as follows:

Colorado Water Resources and Power Development Authority:

\$400,000 Loan, dated June 30, 2006, with interest of 3.75%, due semi-annually through 2026. Loan repayments may be prepaid, in whole or in part, upon prior written notice of not less than ninety (90) days to the Authority. This loan was entered into by the Subdistrict No. 1 for the purpose of financing water system improvements. The District is in no way obligated to repay the loan.

\$475,000 Loan, dated July 15, 2008, with interest of 3.50%, due semi-annually through 2028. Loan repayments may be prepaid, in whole or in part, upon prior written notice of not less than ninety (90) days to the Authority. This loan was entered into by the Subdistrict No. 2 for the purpose of financing water system improvements. The District is in no way obligated to repay the loan.

PLATTE CANYON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

The District’s long-term obligations of the governmental activities will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 40,640	\$ 16,970	\$ 57,610
2019	42,127	15,483	57,610
2020	43,669	13,941	57,610
2021	45,267	12,343	57,610
2022	46,924	10,686	57,610
2023-2027	232,884	26,640	259,524
2028	28,340	745	29,085
	<u>\$ 479,851</u>	<u>\$ 96,808</u>	<u>\$ 576,659</u>

NOTE 6 – SERVICE CONTRACTS

Water

The District has a distributor’s contract with the Denver Water Board whereby the Denver Water Department provides water in the District’s service area and charges the users directly (“read and bill” type of distributor’s contract). The District owns and maintains the water distribution system.

Sewer

The District has a contract with the City of Littleton whereby the City provides sewage treatment for the District and bills the users directly. The District owns and maintains the sewage collection system.

NOTE 7 – PENSION PLAN

The District has adopted a single employer defined contribution pension plan administered by Colorado Counties Officials and Employees Retirement Association (CCOERA) which covers substantially all employees (minimum eligibility requirements of 20 or more hours of work per week and one full year of continuous service). Contribution requirements of the District and eligible employees are established and may be amended by the District Board of Directors. Eligible employees must participate in the plan with an elected contribution between 3% and 8% of gross wages less overtime pay. The District matches the employees elected contribution level. Withdrawal from the Plan may occur only upon retirement, death, disability or termination of employment. Employees vest 100% in personal contributions and 20% for each year of employment in employer contributions (fully vested after five years of employment). District contributions for employees who leave employment before five years of participation are used to reduce the District’s current period contribution requirement. There is no liability for benefits under the plan beyond the District’s matching payments.

PLATTE CANYON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

For the year ended December 31, 2017, employee contributions totaled \$80,666, and the District recognized pension expense of \$80,666. During 2017, there were no forfeitures.

At December 31, 2017, the District had 14 current active plan members and the District's liability to the plan amounted to \$3,527.

NOTE 8 – DEFERRED COMPENSATION PLAN

The District has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is administered by Colorado County Officials and Employees Retirement Association (CCOERA). 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 deferred compensation is not available to employees until termination, retirement or death or unforeseen emergencies.

NOTE 9 – COMMITMENTS

Management and Maintenance Agreement

The District has an intergovernmental agreement with Southwest Metropolitan Water and Sanitation District (Southwest) to provide management, maintenance, inspection and clerical services. Under the agreement, the District bills Southwest monthly for its proportionate share of costs. During 2014 the contract was renewed for ten years with an option to renew for successive five year periods after December 31, 2024. During 2017 the District earned reimbursement for contract services from Southwest in the amount of \$1,045,475.

Operating Lease Agreement

The District has an agreement for office and storage space with Southwest. The District jointly funded the expansion and renovation of Southwest's office space being used for District operations. The District paid 30% of the construction costs and began amortizing the prepaid lease payment of \$618,417 on July 1, 2000. The District amortizes the prepaid lease costs over 40 years. At December 31, 2017, the balance of the prepaid lease amounted to \$350,172. The District pays Southwest a monthly rent and a proportionate share of the operation and maintenance expense and capital improvement costs determined on a quarterly basis. The Intergovernmental Agreement for Joint Office and Garage Facility will be effective until December 31, 2018, with the option for renewal for successive periods not to exceed five years each. Upon termination, the District will be entitled to 30% of the appraised replacement value of the joint facility excluding land value. Operation, maintenance and improvement costs paid to Southwest during 2017 amounted to \$79,453.

PLATTE CANYON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Contracts for Services

The District has entered into intergovernmental agreements with Bow Mar Water and Sanitation District (Bow Mar), Columbine Water and Sanitation District (Columbine), Lochmoor Water and Sanitation District (Lochmoor), and Valley Sanitation District (Valley) to provide certain administrative and maintenance services. The District bills Bow Mar, Columbine, Lochmoor, and Valley monthly for work performed based on agreed upon rates of hours worked and cost of materials. During 2017 the District earned \$318,183 which is recorded as contract services.

NOTE 10 – RISK MANAGEMENT

Except as provided in the Colorado Government Immunity Act, as amended from time to time, 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). 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 property, general and automobile liability, public officials, auto physical damage, inland marine, and boiler and machinery. In the event aggregate losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds, which the Pool determines are not needed for purposes of the Pool, may be returned to the members pursuant to a distribution formula.

The District maintains commercial insurance for injuries to employees (worker's compensation). Settled claims have not exceeded this coverage in any of the past three fiscal years.

NOTE 11 – 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.

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.

PLATTE CANYON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

On November 4, 2003, a majority of the District's electors authorized the District to collect, retain and spend all revenues and other funds received from all sources, including without limitation the District's existing general operating property tax rate of 7.104 mills, commencing January 1, 2004, for general operations and capital improvements as a voter-approved revenue change, offset and exception to the limits which would otherwise apply under Article X, Section 20 and as a permanent waiver of the 5.5 percent limitation under Section 29-1-301 C.R.S.

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.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. At December 31, 2017, the District's reserve of \$94,400 was recorded as a restriction of net position in the enterprise fund.

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

SUPPLEMENTARY INFORMATION

PLATTE CANYON WATER AND SANITATION DISTRICT
SCHEDULE OF OPERATING EXPENSES
ENTERPRISE FUND
For the Year Ended December 31, 2017

(with comparative totals for December 31, 2016)

	2017	2016
WATER OPERATIONS		
Personnel	\$ 147,390	\$ 115,685
Operations and maintenance	197,475	161,364
Depreciation and amortization	290,591	286,944
Equipment and vehicles	9,898	7,896
Insurance	8,094	7,176
Communications	4,192	3,312
Total water operations	657,640	582,377
SEWER OPERATIONS		
Personnel	144,620	156,428
Operations and maintenance	44,982	42,148
Depreciation and amortization	180,877	181,560
Equipment and vehicles	21,122	17,139
Insurance	7,942	9,704
Communications	4,113	4,478
Total sewer operations	403,656	411,457
CONTRACT SERVICES		
Personnel	967,290	971,060
Operations and maintenance	37,506	21,914
Depreciation and amortization	105,144	115,184
Equipment and vehicles	47,453	43,032
Insurance	8,092	8,710
Office Expenses	108,264	83,561
Communications	12,705	13,392
Total contract maintenance	1,286,454	1,256,853
GENERAL AND ADMINISTRATIVE		
Personnel	340,320	292,829
Professional and consulting	105,782	90,748
Operations and maintenance	26,404	15,147
Depreciation and amortization	28,039	27,367
Insurance	18,689	18,165
Office expenses	65,601	42,798
Other	6,174	6,055
Total general and administrative	591,009	493,109
Total operating expenses	\$ 2,938,759	\$ 2,743,796

PLATTE CANYON WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUNDS AVAILABLE
BUDGET AND ACTUAL (Non-GAAP BUDGETARY BASIS)
ENTERPRISE FUND
Year Ended December 31, 2017

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUE			
Contract Services	\$ 1,230,472	\$ 1,363,658	\$ 133,186
Property taxes	1,486,882	1,483,781	(3,101)
Specific ownership taxes	103,760	140,833	37,073
Net investment income	105,260	118,270	13,010
Tap fees	19,000	11,900	(7,100)
Other	4,080	26,870	22,790
Total revenue	<u>2,949,454</u>	<u>3,145,312</u>	<u>195,858</u>
EXPENDITURES			
OPERATIONS AND ADMINISTRATION			
Operations and Maintenance			
Water	164,500	189,743	(25,243)
Sewer	76,000	37,172	38,828
Equipment and vehicles	88,500	78,473	10,027
Communications	20,300	21,010	(710)
Building maintenance	20,100	79,453	(59,353)
Personnel			
Wages	1,146,450	1,169,752	(23,302)
Benefits	486,431	429,868	56,563
Office Expenses	108,010	145,028	(37,018)
Professional and consulting	140,500	134,619	5,881
Insurance	48,550	42,817	5,733
Other	28,303	28,448	(145)
Total operations and administration	<u>2,327,644</u>	<u>2,356,383</u>	<u>(28,739)</u>
CAPITAL OUTLAY			
Water distribution system	1,198,163	807,053	391,110
Sewage collection system	394,837	356,297	38,540
Maintenance equipment	20,300	25,064	(4,764)
Office equipment	11,000	24,297	(13,297)
Contingency	327,434	-	327,434
Total capital outlay	<u>1,951,734</u>	<u>1,212,711</u>	<u>739,023</u>
Total expenditures	<u>4,279,378</u>	<u>3,569,094</u>	<u>710,284</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(1,329,924)	(423,782)	906,142
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>10,525,994</u>	<u>10,197,626</u>	<u>(328,368)</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 9,196,070</u>	<u>\$ 9,773,844</u>	<u>\$ 577,774</u>

Funds available is computed as follows:

Current assets	\$ 11,910,028
Current portion of prepaid lease	(15,460)
Current liabilities	(185,233)
Non-current portion of compensated absences	(306,991)
Deferred property tax revenue	(1,628,500)
	<u>\$ 9,773,844</u>

**PLATTE CANYON WATER AND SANITATION DISTRICT
RECONCILIATION OF ACTUAL (Non-GAAP BUDGETARY BASIS) TO STATEMENT
OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ENTERPRISE FUND
Year Ended December 31, 2017**

REVENUE (BUDGETARY BASIS)	\$ 3,145,312
Contributed capital assets	6,500
Total revenue per statement of revenues, expenses and changes in net position	3,151,812
 EXPENDITURES (BUDGETARY BASIS)	 3,569,094
Depreciation and amortization	604,651
Loss on disposal of property and equipment	20,165
Acquisition of plant and equipment	(1,212,711)
Total expenses per statement of revenues, expenses, and changes in net position	2,981,199
Change in net position	\$ 170,613

OTHER INFORMATION

**PLATTE CANYON WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
GOVERNMENTAL ACTIVITIES LONG-TERM OBLIGATIONS
December 31, 2017**

Year Ending December 31,	Subdistrict No.1 \$400,000 General Obligation Loan Dated June 30, 2006 Interest rate 3.75%		Subdistrict No. 2 \$475,000 General Obligation Loan Dated July 15, 2008 Interest rate 3.50%		Totals		
	Interest Due May 1 and November 1	Principal Due May 1 and November 1	Interest Due May 1 and November 1	Principal Due May 1 and November 1	Total Interest	Total Principal	Total
	2018	\$ 7,916	\$ 20,609	\$ 9,054	\$ 20,031	\$ 16,970	\$ 40,640
2019	7,136	21,389	8,347	20,738	15,483	42,127	57,610
2020	6,326	22,199	7,615	21,470	13,941	43,669	57,610
2021	5,486	23,039	6,857	22,228	12,343	45,267	57,610
2022	4,614	23,911	6,072	23,013	10,686	46,924	57,610
2023	3,710	24,816	5,259	23,825	8,969	48,641	57,610
2024	2,769	25,755	4,419	24,667	7,188	50,422	57,610
2025	1,794	26,730	3,548	25,538	5,342	52,268	57,610
2026	783	27,742	2,646	26,439	3,429	54,181	57,610
2027	-	-	1,712	27,372	1,712	27,372	29,084
2028	-	-	745	28,340	745	28,340	29,085
	<u>\$ 40,534</u>	<u>\$ 216,190</u>	<u>\$ 56,274</u>	<u>\$ 263,661</u>	<u>\$ 96,808</u>	<u>\$ 479,851</u>	<u>\$ 576,659</u>