

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

FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

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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, 2014, 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal 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, 2013, 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 are not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relate 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 2013 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 28, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended

December 31, 2013, 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 19, 2015

PLATTE CANYON WATER AND SANITATION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

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 2014 by \$19,644,222. Of this amount, \$10,361,417 or 52.7% is unrestricted and may be used to meet the District's ongoing obligations to citizens.
- Total net position increased \$85,267 or .4%.

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 Activities* 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 vacation leave).

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 funds balance sheet and the governmental funds statement of revenue, expenditures, and changes in funds balance 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 Activities. 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 \$19,644,222 at the close of 2014.

Net position

Combined Net position of the Platte Canyon Water and Sanitation District at December 31, 2014 and 2013 were:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current assets and other assets	\$ 90,763	\$ 87,136	\$ 12,399,063	\$ 12,358,730	\$ 12,489,826	\$ 12,445,866
Capital assets	-	-	9,200,105	9,194,929	9,200,105	9,194,929
Total assets	<u>90,763</u>	<u>87,136</u>	<u>21,599,168</u>	<u>21,553,659</u>	<u>21,689,931</u>	<u>21,640,795</u>
Long-term obligations	556,877	593,363	13,455	22,404	570,332	615,767
Other liabilities	40,060	38,986	121,817	110,087	161,877	149,073
Total liabilities	<u>596,937</u>	<u>632,349</u>	<u>135,272</u>	<u>132,491</u>	<u>732,209</u>	<u>764,840</u>
Deferred property tax revenue	57,500	57,500	1,256,000	1,259,500	1,313,500	1,317,000
Total deferred inflows of resources	<u>57,500</u>	<u>57,500</u>	<u>1,256,000</u>	<u>1,259,500</u>	<u>1,313,500</u>	<u>1,317,000</u>
Net Position:						
Net investment in capital assets	-	-	9,200,105	9,194,929	9,200,105	9,194,929
Restricted	-	-	82,700	74,300	82,700	74,300
Unrestricted	(563,674)	(602,713)	10,925,091	10,892,439	10,361,417	10,289,726
Total net position	<u>\$ (563,674)</u>	<u>\$ (602,713)</u>	<u>\$ 20,207,896</u>	<u>\$ 20,161,668</u>	<u>\$ 19,644,222</u>	<u>\$ 19,558,955</u>

A significant portion (46.8%) of the District's net position reflects its net 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 52.7% 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 \$2,839,676 exceeds program expenses of \$2,754,409 by \$85,267. This increase is less favorable than the increase in net position in 2013 of \$150,519 primarily due to the increase in water operations.

The table below shows the summarized revenue and expenses for 2014 and 2013.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Program revenue:						
Charges for services	\$ -	\$ -	\$ 1,256,507	\$ 1,090,625	\$ 1,256,507	\$ 1,090,625
Capital contributions	-	-	8,800	37,080	8,800	37,080
General revenue:						
Property taxes	57,610	57,608	1,260,621	1,263,960	1,318,231	1,321,568
Specific ownership tax	4,393	4,073	89,654	92,619	94,047	96,692
Net investment income	100	110	139,020	(9,117)	139,120	(9,007)
Miscellaneous	-	-	22,971	14,787	22,971	14,787
Total revenue	<u>62,103</u>	<u>61,791</u>	<u>2,777,573</u>	<u>2,489,954</u>	<u>2,839,676</u>	<u>2,551,745</u>
Program expenses:						
General government	866	864	-	-	866	864
Interest on long-term debt	22,198	23,448	-	-	22,198	23,448
Water operations	-	-	925,706	748,970	925,706	748,970
Sewer operations	-	-	634,265	614,136	634,265	614,136
Contract services	-	-	1,171,374	1,013,808	1,171,374	1,013,808
Total expenses	<u>23,064</u>	<u>24,312</u>	<u>2,731,345</u>	<u>2,376,914</u>	<u>2,754,409</u>	<u>2,401,226</u>
Increase (decrease) in net position	39,039	37,479	46,228	113,040	85,267	150,519
Net Position-Beginning of year	<u>(602,713)</u>	<u>(640,192)</u>	<u>20,161,668</u>	<u>20,048,628</u>	<u>19,558,955</u>	<u>19,408,436</u>
Net Position-End of year	<u>\$ (563,674)</u>	<u>\$ (602,713)</u>	<u>\$ 20,207,896</u>	<u>\$ 20,161,668</u>	<u>\$ 19,644,222</u>	<u>\$ 19,558,955</u>

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 \$46,228 in 2014 compared to a \$113,040 increase in 2013.

- Total revenue increased by \$287,619 or 11.6%. The Districts net investment income includes an unrealized gain on investments of \$55,095 due to the fair value mark up at December 31, 2014. A fair value mark down adjustment of (\$74,572) resulted in a negative net investment income for 2013. It is the Districts policy to hold investments to maturity, therefore, any fair value adjustments are considered unrealized. The increase in charges for services of \$165,882 is due to both the increase in rates charged and the amount of administration and maintenance provided to Districts under contract.

- Total program expenses increased by \$354,431 or 14.9%. The increase in contract services expense of \$157,566 is consistent with the increase in charges for services discussed above. Expenses related to water operations increased by \$176,736. A water valve failure at a primary water source located in a major intersection resulted in significant repair costs of approximately \$108,000. In addition, there was an increase in the allocation of administrative costs due to higher overall general and administrative expenses. Administrative costs are allocated to both water and sewer operations program expenses.

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, it's Governmental Funds reported a combined fund balance of \$33,263. 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 2014 amounted to \$10,925,091 compared to \$10,892,439 in 2013.

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 \$335,835. Actual contract services revenue exceeded budgeted revenue by \$207,322 due to higher personnel and overhead expenses being allocated and charged to Districts under contract. A fair value mark up of investments at December 31, 2014 in the amount of \$55,095 contributed to the positive budget variance of \$96,802 for net investment income. It is the District policy to hold all investments to maturity, therefore, any fair market value adjustment is considered unrealized.

Total budgeted expenditures exceeded total actual expenditures by \$324,976. 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 \$140,812. The positive budget variance of \$84,781 related to the water

distribution system, represents the replacement of 1,564 feet of a water main located in the Columbine Knolls subdivision.

A positive budget variance for operations and administration resulted in the amount of \$53,648. Actual expenditures for sewer operations and maintenance were \$25,158 less than the amount budgeted. The District estimated emergency repair and cleanup costs of \$15,000 associated with sewer backups originating within District owned facilities and sewer point repairs based on deficiencies observed during sewer television inspections of \$25,000. Actual repairs amounted to approximately \$10,000. Personnel benefits were less than the amount budgeted by \$28,205 due to actual retirement contributions and medical insurance premiums being lower than expected. Anticipated expenses related to office expenses were not expended during 2014 and contributed to the \$22,316 positive budget variance.

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, 2014 and 2013.

	Business-type Activities	
	2014	2013
Land	\$ 5,000	\$ 5,000
Total non-depreciable assets	5,000	5,000
Water distribution system	5,443,095	5,458,990
Sewer collection system	3,145,406	3,180,486
Equipment and vehicles	463,306	478,885
Office equipment	143,298	71,568
Total depreciable assets	9,195,105	9,189,929
Total capital assets	<u>\$ 9,200,105</u>	<u>\$ 9,194,929</u>

The District completed two major capital projects replacing 1,564 feet of water distribution mains amounting to \$251,896 and lining 2,459 feet of sewer collection system mains amounting to \$123,938. Additionally, significant upgrades were made to the District's computers server and software and scada system. Total depreciation expense for 2014 amounted to \$561,870.

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

Debt

The Subdistrict No. 1 and the Subdistrict No. 2 Funds have loans outstanding. During 2014, 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 \$1,337,998, which represents 53.4% of total District budgeted revenue.
- Revenue from contract services is expected to be \$1,079,100.
- The average yield on investments is projected to be .75% resulting in investment income of approximately \$78,926.
- The budget for operating expenditures and capital expenditures is \$2,187,285 and \$1,514,748, respectively.
- Total expenditures for 2015 are projected to exceed revenue by \$1,194,429 which will be funded by the District's current funds available.
- The Subdistrict No. 1 levied a property tax assessment in the amount of \$28,526, which is budgeted to satisfy its annual debt requirements.
- The Subdistrict No. 2 levied a property tax assessment in the amount of \$29,086, 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, 2014

(with comparative totals for December 31, 2013)

	Governmental	Business-type	Total	
	Activities	Activities	2014	2013
ASSETS				
Cash and cash equivalents	\$ 32,849	\$ 2,483,065	\$ 2,515,914	\$ 3,418,256
Investments	-	8,078,914	8,078,914	7,125,784
Receivable from County Treasurers	414	9,161	9,575	7,956
Accounts receivable	-	99,713	99,713	88,713
Accrued interest receivable	-	11,283	11,283	11,262
Property taxes receivable	57,500	1,256,000	1,313,500	1,317,000
Prepaid expenses	-	64,375	64,375	64,883
Prepaid lease, current portion	-	15,460	15,460	15,460
Prepaid lease, long-term portion	-	381,092	381,092	396,552
Land	-	5,000	5,000	5,000
Capital assets, (net of accumulated depreciation):				
Water distribution system	-	5,443,095	5,443,095	5,458,990
Sewage collection system	-	3,145,406	3,145,406	3,180,486
Maintenance equipment	-	463,306	463,306	478,885
Office equipment	-	143,298	143,298	71,568
Total assets	<u>90,763</u>	<u>21,599,168</u>	<u>21,689,931</u>	<u>21,640,795</u>
LIABILITIES				
Accounts and retainage payable	-	29,416	29,416	33,233
Accrued salaries and benefits	-	57,073	57,073	54,263
Accrued interest payable	3,574	-	3,574	3,788
Deposits from developers	-	-	-	494
Long-term obligations, due within one year	36,486	35,328	71,814	57,295
Long-term obligations, due in more than one year	556,877	13,455	570,332	615,767
Total liabilities	<u>596,937</u>	<u>135,272</u>	<u>732,209</u>	<u>764,840</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax revenue	57,500	1,256,000	1,313,500	1,317,000
Total deferred inflows of resources	<u>57,500</u>	<u>1,256,000</u>	<u>1,313,500</u>	<u>1,317,000</u>
NET POSITION				
Net investment in capital assets	-	9,200,105	9,200,105	9,194,929
Restricted for Emergencies	-	82,700	82,700	74,300
Unrestricted	(563,674)	10,925,091	10,361,417	10,289,726
TOTAL NET POSITION	<u>\$ (563,674)</u>	<u>\$ 20,207,896</u>	<u>\$ 19,644,222</u>	<u>\$ 19,558,955</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 ACTIVITIES
For the Year Ended December 31, 2014

(with comparative totals for December 31, 2013)

	<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>2014</u>	<u>2013</u>
FUNCTIONS/PROGRAMS							
Governmental Activities							
General government	\$ 866	\$ -	\$ -	\$ (866)	\$ -	\$ (866)	\$ (864)
Interest on long term obligations	22,198	-	-	(22,198)	-	(22,198)	(23,448)
Total Governmental Activities	<u>23,064</u>	<u>-</u>	<u>-</u>	<u>(23,064)</u>	<u>-</u>	<u>(23,064)</u>	<u>(24,312)</u>
Business-type Activities							
Water operations	925,706	-	5,800	-	(919,906)	(919,906)	(733,320)
Sewer operations	634,265	-	3,000	-	(631,265)	(631,265)	(592,706)
Contract services	1,171,374	1,256,507	-	-	85,133	85,133	76,817
Total Business-type Activities	<u>2,731,345</u>	<u>1,256,507</u>	<u>8,800</u>	<u>-</u>	<u>(1,466,038)</u>	<u>(1,466,038)</u>	<u>(1,249,209)</u>
Total Primary Government	<u>\$ 2,754,409</u>	<u>\$ 1,256,507</u>	<u>\$ 8,800</u>	<u>(23,064)</u>	<u>(1,466,038)</u>	<u>(1,489,102)</u>	<u>(1,273,521)</u>
GENERAL REVENUE							
Property tax revenue				57,610	1,260,621	1,318,231	1,321,568
Specific ownership tax				4,393	89,654	94,047	96,692
Net investment income				100	139,020	139,120	(9,007)
Miscellaneous				-	22,971	22,971	14,787
Total General Revenue				<u>62,103</u>	<u>1,512,266</u>	<u>1,574,369</u>	<u>1,424,040</u>
Change in Net Position				39,039	46,228	85,267	150,519
Net Position - Beginning of year				(602,713)	20,161,668	19,558,955	19,408,436
Net Position - End of year				<u>\$ (563,674)</u>	<u>\$ 20,207,896</u>	<u>\$ 19,644,222</u>	<u>\$ 19,558,955</u>

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

**PLATTE CANYON WATER AND SANITATION DISTRICT
BALANCE SHEETS
GOVERNMENTAL FUNDS
December 31, 2014**

	Subdistrict No.1	Subdistrict No.2	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 18,803	\$ 14,046	\$ 32,849
Receivable from County Treasurer	207	207	414
Property taxes receivable	28,500	29,000	57,500
Total assets	\$ 47,510	\$ 43,253	90,763
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	19,010	14,253	33,263
Total fund balances	19,010	14,253	33,263
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 47,510	\$ 43,253	
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			(593,363)
Interest payable			(3,574)
Net Position of Governmental Activities			\$ (563,674)

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, 2014

	<u>Subdistrict No.1</u>	<u>Subdistrict No.2</u>	<u>Total Governmental Funds</u>
REVENUE			
Property taxes	\$ 28,525	\$ 29,085	\$ 57,610
Specific ownership taxes	2,196	2,197	4,393
Net investment income	55	45	100
Total revenue	<u>30,776</u>	<u>31,327</u>	<u>62,103</u>
EXPENDITURES			
Debt service			
Principal	17,763	17,435	35,198
Interest	10,762	11,650	22,412
Treasurer fees	428	438	866
Total expenditures	<u>28,953</u>	<u>29,523</u>	<u>58,476</u>
NET CHANGE IN FUND BALANCES	1,823	1,804	3,627
FUND BALANCE - BEGINNING OF YEAR	<u>17,187</u>	<u>12,449</u>	<u>29,636</u>
FUND BALANCES - END OF YEAR	<u>\$ 19,010</u>	<u>\$ 14,253</u>	<u>\$ 33,263</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 ACTIVITIES
For the Year Ended December 31, 2014**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 3,627

Amounts reported for Governmental Activities in the Statement of Activities 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 214

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 35,198

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 39,039

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, 2014

	Original and Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUE			
Property taxes	\$ 28,525	\$ 28,525	\$ -
Specific ownership taxes	1,854	2,196	342
Net investment income	26	55	29
Total revenue	<u>30,405</u>	<u>30,776</u>	<u>371</u>
EXPENDITURES			
Debt service			
Principal	17,763	17,763	-
Interest	10,762	10,762	-
Treasurer fees	430	428	2
Total expenditures	<u>28,955</u>	<u>28,953</u>	<u>2</u>
NET CHANGE IN FUND BALANCE	1,450	1,823	373
FUND BALANCE - BEGINNING OF YEAR	<u>17,022</u>	<u>17,187</u>	<u>165</u>
FUND BALANCE - END OF YEAR	<u>\$ 18,472</u>	<u>\$ 19,010</u>	<u>\$ 538</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, 2014

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE			
Property taxes	\$ 29,085	\$ 29,085	\$ -
Specific ownership taxes	1,891	2,197	306
Net investment income	19	45	26
Total revenue	<u>30,995</u>	<u>31,327</u>	<u>332</u>
EXPENDITURES			
Debt service			
Principal	17,435	17,435	-
Interest	11,650	11,650	-
Treasurer fees	438	438	-
Total expenditures	<u>29,523</u>	<u>29,523</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	1,472	1,804	332
FUND BALANCE - BEGINNING OF YEAR	12,403	12,449	46
FUND BALANCE - END OF YEAR	<u>\$ 13,875</u>	<u>\$ 14,253</u>	<u>\$ 378</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, 2014

(with comparative totals for December 31, 2013)

	2014	2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,483,065	\$ 3,388,959
Investments	8,078,914	7,125,784
Receivable from County Treasurers	9,161	7,617
Accounts receivable	99,713	88,713
Accrued interest receivable	11,283	11,262
Property taxes receivable	1,256,000	1,259,500
Prepaid expenses	64,375	64,883
Current portion of prepaid lease	15,460	15,460
Total Current assets	12,017,971	11,962,178
Non-current assets		
Prepaid lease	381,092	396,552
Land	5,000	5,000
Capital assets, net of depreciation:		
Water distribution system	5,443,095	5,458,990
Sewage collection system	3,145,406	3,180,486
Maintenance equipment	463,306	478,885
Office equipment	143,298	71,568
Total Noncurrent assets	9,581,197	9,591,481
TOTAL ASSETS	21,599,168	21,553,659
 LIABILITIES		
Current liabilities		
Accounts payable	29,416	33,233
Accrued salaries and benefits	57,073	54,263
Deposits from developers	-	494
Long-term obligations, current portion	35,328	22,097
Total Current liabilities	121,817	110,087
Non-current liabilities		
Long-term obligations, non-current portion	13,455	22,404
TOTAL LIABILITIES	135,272	132,491
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue	1,256,000	1,259,500
TOTAL DEFERRED INFLOWS OF RESOURCES	1,256,000	1,259,500
NET POSITION		
Net investment in capital assets	9,200,105	9,194,929
Restricted for emergencies	82,700	74,300
Unrestricted	10,925,091	10,892,439
TOTAL NET POSITION	\$ 20,207,896	\$ 20,161,668

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, 2014

(with comparative totals for December 31, 2013)

	2014	2013
OPERATING REVENUE		
Contract Services	\$ 1,249,172	\$ 1,083,214
Other	7,335	7,411
Total operating revenue	1,256,507	1,090,625
OPERATING EXPENSES		
Water operations	609,831	498,106
Sewer operations	411,889	407,158
Contract services	1,171,374	1,013,808
General and administrative	519,434	438,864
Total operating expenses	2,712,528	2,357,936
(LOSS) FROM OPERATIONS	(1,456,021)	(1,267,311)
NONOPERATING REVENUE (EXPENSES)		
Property taxes	1,260,621	1,263,960
Specific ownership taxes	89,654	92,619
Investment income	83,925	65,455
Net increase (decrease) in fair value of investments	55,095	(74,572)
Gain on sale of property and equipment	22,971	14,787
County Treasurer's collection fees	(18,817)	(18,978)
Total nonoperating revenue (expenses)	1,493,449	1,343,271
INCOME BEFORE CAPITAL CONTRIBUTIONS	37,428	75,960
CAPITAL CONTRIBUTIONS		
Tap fees	8,800	34,780
Annexation fees	-	2,300
Total capital contributions	8,800	37,080
CHANGE IN NET POSITION	46,228	113,040
NET POSITION - BEGINNING OF YEAR	20,161,668	20,048,628
NET POSITION - END OF YEAR	\$ 20,207,896	\$ 20,161,668

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, 2014

(with comparative totals for December 31, 2013)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contract services and customers	\$ 1,245,013	\$ 1,091,525
Cash payments to suppliers for goods and services	(683,562)	(484,203)
Cash payments to employees for services	(1,446,106)	(1,331,383)
Cash flows used for operating activities	(884,655)	(724,061)
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes - Net	1,240,260	1,244,146
Specific ownership taxes	89,654	92,619
Cash flows provided by noncapital financing activities	1,329,914	1,336,765
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributed capital - Tap fees	8,800	34,780
Annexation fees	-	2,300
Acquisition of capital assets	(569,907)	(309,016)
Proceeds from sale of capital assets	24,085	14,787
Cash flows used for capital and related financing activities	(537,022)	(257,149)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	83,904	66,952
Purchase of investments	(2,003,416)	(4,125,117)
Matured investments	1,105,381	5,149,515
Cash flows provided (used) by investing activities	(814,131)	1,091,350
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(905,894)	1,446,905
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	3,388,959	1,942,054
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,483,065	\$ 3,388,959

(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, 2014

(with comparative totals for December 31, 2013)

(Continued)

	2014	2013
Reconciliation of (loss) from operations to net cash used for operating activities		
(Loss) from operations	\$ (1,456,021)	\$ (1,267,311)
Adjustments to reconcile (loss) from operations to net cash used for operating activities		
Depreciation and amortization	577,331	553,931
Effects of changes in operating assets and liabilities:		
Receivables	(11,000)	2,682
Prepaid expenses	508	(9,261)
Accounts payable	(2,071)	(8,509)
Accrued salaries and benefits	2,810	7,940
Compensated absences	4,282	(1,751)
Deposits from developers	(494)	(1,782)
Total adjustments	571,366	543,250
Net cash used for operating activities	\$ (884,655)	\$ (724,061)

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, 2014

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 contracts 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, 2014

NOTE 1 – DEFINITION OF REPORTING ENTITY (CONTINUED)

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 unit. 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 activities 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, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 applicable governmental or 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 and sick leave 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 accumulated vacation and sick leave 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 up to the maximum amounts.

PLATTE CANYON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2014, the District reported restricted fund balance in the Subdistrict No 1 and Subdistrict No 2 Special Revenue Funds in the amounts of \$19,010 and \$14,253 respectively, are to be used exclusively for debt service requirements (see Note 5).

Net Position

The District has net position consisting of three components – investment in capital assets, restricted and unrestricted. 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).

Negative net position will be reported for the Governmental Activities until the long-term debt obligation is satisfied. At December 31, 2014, net position in the amount of \$563,674 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, 2014

NOTE 3 – CASH AND INVESTMENTS

At December 31, 2014 the District had the following cash and investments:

Cash on hand	\$ 150
Deposits	2,619,973
Investments	7,974,705
Total	\$ 10,594,828

Cash deposits and investments are reflected on the December 31, 2014 Statement of Net Position as follows:

Cash and cash equivalents	\$ 2,515,914
Investments	8,078,914
Total	\$ 10,594,828

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, 2014

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

At December 31, 2014 the District had the following investments:

Investment	Rating	Maturities (in Years)		Total
		Less than 1	1 - 5	
U.S. Government Instrumentalities	AAA/AA+	\$ -	\$ 4,657,322	\$ 4,657,322
U.S. Treasury Notes	N/A	-	\$ 996,250	\$ 996,250
Local Government Investment Pool	AAAm	2,321,133	-	2,321,133
		<u>\$ 2,321,133</u>	<u>\$ 5,653,572</u>	<u>\$ 7,974,705</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, 2014, the District’s investment in Federal National Mortgage Association and Federal Home Loan Mortgage Corporation were 21.30%, and 37.10%, respectively, of the District’s total investments and 16.03% and 27.93%, respectively, of the District’s total portfolio.

Local Government Investment pool – The District has investments in the Colorado Local Government Liquid Asset Trust (COLOTRUST), 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 COLOTRUST. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. A designated custodial bank serves as custodian for the COLOTRUST portfolios pursuant to a custodian agreement. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial banks. The custodian acts as safekeeping agent for COLOTRUST investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by each participating government.

PLATTE CANYON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 4 – CAPITAL ASSETS

The following is an analysis of changes in the business-type activities capital assets for the year ended December 31, 2014:

<u>By Classification</u>	Balance at January 1, 2014	Additions	Deletions	Balance at December 31, 2014
Business-type Activities				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Total non-depreciable assets	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
Water distribution system	12,189,139	251,896	11,950	12,429,085
Sewage collection system	8,922,824	123,938	33,886	9,012,876
Maintenance equipment	1,262,092	79,109	63,688	1,277,513
Office equipment	300,566	113,218	26,820	386,964
Total capital assets being depreciated	<u>22,674,621</u>	<u>568,161</u>	<u>136,344</u>	<u>23,106,438</u>
Less Accumulated Depreciation				
Water distribution system	(6,730,149)	(267,791)	(11,950)	(6,985,990)
Sewage collection system	(5,742,338)	(159,018)	(33,886)	(5,867,470)
Maintenance equipment	(783,207)	(94,688)	(63,688)	(814,207)
Office equipment	(228,998)	(40,373)	(25,705)	(243,666)
Total Accumulated Depreciation	<u>(13,484,692)</u>	<u>(561,870)</u>	<u>(135,229)</u>	<u>(13,911,333)</u>
Total capital assets being depreciated, net	<u>9,189,929</u>	<u>6,291</u>	<u>1,115</u>	<u>9,195,105</u>
Net Capital Assets	<u>\$ 9,194,929</u>	<u>\$ 6,291</u>	<u>\$ 1,115</u>	<u>\$ 9,200,105</u>

Depreciation expense for the years ended December 31, 2014 was charged to the following programs:

Business-type Activities:	
Water operations	\$ 291,339
Sewer operations	187,455
Contract services	83,076
Total	<u>\$ 561,870</u>

PLATTE CANYON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

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, 2014:

	<u>January 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2014</u>	<u>Due within one year</u>
Governmental Activities:					
Subdistrict No. 1					
(2006) - \$400,000					
CWRPDA Loan	\$ 291,379	\$ -	\$ 17,763	\$ 273,616	\$ 18,435
Subdistrict No. 2					
(2008) - \$475,000					
CWRPDA Loan	337,182	-	17,435	319,747	18,051
	<u>628,561</u>	<u>\$ -</u>	<u>\$ 35,198</u>	<u>593,363</u>	<u>\$ 36,486</u>
Less current portion	<u>(35,198)</u>			<u>(36,486)</u>	
	<u>\$ 593,363</u>			<u>\$ 556,877</u>	
Business-type Activities:					
Accrual for compensated absences	\$ 44,501	<u>\$ 79,321</u>	<u>\$ 75,039</u>	\$ 48,783	<u>\$ 35,328</u>
Less current portion	<u>(22,097)</u>			<u>(35,328)</u>	
	<u>\$ 22,404</u>			<u>\$ 13,455</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, 2014

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 36,486	\$ 21,124	\$ 57,610
2016	37,821	19,789	57,610
2017	39,205	18,405	57,610
2018	40,640	16,970	57,610
2019	42,127	15,483	57,610
2020-2024	234,924	53,126	288,050
2025-2028	162,160	11,229	173,389
	<u>\$ 593,363</u>	<u>\$ 156,126</u>	<u>\$ 749,489</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. 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, 2014

NOTE 7 – PENSION PLAN (CONTINUED)

The number of active plan members and contributions made by the District for the years ended December 31, 2014, 2013 and 2012 are as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Plan members	<u>13</u>	<u>13</u>	<u>12</u>
Plan member contributions	<u>\$ 69,941</u>	<u>\$ 63,205</u>	<u>\$ 62,795</u>
District contributions	<u>\$ 69,941</u>	<u>\$ 63,205</u>	<u>\$ 59,843</u>

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 2014 the District earned reimbursement for contract services from Southwest in the amount of \$1,005,294.

PLATTE CANYON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 9 – COMMITMENTS (CONTINUED)

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, 2014, the balance of the prepaid lease amounted to \$396,552. The District pays Southwest a monthly rent and a proportionate share of the operation and maintenance expense 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 and maintenance costs paid to Southwest during 2014 amounted to \$28,745.

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 2014 the District earned \$243,878 which is recorded as contract services.

NOTE 10 – 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). 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.

PLATTE CANYON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 10 – RISK MANAGEMENT (CONTINUED)

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.

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, 2014, the District's reserve of \$82,700 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, 2014

(with comparative totals for December 31, 2013)

	2014	2013
WATER OPERATIONS		
Personnel	\$ 95,600	\$ 97,670
Operations and maintenance	212,298	101,635
Depreciation and amortization	282,294	280,661
Equipment and vehicles	11,911	11,196
Insurance	5,650	5,418
Communications	2,078	1,526
Total water operations	609,831	498,106
SEWER OPERATIONS		
Personnel	149,277	165,947
Operations and maintenance	45,083	26,958
Depreciation and amortization	181,667	186,594
Equipment and vehicles	23,794	15,860
Insurance	8,823	9,206
Communications	3,245	2,593
Total sewer operations	411,889	407,158
CONTRACT SERVICES		
Personnel	893,862	801,874
Operations and maintenance	18,511	14,610
Depreciation and amortization	85,845	71,395
Equipment and vehicles	57,059	40,500
Insurance	9,310	9,310
Office Expenses	98,280	69,953
Communications	8,507	6,166
Total contract maintenance	1,171,374	1,013,808
GENERAL AND ADMINISTRATIVE		
Personnel	314,459	272,081
Professional and consulting	91,385	83,392
Operations and maintenance	9,830	7,669
Depreciation and amortization	27,525	15,281
Insurance	18,585	15,094
Office expenses	51,782	40,650
Other	5,868	4,697
Total general and administrative	519,434	438,864
Total operating expenses	\$ 2,712,528	\$ 2,357,936

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, 2014

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUE			
Contract Services	\$ 1,041,850	\$ 1,249,172	\$ 207,322
Property taxes	1,260,630	1,260,621	(9)
Specific ownership taxes	81,574	89,654	8,080
Net investment income	42,218	139,020	96,802
Sale of property and equipment	12,500	24,085	11,585
Tap fees	-	8,800	8,800
Annexation fees	-	-	-
Other	4,080	7,335	3,255
Total revenue	2,442,852	2,778,687	335,835
EXPENDITURES			
OPERATIONS AND ADMINISTRATION			
Operations and Maintenance			
Water	213,000	209,740	3,260
Sewer	70,000	44,842	25,158
Equipment and vehicles	80,000	92,764	(12,764)
Communications	11,700	13,830	(2,130)
Building maintenance	28,725	31,140	(2,415)
Personnel			
Wages	1,014,060	1,017,835	(3,775)
Benefits	463,568	435,363	28,205
Office Expenses	133,200	110,884	22,316
Professional and consulting	123,500	130,563	(7,063)
Insurance	45,000	42,368	2,632
Other	24,909	24,685	224
Total operations and administration	2,207,662	2,154,014	53,648
CAPITAL OUTLAY			
Water distribution system	336,677	251,896	84,781
Sewage collection system	118,500	123,938	(5,438)
Vehicles	59,000	56,714	2,286
Maintenance equipment	41,500	22,395	19,105
Office equipment	143,000	113,218	29,782
Contingency	140,812	-	140,812
Total capital outlay	839,489	568,161	271,328
Total expenditures	3,047,151	2,722,175	324,976
EXCESS OF REVENUE OVER EXPENDITURES	(604,299)	56,512	660,811
FUNDS AVAILABLE - BEGINNING OF YEAR	10,554,577	10,554,727	150
FUNDS AVAILABLE - END OF YEAR	\$ 9,950,278	\$ 10,611,239	\$ 660,961
Funds available is computed as follows:			
Current assets		\$ 12,017,971	
Current portion of prepaid lease		(15,460)	
Current liabilities		(121,817)	
Non-current portion of compensated absences		(13,455)	
Deferred property tax revenue		(1,256,000)	
		\$ 10,611,239	

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, 2014

REVENUE (BUDGETARY BASIS)	\$ 2,778,687
Net book value of captial assets disposals	(1,114)
Total revenue per statement of revenues, expenses and changes in net position	2,777,573
 EXPENDITURES (BUDGETARY BASIS)	 2,722,175
Depreciation and amortization	577,331
Acquisition of plant and equipment	(568,161)
Total expenses per statement of revenues, expenses, and changes in net position	2,731,345
Change in net position	\$ 46,228

OTHER INFORMATION

PLATTE CANYON WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
GOVERNMENTAL ACTIVITIES LONG-TERM OBLIGATIONS
December 31, 2014

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
	2015	\$ 10,089	\$ 18,435	\$ 11,035	\$ 18,051	\$ 21,124	\$ 36,486
2016	9,391	19,133	10,398	18,688	19,789	37,821	57,610
2017	8,667	19,858	9,738	19,347	18,405	39,205	57,610
2018	7,916	20,609	9,054	20,031	16,970	40,640	57,610
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	5,485	23,039	6,857	22,229	12,342	45,268	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	-	-	1,713	27,371	1,713	27,371	29,084
2028	-	-	745	28,340	745	28,340	29,085
	<u>\$ 68,680</u>	<u>\$ 273,616</u>	<u>\$ 87,446</u>	<u>\$ 319,747</u>	<u>\$ 156,126</u>	<u>\$ 593,363</u>	<u>\$ 749,489</u>