

**CRESTVIEW WATER
AND SANITATION DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2016**



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Independent Auditors' Report

Board of Directors
Crestview Water and Sanitation District
Denver, Colorado

We have audited the accompanying basic financial statements of Crestview Water and Sanitation District (the District) as of and for the years ended December 31, 2016 and 2015, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 opinion.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years 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 4 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 basic financial statements. The individual departmental schedules listed in the table of contents are presented for purpose of additional analysis and are not a required part of the basic financial statements. The individual departmental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



January 25, 2017
Denver, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE DISTRICT

This section of the Annual Financial Report for Crestview Water and Sanitation District (District) presents a discussion and analysis of the District's financial condition and operating results during the period from January 1, 2016 to December 31, 2016. It is provided as a narrative introduction and overview of the financial statements contained in the following Annual Financial Report and should be read in conjunction with the District's financial statements.

The Crestview Water and Sanitation District, formerly the Baker Metropolitan Water and Sanitation District, is a quasi-municipal corporation and a political subdivision of the State of Colorado organized and existing under and by the virtue of the laws of the State of Colorado. The District was established by Order and Decree of the District Court of Adams County, Colorado, June 30, 1949.

The District encompasses approximately four square miles (2,600 acres) largely in an unincorporated portion of southwest Adams County, and includes within its boundaries small portions of the cities of Arvada and Westminster.

The District was created for the purpose of providing water and sanitation service for the inhabitants of the District. The District, governed by a five-member board, operates the water and sanitary sewer systems pursuant to the laws of the State of Colorado, particularly Title 32, Article 1, C.R.S. 1973, as amended.

Water is provided to the District by Denver Water in accordance with Distributor Contract No. 236. The District serves approximately 4800 residential, commercial, industrial and public customer taps. The distribution system is operated and maintained by the District and encompasses approximately 51 miles of piping and 4 elevated storage tanks. Meters are read monthly for billing purposes.

Wastewater treatment for the District is performed by Metro Wastewater Reclamation District (Metro) pursuant to the terms and conditions of a perpetual contract between Crestview and Metro. The collection system is operated and maintained by the District, and encompasses approximately 56 miles of piping and one sewage lift station. The District serves approximately 5300 sanitary sewer residential, commercial, industrial, and public customers.

The District does not have any general obligation or other bond indebtedness. Capital projects, capital additions and equipment additions are financed from cash and cash equivalents designated for capital replacement and contingencies.

The District employs personnel to operate, maintain and repair the transmission and distribution system and wastewater collection system. The District owns, operates, and maintains, vehicles, equipment and supplies to accomplish these functions.

The District owns property and buildings to house a business office, maintenance headquarters, garages, elevated water storage tanks, sewage lift station and system operation stations.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis, the basic financial statements, and supplementary information.

The financial statements include comparative data of assets, liabilities, deferred inflows of resources and changes in net position for the current fiscal reporting period (2016) and the prior fiscal reporting period (2015). Liabilities include current liabilities of accounts payable and accrued liabilities. Deferred inflows of resources include property taxes and other special assessments earned but levied for a subsequent period. Net position include capital assets and unrestricted assets designated for capital replacement, reserves for contingencies and unrestricted funds.

The departmental statements of revenues, expenses and changes in net position - proprietary fund compares the current fiscal reporting period (2016) and the prior fiscal reporting period (2015) and includes operating revenue, water and sewer sales, sale of supplies, inspections and miscellaneous revenue, also, operating expenses for water, sewer, and administrative and general. Water and sewer connection fees are included in non-operating revenue and expenses along with general property and specific ownership taxes, interest income, tax collection fees, and miscellaneous revenue.

The financial statements also include notes that explain some of the information in the financial statements and provide data that is more detailed. The statements are followed by a section of supplementary information that further explains and supports the information in the financial statements.

The financial statements provide both long-term and short-term information about the District's overall operating financial status. These statements explain how general expenditures were financed in the short term as well as what remains for future spending.

The financial statements report information about the District as a whole using the accrual method of accounting. The statement of net position includes all of the District's assets and liabilities.

The financial statements of the District are reported in one category. All of the District's basic activities are reported as Proprietary Fund activities. The operating revenues and expenses are from the activities of the District in providing water and sewer services to the community.

FINANCIAL HIGHLIGHTS

The District is in good financial position at the end of the reporting period. The District completed general and emergency repairs and maintenance to the water distribution and wastewater collections systems as well as restorative and remedial improvements to the systems from funds budgeted for those purposes. The reserves are sufficient to meet most any emergency repair or replacement need and will be further funded for future cost increases in parts and construction of water and sewer utility emergencies. The District maintains an adequate checking account balance to meet payroll, vendor, service and other obligations.

Generally, the District's financial position has remained steady from the previous year. However, the water distribution and wastewater collection systems continue to deteriorate with age and will require additional funding to address the replacement needs.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

REVIEW OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating revenues:			
Water sales	\$ 4,409,850	\$ 4,326,432	\$ 4,209,261
Sewer charges	2,930,493	2,914,839	2,609,801
Sale of supplies	40,511	28,419	27,299
Miscellaneous and inspections	<u>57,720</u>	<u>64,246</u>	<u>68,313</u>
Total operating revenues	<u>7,438,574</u>	<u>7,333,936</u>	<u>6,914,674</u>
Operating expenses:			
Water	4,125,505	3,297,947	3,261,513
Sewer	1,684,773	1,755,526	1,948,716
Administrative and general	<u>602,861</u>	<u>657,178</u>	<u>516,455</u>
Total operating expenses	<u>6,413,139</u>	<u>5,710,651</u>	<u>5,726,684</u>
Net operating gain	1,025,435	1,623,285	1,187,990
Total non-operating revenues (net)	<u>631,714</u>	<u>599,565</u>	<u>579,475</u>
Income before contributions	1,657,149	2,222,850	1,767,465
Tap fees collected	<u>778,592</u>	<u>336,320</u>	<u>891,260</u>
Change in net position	2,435,741	2,559,170	2,658,725
Net position- beginning of year	<u>19,960,186</u>	<u>17,401,016</u>	<u>14,742,291</u>
Net position- end of year	<u>\$ 22,395,927</u>	<u>\$ 19,960,186</u>	<u>\$ 17,401,016</u>

REVIEW OF NET POSITION

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Current assets	\$ 11,643,110	\$ 9,440,905	\$ 8,154,341
Non-current assets	<u>11,666,289</u>	<u>11,561,813</u>	<u>10,393,161</u>
Total assets	<u>\$ 23,309,399</u>	<u>\$ 21,002,718</u>	<u>\$ 18,547,502</u>
Total current liabilities	<u>\$ 308,450</u>	<u>\$ 466,233</u>	<u>\$ 594,886</u>
Deferred inflows of resources:			
Unavailable revenue – property taxes	<u>\$ 605,022</u>	<u>\$ 576,299</u>	<u>\$ 551,600</u>
Net position			
Net investment in capital assets	\$ 11,666,289	\$ 11,561,813	\$ 10,393,161
Unrestricted	<u>10,729,638</u>	<u>8,398,373</u>	<u>7,007,855</u>
Total net position	<u>\$ 22,395,927</u>	<u>\$ 19,960,186</u>	<u>\$ 17,401,016</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

CAPITAL ASSETS AND LONG TERM DEBT ACTIVITY

The District did not replace any water mains in 2016 but installed four potable water storage tank mixers and purchased 4,600 radio read transmitters to retro-fit the District's current meters. The District replaced one sanitary sewer main through pipe bursting and replaced eleven manholes.

The District purchased three 2016 Ford F-150 pick-up trucks.

A summary of changes in capital assets is provided in the financial statements, Note 3. Changes in infrastructure are also reported in the financial statements, Note 3, under capital assets.

The District is committed by contract to purchase potable water from Denver Water and to have collected wastewater processed by Metro Wastewater Reclamation District. A commitment to both is included in the financial statements, Note 4. The District began a five year lease on a printer/copier in 2016.

There have been no changes in credit rating or debt limitations that could affect the financing of planned facilities improvements or services and the District currently has no outstanding long term debt.

OTHER POTENTIALLY SIGNIFICANT MATTERS

The District was a party to an exclusion of 109 single family homes located in the Tennyson Park subdivision situated at the southwest corner of 64th Avenue and Tennyson Street. With the exclusion, the District will experience a minimal loss of tax revenue associated with these properties. These properties have been provided with water and sewer service by the City of Arvada since their construction in 2000.

CONTACTING THE DISTRICT'S ADMINISTRATIVE OFFICE

This financial report is designed to provide our constituents with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the District's Administrative Office at:

303-429-1881
7145 Mariposa Street
P.O. Box 21299
Denver, Colorado, 80221-0299

CRESTVIEW WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
PROPRIETARY FUND

<u>December 31,</u>	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 8,754,921	\$ 6,558,958
Accounts receivable - property taxes	612,362	587,894
Other accounts receivable	220,832	169,315
Inventories	270,000	270,000
Prepaid insurance	15,615	14,398
Cash and cash equivalents - designated for capital replacement and contingencies	<u>1,769,380</u>	<u>1,840,340</u>
Total current assets	11,643,110	9,440,905
 <u>Non-current Assets</u>		
Capital assets	<u>11,666,289</u>	<u>11,561,813</u>
 Total Assets	 <u>\$ 23,309,399</u>	 <u>\$ 21,002,718</u>
 <u>Liabilities</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 165,696	\$ 224,286
Accrued liabilities	<u>142,754</u>	<u>241,947</u>
 Total Current Liabilities	 <u>\$ 308,450</u>	 <u>\$ 466,233</u>
 <u>Deferred Inflows of Resources</u>		
Unavailable revenue - property taxes	<u>\$ 605,022</u>	<u>\$ 576,299</u>
 <u>Net Position</u>		
Net investment in capital assets	\$ 11,666,289	\$ 11,561,813
Unrestricted	<u>10,729,638</u>	<u>8,398,373</u>
 Total Net Position	 <u>\$ 22,395,927</u>	 <u>\$ 19,960,186</u>

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

CRESTVIEW WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUE AND EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND

For the Years Ended December 31,	<u>2016</u>	<u>2015</u>
Operating Revenues		
Water sales	\$ 4,409,850	\$ 4,326,432
Sewer charges	2,930,493	2,914,839
Sale of supplies	40,511	28,419
Miscellaneous and inspections	<u>57,720</u>	<u>64,246</u>
Total operating revenues	<u>7,438,574</u>	<u>7,333,936</u>
Operating Expenses		
Water	4,125,505	3,297,947
Sewer	1,684,773	1,755,526
Administrative and general	<u>602,861</u>	<u>657,178</u>
Total operating expenses	<u>6,413,139</u>	<u>5,710,651</u>
Net operating gain	<u>1,025,435</u>	<u>1,623,285</u>
Non-Operating Revenues (Expenses)		
General property taxes	570,685	550,994
Specific ownership taxes	44,387	47,679
Interest income	3,258	1,205
Miscellaneous	21,949	7,973
Tax collection fee	<u>(8,565)</u>	<u>(8,286)</u>
Total non-operating revenues (net)	<u>631,714</u>	<u>599,565</u>
Income before contributions	1,657,149	2,222,850
Tap fees collected	<u>778,592</u>	<u>336,320</u>
Changes in net position	2,435,741	2,559,170
Net Position		
Balance - January 1	<u>19,960,186</u>	<u>17,401,016</u>
Balance - December 31	<u>\$ 22,395,927</u>	<u>\$ 19,960,186</u>

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

CRESTVIEW WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND

<u>For the Years Ended December 31,</u>	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Cash received from customers	\$ 7,329,337	\$ 7,269,564
Cash paid to suppliers	(4,597,987)	(4,296,051)
Cash paid to employees	(1,479,389)	(1,221,067)
Other cash received	<u>57,720</u>	<u>64,246</u>
Net cash provided by operating activities	<u>1,309,681</u>	<u>1,816,692</u>
Cash flows from investing activities		
Interest received	<u>3,258</u>	<u>1,205</u>
Cash flows from non-capital financing activities		
Cash received from property and other taxes	619,327	590,140
Collection fees paid	(8,565)	(8,286)
Other cash received	<u>21,949</u>	<u>7,973</u>
Net cash provided by non-capital financing activities	<u>632,711</u>	<u>589,827</u>
Cash flows from capital and related financing activities		
Cash received from tap fees	778,592	336,320
Cash received from sale of fixed assets	27,650	0
Purchase of fixed assets	<u>(626,889)</u>	<u>(1,485,208)</u>
Net cash provided by (used in) capital and related financing activities	<u>179,353</u>	<u>(1,148,888)</u>
Net increase in cash	2,125,003	1,258,836
Cash and cash equivalents - beginning of year	<u>8,399,298</u>	<u>7,140,462</u>
Cash and cash equivalents - end of year	<u>\$ 10,524,301</u>	<u>\$ 8,399,298</u>
Summary of cash and cash equivalents:		
Unrestricted cash and cash equivalents	\$ 8,754,921	\$ 6,558,958
Designated cash and cash equivalents	<u>1,769,380</u>	<u>1,840,340</u>
	<u>\$ 10,524,301</u>	<u>\$ 8,399,298</u>
Reconciliation of operating gain to net cash provided by operating activities:		
Net operating gain	\$ 1,025,435	\$ 1,623,285
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	436,114	375,205
Changes in assets and liabilities		
(Increase) decrease in current asset	(52,734)	5,504
Increase (decrease) in current liabilities	<u>(99,134)</u>	<u>(187,302)</u>
Net cash provided by operating activities	<u>\$ 1,309,681</u>	<u>\$ 1,816,692</u>

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

CRESTVIEW WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Crestview Water and Sanitation District (District) conform to U.S. generally accepted accounting principles as applicable to governmental entities. The following summary of significant accounting policies is presented to assist the reader in evaluating the District's financial statements.

Financial Reporting Entity

The District was incorporated under the laws of the State of Colorado and operates in metropolitan Denver under an elected Board of Directors form of government. As required by U.S. generally accepted accounting principles, the financial statements of the reporting entity include those of the District (the primary government) which has no component units.

Basis of Presentation

The accounts of the District are organized on the basis of an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to a private business enterprise.

The enterprise fund is reported using the economic resource measurement focus and the accrual basis of accounting, that is, revenue is recognized when it is earned and expenses are recognized when they are incurred.

Capital Assets

Expenditures of \$1,000 or more for capital assets are stated at cost when purchased or, when donated, at fair value on the date of the donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Water wells	99 years
Buildings and building improvements	15-75 years
Lift stations, sewer collection, and water distribution systems	50-75 years
Machinery and equipment	3-20 years

Budget and Budgetary Accounting

An annual State prescribed budget is adopted even though it is not required for enterprise funds by U.S. generally accepted accounting principles. The statement of revenue and expenditures - budget and actual presents comparisons of the legally adopted budget with actual data on the budgetary basis. The actual data presented differs from U.S. generally accepted accounting principles and a reconciliation of the differences is shown on Note 7.

CRESTVIEW WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

Property taxes are not due and payable until after the assessment year has ended and are not included in the budget or statement of revenue, expenditures and changes in net position of the assessment year. Property taxes are initially recorded as deferred revenue in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year for which they were levied.

Property taxes are collected and remitted monthly to the District by Adams County, Colorado. The property tax calendar is detailed below:

District certifies mill levies to the county	December 15
Lien date	January 1
Collection dates	
First half	February 28
In full	April 30
Second half	June 15
Delinquent notices	August 1
Tax sale	Mid-November

Tax and Spending Limitations

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District is an enterprise fund receiving less than 10% of its revenue from taxes and, therefore, under the terms of the amendment is exempt from these limitations.

Income Tax

Corporate income tax liabilities are not recognized because the District is a non-profit quasi-municipality.

Inventories

Supply inventories are recorded at cost on the first-in-first-out method.

Cash Flows

For purposes of the statements of cash flows, the District considers all deposits with maturities of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and volunteers and natural disasters. It carries commercial insurance coverage of these risks of loss. Claims have not exceeded coverage in any of the last three fiscal years.

CRESTVIEW WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating/Non-Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing water and wastewater services. Non-operating revenues and expenses include capital financing, investing and other activities not related to the provision of water and wastewater services.

NOTE 2 – CASH AND INVESTMENTS

The District maintains its investments and deposits with financial institutions in accordance with state statutes for the investment of public funds. All deposits are held at a single financial institution and are stated at cost. A summary of the District’s cash and investments are as follows:

	2016	2015
Checking accounts - interest bearing	\$ 10,523,701	\$ 8,398,698
Petty cash	600	600
	<u>\$ 10,524,301</u>	<u>\$ 8,399,298</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. As of December 31, 2016, State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The fair value of the collateral must be at least equal to 102% of the uninsured deposits.

The Board of Directors have designated cash to fund future capital expenditures. Funds are transferred periodically from operating accounts. Major repairs and additions to capital assets will be paid for from this board-designated cash.

Interest Rate Risk – In accordance with its investment policy, the District manages its exposure to declines in fair value by limiting its investments to Certificates of Deposit with an original maturity date of twelve months or less.

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.

CRESTVIEW WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CAPITAL ASSETS

The following is a summary of changes in the capital asset accounts:

	<u>December 31,</u> <u>2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31,</u> <u>2016</u>
Source of supply Collection, transmission, and distribution	\$ 329,593	\$ 0	\$ 0	\$ 329,593
Buildings	13,582,438	352,068	(36,578)	13,897,928
Office equipment	1,757,727	43,464	0	1,801,191
Shop equipment	68,818	16,054	0	84,872
Transportation equipment	362,662	36,635	(1,592)	397,705
	<u>1,485,085</u>	<u>92,369</u>	<u>(54,702)</u>	<u>1,522,752</u>
	17,586,323	540,590	(92,872)	18,034,041
Less accumulated depreciation	<u>(6,024,510)</u>	<u>(436,114)</u>	<u>92,872</u>	<u>(6,367,752)</u>
	<u>\$ 11,561,813</u>	<u>\$ 104,476</u>	<u>\$ 0</u>	<u>\$ 11,666,289</u>
	<u>December 31,</u> <u>2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31,</u> <u>2015</u>
Source of supply Collection, transmission, and distribution	\$ 329,593	\$ 0	\$ 0	\$ 329,593
Buildings	12,393,614	1,188,824	0	13,582,438
Office equipment	1,757,727	0	0	1,757,727
Shop equipment	68,818	0	0	68,818
Transportation equipment	362,662	0	0	362,662
	<u>1,319,648</u>	<u>355,033</u>	<u>(189,596)</u>	<u>1,485,085</u>
	16,232,062	1,543,857	(189,596)	17,586,323
Less accumulated depreciation	<u>(5,838,901)</u>	<u>(375,205)</u>	<u>189,596</u>	<u>(6,024,510)</u>
	<u>\$ 10,393,161</u>	<u>\$ 1,168,652</u>	<u>\$ 0</u>	<u>\$ 11,561,813</u>

NOTE 4 – COMMITMENTS

The District has made commitments to purchase water and sewer services and have been budgeted as follows for the year ending December 31, 2017:

Water purchases	\$ 2,407,495
Metro sewer charges	<u>1,351,440</u>
	<u>\$ 3,758,935</u>

CRESTVIEW WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – OPERATING LEASES

The District leases office equipment under operating lease agreements expiring through July 2021. The amount of lease payments made under these agreements for the years ended December 31, 2016 and 2015, totaled \$7,381 and \$6,906. Minimum annual rental commitments are as follows as of December 31:

2017	\$	7,346
2018		7,346
2019		7,346
2020		3,406
2021		1,527

NOTE 6 – RETIREMENT PLAN

Crestview Water and Sanitation District provides retirement benefits for all of its full-time employees through a joint contributory, defined contribution plan in the Colorado County Officials and Employees Retirement Association as authorized by Colorado Revised Statute 24-54-101. The Colorado County Officials and Employees Retirement Association plan is maintained and operated pursuant to Colorado Revised Statutes 24-54-102 through 24-54-112 and issues a publicly available financial report that includes financial statements and required supplementary information.

Benefits depend upon the sum of the employee's contributions to the plan plus accumulated earnings, and the District's contribution plus accumulated earnings. At retirement, a participant is entitled to receive:

- (a) An amount equal to his or her own contributions plus net earnings.
- (b) The portion of the balance in the Trust Fund vested in him or her.

The contribution rate is 6% for the employees and 6% for the District of the employee's base payroll. The District's total payroll for 2016 and 2015 was \$1,049,537 and \$898,025 and contributions were based on a payroll of \$1,016,666 and \$871,939. Both the District and the covered employees made the required contributions for 2016 and 2015 of \$92,847 and \$92,890. In addition, employees made voluntary contributions of \$15,776 and \$19,646 for the years ended December 31, 2016 and 2015.

NOTE 7 – RECONCILIATION OF ACTUAL AND BUDGET DATA (SCHEDULE 6)

	<u>2016</u>
Changes in net position - net expenses over revenues	\$ 2,435,741
Add depreciation	436,114
Less capital additions	<u>(540,590)</u>
Statement of revenues and expenditures compared to budget	<u>\$ 2,331,265</u>

CRESTVIEW WATER AND SANITATION DISTRICT
DEPARTMENTAL STATEMENTS OF NET POSITION
PROPRIETARY FUND

December 31,	2016			2015
	Water	Sewer	Total	Memorandum Total
Assets				
Cash on hand	\$ 0	\$ 600	\$ 600	\$ 600
Cash in bank-checking	7,233,882	1,520,439	8,754,321	6,558,358
Receivables				
Taxes	543,303	69,059	612,362	587,894
Accounts	132,499	88,333	220,832	169,315
Inventory of supplies (at cost)	162,000	108,000	270,000	270,000
Prepaid expenses	8,588	7,027	15,615	14,398
Designated assets				
Cash	930,641	838,739	1,769,380	1,840,340
Capital assets				
Source of supply	329,593	0	329,593	329,593
Collection, transmission, and distribution systems	9,027,435	4,870,493	13,897,928	13,582,438
Buildings and land	1,184,591	616,600	1,801,191	1,757,727
Office equipment	55,818	29,054	84,872	68,818
Shop equipment	261,559	136,146	397,705	362,662
Transportation equipment	1,001,470	521,282	1,522,752	1,485,085
Accumulated depreciation	<u>(4,048,073)</u>	<u>(2,319,679)</u>	<u>(6,367,752)</u>	<u>(6,024,510)</u>
Total Assets	<u>\$16,823,306</u>	<u>\$ 6,486,093</u>	<u>\$ 23,309,399</u>	<u>\$ 21,002,718</u>
Liabilities				
Accounts payable	\$ 152,546	\$ 13,150	\$ 165,696	\$ 224,286
Accrued vacation and sick pay	<u>63,045</u>	<u>79,709</u>	<u>142,754</u>	<u>241,947</u>
Total Liabilities	<u>\$ 215,591</u>	<u>\$ 92,859</u>	<u>\$ 308,450</u>	<u>\$ 466,233</u>
Deferred inflows of resources				
Unavailable revenue	<u>\$ 535,963</u>	<u>\$ 69,059</u>	<u>\$ 605,022</u>	<u>\$ 576,299</u>
Net position				
Net investment in capital assets	\$ 7,812,393	\$ 3,853,896	\$ 11,666,289	\$ 11,561,813
Unrestricted				
Designated for capital replacement	900,000	800,000	1,700,000	1,700,000
Reserved for contingencies	30,641	38,739	69,380	140,340
Unrestricted	<u>7,328,718</u>	<u>1,631,540</u>	<u>8,960,258</u>	<u>6,558,033</u>
Net Position	<u>\$16,071,752</u>	<u>\$ 6,324,175</u>	<u>\$ 22,395,927</u>	<u>\$ 19,960,186</u>

CRESTVIEW WATER AND SANITATION DISTRICT
DEPARTMENTAL SCHEDULE OF REVENUE AND EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND

For the Years Ended December 31,	2016			2015
	Water	Sewer	Total	Memorandum Total
Operating Revenues				
Water sales	\$ 4,409,850	\$ 0	\$ 4,409,850	\$ 4,326,432
Sewer charges	0	2,930,493	2,930,493	2,914,839
Sale of supplies	40,511	0	40,511	28,419
Miscellaneous and inspections	45,454	12,266	57,720	64,246
Total Operating Revenues	4,495,815	2,942,759	7,438,574	7,333,936
Operating Expenses				
Water	4,125,505	0	4,125,505	3,297,947
Sewer	0	1,684,773	1,684,773	1,755,526
Administrative and general	322,410	280,451	602,861	657,178
Total Operating Expenses	4,447,915	1,965,224	6,413,139	5,710,651
Net Operating Income	47,900	977,535	1,025,435	1,623,285
Non-Operating Revenues (Expenses)				
General property taxes	399,480	171,205	570,685	550,994
Specific ownership tax	31,071	13,316	44,387	47,679
Interest income	1,629	1,629	3,258	1,205
Miscellaneous	10,975	10,974	21,949	7,973
County treasurer's collection fee	(5,996)	(2,569)	(8,565)	(8,286)
Total Non-Operating Revenues (Net)	437,159	194,555	631,714	599,565
Income before contributions	485,059	1,172,090	1,657,149	2,222,850
Tap fees collected	416,092	362,500	778,592	336,320
Changes in Net Position	\$ 901,151	\$ 1,534,590	\$ 2,435,741	\$ 2,559,170

CRESTVIEW WATER AND SANITATION DISTRICT
SCHEDULE OF WATER OPERATING EXPENSES
PROPRIETARY FUND

For the Years Ended December 31,	<u>2016</u>	<u>2015</u>
Source of Supply		
Depreciation	\$ 855	\$ 855
Water purchased	<u>2,343,218</u>	<u>2,221,642</u>
	<u>2,344,073</u>	<u>2,222,497</u>
Transmission and Distribution Expense		
Automotive	13,613	9,801
Depreciation	278,456	246,646
Insurance	11,260	11,428
Miscellaneous	104,375	69,835
Outside services	11,500	4,462
Repairs and maintenance	827,713	265,739
Salaries, wages and benefit	<u>534,515</u>	<u>467,539</u>
	<u>1,781,432</u>	<u>1,075,450</u>
Total Water Operating Expenses	<u>\$ 4,125,505</u>	<u>\$ 3,297,947</u>

CRESTVIEW WATER AND SANITATION DISTRICT
SCHEDULE OF SEWER OPERATING EXPENSES
PROPRIETARY FUND

December 31,	<u>2016</u>	<u>2015</u>
Collection and Transmission Expense		
Automotive	\$ 189	\$ 0
Depreciation	139,550	110,779
Insurance	11,260	11,429
Miscellaneous	12,908	13,829
Outside services	11,500	4,462
Repairs and maintenance	19,221	66,152
Salaries, wages and benefits	437,429	409,853
Utilities	<u>3,515</u>	<u>3,980</u>
	635,572	620,484
Sewage Treatment Expenses		
Metro sewer charge	<u>1,049,201</u>	<u>1,135,042</u>
Total Sewer Operating Expenses	<u>\$ 1,684,773</u>	<u>\$ 1,755,526</u>

CRESTVIEW WATER AND SANITATION DISTRICT
SCHEDULE OF ADMINISTRATIVE AND GENERAL EXPENSES
PROPRIETARY FUND

For the Years Ended December 31,	<u>2016</u>			<u>2015</u>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Memorandum Total</u>
Automotive	\$ 395	\$ 394	\$ 789	\$ 0
Depreciation	8,627	8,626	17,253	16,925
Directors' fees	3,750	3,750	7,500	7,400
Insurance	6,187	5,063	11,250	11,429
Legal	12,019	12,018	24,037	24,000
Miscellaneous	5,144	5,143	10,287	12,941
Office expense	45,101	45,100	90,201	110,638
Outside services	7,467	7,466	14,933	19,900
Publication	93	92	185	398
Salaries, wages and benefits	224,539	183,713	408,252	437,807
Telephone	4,037	4,037	8,074	6,510
Training and seminars	2,998	2,997	5,995	4,601
Utilities	<u>2,053</u>	<u>2,052</u>	<u>4,105</u>	<u>4,629</u>
 Total Administrative and General	 <u>\$ 322,410</u>	 <u>\$ 280,451</u>	 <u>\$ 602,861</u>	 <u>\$ 657,178</u>

CRESTVIEW WATER AND SANITATION DISTRICT
DEPARTMENTAL SCHEDULE OF REVENUE AND EXPENSES
BUDGET AND ACTUAL
PROPRIETARY FUND

For the Year Ended December 31,			2016
	<u>Budget</u>	<u>Actual</u>	Variance
	(Non-GAAP)	(Non-GAAP)	Favorable (Unfavorable)
Revenue			
Water sales	\$ 4,212,000	\$ 4,409,850	\$ 197,850
Sewer charges	2,981,100	2,930,493	(50,607)
Interest	2,000	3,258	1,258
Tap fees and charges	5,256	778,592	773,336
General property taxes	576,299	570,685	(5,614)
Specific ownership taxes	31,000	44,387	13,387
Miscellaneous	<u>106,000</u>	<u>120,180</u>	<u>14,180</u>
Total Revenue	<u>7,913,655</u>	<u>8,857,445</u>	<u>943,790</u>
Expenditures			
Water Source			
Purchased water	2,247,257	2,343,218	(95,961)
Transmission and Distribution			
Automotive	6,500	13,613	(7,113)
Employee benefits	160,947	135,924	25,023
Insurance	23,400	11,260	12,140
Miscellaneous	38,798	82,390	(43,592)
Outside services	23,400	11,500	11,900
Payroll taxes	36,746	30,939	5,807
Repairs and maintenance	418,950	827,713	(408,763)
Salaries and wages	480,335	367,652	112,683
Telephone	8,200	6,681	1,519
Utilities	22,400	15,304	7,096
Sewer Collection and Processing			
Automotive	8,000	189	7,811
Employee benefits	97,274	86,534	10,740
Insurance	16,000	11,260	4,740
Metro sewer charges	1,049,201	1,049,201	0
Miscellaneous	21,500	9,977	11,523
Outside services	13,000	11,500	1,500
Payroll taxes	22,208	26,481	(4,273)
Repairs and maintenance	105,000	19,221	85,779
Salaries and wages	290,307	324,414	(34,107)
Telephone	2,700	2,931	(231)
Utilities	4,800	3,515	1,285

CRESTVIEW WATER AND SANITATION DISTRICT
DEPARTMENTAL SCHEDULE OF REVENUE AND EXPENSES
BUDGET AND ACTUAL
PROPRIETARY FUND

For the Year Ended December 31,			2016
	<u>Budget</u>	<u>Actual</u>	Variance
	(Non-GAAP)	(Non-GAAP)	Favorable (Unfavorable)
Expenditures (Continued)			
Administrative and General			
Automotive	\$ 2,800	\$ 789	\$ 2,011
County treasurer fee	9,100	8,565	535
Directors' fees	8,000	7,500	500
Employee benefits	91,035	125,100	(34,065)
Insurance	27,254	11,250	16,004
Legal	24,000	24,037	(37)
Miscellaneous	26,900	10,287	16,613
Office expense	121,500	90,201	31,299
Outside services	31,000	14,933	16,067
Payroll taxes	20,784	29,966	(9,182)
Publication	1,200	185	1,015
Repairs and maintenance	5,500	0	5,500
Salaries and wages	271,686	253,186	18,500
Telephone	6,200	8,074	(1,874)
Training and seminars	10,000	5,995	4,005
Utilities	4,800	4,105	695
Capital Additions	<u>1,642,000</u>	<u>540,590</u>	<u>1,101,410</u>
Total Expenditures	<u>7,400,682</u>	<u>6,526,180</u>	<u>874,502</u>
Net Revenues Over Expenditures	512,973	2,331,265	<u>\$ 1,818,292</u>
Available Resources			
Balance - January 1	<u>6,558,033</u>	<u>6,558,033</u>	
Balance - December 31	<u>\$ 7,071,006</u>	<u>\$ 8,889,298</u>	