

FLORISSANT WATER & SANITATION DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Florissant Water and Sanitation District
Florissant, Colorado

Report on the Financial Statements

We have audited the accompanying basic financial statements of Florissant Water and Sanitation District as of and for the years ended December 31, 2016 and 2015, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of Florissant Water and Sanitation District as of December 31, 2016 and 2015, and the respective changes in its financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

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

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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.

BiggsKofford, P.C.

Colorado Springs, Colorado
September 29, 2017

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FLORISSANT WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Current assets:		
Cash and investments	\$ 11,152	\$ 19,894
Accounts receivable, less allowance for doubtful accounts	12,432	10,346
Property taxes receivable	33,632	30,061
Total current assets	<u>57,216</u>	<u>60,301</u>
Non-current assets:		
Capital assets, net	3,497,094	2,243,129
Land	20,000	20,000
Total non-current assets	<u>3,517,094</u>	<u>2,263,129</u>
Total assets	<u>\$ 3,574,310</u>	<u>\$ 2,323,430</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 9,621	\$ 46,013
Prebilled charges for services	2,192	681
Current maturities of notes payable	20,874	19,800
Total current liabilities	<u>32,687</u>	<u>66,494</u>
Non-current liabilities:		
Notes payable, net of current portion	299,599	321,202
Judgment payable (including accrued interest)	76,597	92,232
Total liabilities	<u>408,883</u>	<u>479,928</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred property tax revenues	<u>33,632</u>	<u>30,061</u>
<u>NET POSITION</u>		
Invested in capital assets, net of related debt	3,120,024	1,829,895
Restricted for emergency reserves	4,600	5,300
Unrestricted	7,171	(21,754)
Total net position	<u>3,131,795</u>	<u>1,813,441</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,574,310</u>	<u>\$ 2,323,430</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

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FLORISSANT WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>OPERATING REVENUES</u>		
Charges for services	\$ 139,838	\$ 140,698
Total operating revenues	<u>139,838</u>	<u>140,698</u>
<u>OPERATING EXPENSES</u>		
Personnel services	25,163	34,618
Depreciation	46,704	46,416
Supplies	4,184	3,175
Repairs and maintenance	11,603	22,674
Purchased services	34,298	24,789
Utilities	9,259	10,081
Bad debt expense (recoveries)	(2,838)	3,684
Professional fees	7,055	18,580
Fixed charges	17,761	12,133
Total operating expenses	<u>153,189</u>	<u>176,150</u>
Net operating loss	<u>(13,351)</u>	<u>(35,452)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Property tax revenues	31,593	41,787
Interest income	66	78
Grant income	1,323,639	997,932
Interest expense	(23,593)	(26,992)
Net non-operating revenues	<u>1,331,705</u>	<u>1,012,805</u>
Change in net position	1,318,354	977,353
Net position, beginning of year	<u>1,813,441</u>	<u>836,088</u>
Net position, end of year	<u>\$ 3,131,795</u>	<u>\$ 1,813,441</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

FLORISSANT WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from customers	\$ 137,752	\$ 140,685
Cash payments to suppliers for goods and services	(141,366)	(100,884)
Net cash provided by (used in) operating activities	(3,614)	39,801
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>		
Cash received from general and specific tax revenues	31,593	41,787
Net cash provided by non-capital financing activities	31,593	41,787
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Acquisitions and construction of capital assets	(1,300,669)	(1,021,467)
Grant revenues	1,323,639	997,932
Payments on long-term debt	(36,164)	(43,426)
Interest expense	(23,593)	(26,992)
Net cash used in capital and related financing activities	(36,787)	(93,953)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest income	66	78
Net cash provided by investing activities	66	78
Net decrease in cash and investments	(8,742)	(12,287)
Cash and investments, beginning of year	19,894	32,181
Cash and investments, end of year	<u>\$ 11,152</u>	<u>\$ 19,894</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

FLORISSANT WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Net operating loss	\$ (13,351)	\$ (35,452)
Adjustments to reconcile net operating loss to net cash provided by (used in) operating activities:		
Depreciation	46,704	46,416
Bad debt expense (recoveries)	(2,838)	3,684
(Increase) decrease in operating assets:		
Accounts receivable	752	(3,697)
Increase (decrease) in operating liabilities:		
Accounts payable	(36,392)	32,780
Prebilled charges for services	1,511	(3,930)
Net cash provided by (used in) operating activities	<u>\$ (3,614)</u>	<u>\$ 39,801</u>

The accompanying notes and independent auditor's report should be read with these financial statements.

FLORISSANT WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

1. DEFINITION OF REPORTING ENTITY

Florissant Water and Sanitation District ("District") was organized in 1995 to provide water and sanitation services. The District's service area is located in Teller County, Colorado ("County"). The District grants credit to its customers, all of whom are local residents and businesses. The basic operations of the District are financed by sewage treatment revenues and property taxes levied and collected by the County. The District is governed pursuant to provisions of the Colorado Special District Act. It is governed by a five-member board of directors, which is the policy-making body of the District.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial reporting entity

The District's policy is to include in the financial statements all funds, enterprises, account groups, departments, agencies, boards, commissions, and other material component units for which the District is considered to be financially accountable.

The District is considered a special independent district by Colorado revised statutes and, as such, is not to be included with any other governmental authority. Accordingly, the District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

Basis of accounting

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.

See independent auditor's report.

FLORISSANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of accounting (continued)

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

Use of estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("US GAAP") requires the District to use estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from the estimates.

Operating revenues and expenses

The District distinguishes between operating revenues and expenses and non-operating items in the statements of revenues, expenses and changes in net position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing water services to its customers. Operating revenues consist of charges to customers for services provided.

Operating expenses include the cost of service, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

Budgets and budgetary accounting

In accordance with state budget law, the District's board of directors holds public hearings in the fall each year to approve the budget and appropriate funds for the ensuing year. The District's board of directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The appropriation is at the total fund expenditures level and lapses at year end.

Budgetary comparison schedules are provided as supplementary information as required by Colorado Revised Statutes. There were no changes to the original budget during the year ended December 31, 2016.

See independent auditor's report.

FLORISSANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and budgetary accounting (continued)

Once a budget is approved, it can be amended in accordance with state provisions only by approval of a majority of the members of the board of directors. A copy of the adopted resolution must be filed with the State Division of Local Governments.

The District incurred expenditures in excess of appropriations for the year ended December 31, 2016, which may be in violation of the local government budget law.

Cash and equivalents

For purposes of the statements of cash flows, the District considers cash deposits and all highly liquid investments (including restricted assets) with initial maturities of three months or less to be cash and equivalents.

Accounts receivable

Accounts receivable of the District consist of sewage collection services receivable. Accounts receivable are stated at the amount the District expects to collect. The District maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Management considers the following factors when determining the collectability of specific customer accounts: customer credit-worthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. If the financial condition of the District's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. The District's allowance for doubtful accounts as of December 31, 2016 and 2015 was \$17,000 and \$19,838, respectively.

Property taxes

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

See independent auditor's report.

FLORISSANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property taxes (continued)

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

Capital assets

Capital assets with an original cost of \$5,000 or greater and a useful life greater than one year purchased or acquired are recorded at historical cost. Contributed capital assets are recorded at their fair value on the date received. Additions, improvements, and other capital outlays that significantly extend the life of an asset are capitalized. Depreciation is computed using the straight-line method over estimated useful lives as follows:

Wastewater treatment and collection plant	10 - 50 years
Water treatment and distribution system	7 - 45 years
Equipment	5 - 7 years

Maintenance and repairs are charged to expense as incurred. At the time of retirement or disposition of depreciable property, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in non-operating revenues or expenses.

Costs of certain engineering, feasibility, environmental and other studies are capitalized until the related projects become operational. When projects become operational, the costs are included in capital assets and depreciated over the estimated useful life of the related asset.

Water rights

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

See independent auditor's report.

FLORISSANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred inflows of resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The District reports unavailable revenues from one source, property taxes. This amount is deferred and recognized as an inflow of resources in the year the property taxes are levied and budgeted for.

Net position

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

Subsequent events

Management evaluated subsequent events through the date of the attached independent accountant's review report, the date these financial statements were available to be issued.

3. CASH AND INVESTMENTS

Cash and investments as of December 31, 2016 and 2015 are classified in the accompanying financial statements as follows:

	2016	2015
Statement of net position:		
Cash and investments	\$ 11,152	\$ 19,894

Cash and investments as of December 31, 2016 and 2015 consist of deposits with financial institutions.

Deposits with financial institutions

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

See independent auditor's report.

FLORISSANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

3. CASH AND INVESTMENTS (CONTINUED)

Deposits with financial institutions (continued)

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

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Colorado Revised Statutes limit investment maturities to five years or less unless otherwise formally approved by the board of directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Revenue bonds of local government securities, corporate and bank securities, and guaranteed investment contracts not purchased with bond proceeds, are limited to maturities of three years or less.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

As of December 31, 2016, the District had no investments.

See independent auditor's report.

FLORISSANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

3. CASH AND INVESTMENTS (CONTINUED)

Fair value measurement and application

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

4. CAPITAL ASSETS

District capital asset activity for the year ended December 31, 2016 is as follows:

	Balance 01/01/16	Additions/ Reclass- ifications	Dispositions/ Reclass- ifications	Balance 12/31/16
Capital assets, not being depreciated:				
Construction in progress	\$ 1,019,940	\$ 1,300,669	\$ -	\$ 2,320,609
Land	20,000	-	-	20,000
Water rights	150,772	-	-	150,772
	<u>1,190,712</u>	<u>1,300,669</u>	<u>-</u>	<u>2,491,381</u>
Total capital assets, not being depreciated				
	<u>1,190,712</u>	<u>1,300,669</u>	<u>-</u>	<u>2,491,381</u>
Capital assets, being depreciated:				
Wastewater treatment and collection plant	828,941	-	-	828,941
Equipment	7,723	-	-	7,723
Vehicles	3,500	-	-	3,500
Water treatment and distribution system	1,287,084	-	-	1,287,084
	<u>1,287,084</u>	<u>-</u>	<u>-</u>	<u>1,287,084</u>
Total capital assets, being depreciated				
	<u>1,287,084</u>	<u>-</u>	<u>-</u>	<u>1,287,084</u>

See independent auditor's report.

FLORISSANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

4. CAPITAL ASSETS (CONTINUED)

	<u>Balance 01/01/16</u>	<u>Additions/ Reclass- ifications</u>	<u>Dispositions/ Reclass- ifications</u>	<u>Balance 12/31/16</u>
Less accumulated depreciation:				
Wastewater treatment and collection plant	(398,661)	(16,647)	-	(415,308)
Equipment	(4,219)	(736)	-	(4,955)
Vehicles	(2,288)	(702)	-	(2,990)
Water treatment and distribution system	<u>(649,663)</u>	<u>(28,619)</u>	<u>-</u>	<u>(678,282)</u>
Total accumulated depreciation	<u>(1,054,831)</u>	<u>(46,704)</u>	<u>-</u>	<u>(1,101,535)</u>
Capital assets, net	<u>\$ 2,263,129</u>	<u>\$ (46,704)</u>	<u>\$ -</u>	<u>\$ 3,517,094</u>

Depreciation expense for the years ended December 31, 2016 and 2015 totaled \$46,704 and \$46,414, respectively.

5. LONG-TERM DEBT

Long-term debt consisted of the following as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
On September 1, 2011, the District entered into an agreement to borrow \$133,751 from Farmers Home Administration, payable in monthly installments of \$895 plus interest at 5.0% per annum, with the final payment due in May of 2031, secured by the net water revenues of the District.	\$ 109,473	\$ 114,600
On July 1, 1992, the District entered into an agreement to borrow \$40,000 from Farmers Home Administration, payable in monthly installments of \$195 plus interest at 5.0% per annum, with the final payment due in July of 2031, secured by the net water revenues of the District.	22,622	24,349

See independent auditor's report.

FLORISSANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

5. LONG-TERM DEBT (CONTINUED)

	2016	2015
On October 2, 1992, the District entered into an agreement to borrow \$87,000 from Farmers Home Administration, payable in monthly installments of \$415 plus interest at 5.0% per annum, with the final payment due in July of 2031, secured by the net water revenues of the District.	51,354	53,721
On February 28, 1995, the District entered into an agreement to borrow \$30,000 from Farmers Home Administration, payable in monthly installments of \$145 plus interest at 4.5% per annum, with the final payment due in February of 2035, secured by the net water revenues of the District.	20,533	21,333
On November 1, 2009, the District entered into an agreement to borrow \$67,500 from Farmers Home Administration, payable in monthly installments of \$746 plus interest at 5.9% per annum, with the final payment due in October of 2019, secured by the net water revenues of the District.	23,035	30,390
On June 24, 2014, the District was issued an accounts payable consolidation loan in the amount of \$100,905. The note is payable in monthly installments of \$666 plus interest at 5.0% per annum, with the final payment due in June of 2034, secured by the net water revenues of the District.	93,456	96,609
Total	320,473	341,002
Less current portion	(20,874)	(19,800)
	\$ 299,599	\$ 321,202

Judgment payable

On June 8, 1995, the District received an unfavorable ruling of \$213,285 in a lawsuit regarding an inverse condemnation. The outstanding amount of the judgment payable was \$76,597 and \$92,232 as of December 31, 2016 and 2015, respectively, including interest and attorney fees. The liability, which accrues interest at 8.0% per annum, is being paid as funds are available from a special assessment on the property holders of the District.

See independent auditor's report.

FLORISSANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

5. LONG-TERM DEBT (CONTINUED)

The following is an analysis of the changes in the District's long-term debt for the year ended December 31, 2016:

	Balance 01/01/16	Additions	Repayments	Balance 12/31/16
Notes payable	\$ 341,002		\$ (20,529)	\$ 320,473
Clare judgment	92,232	-	(15,635)	76,597
	<u>\$ 433,234</u>	<u>\$ -</u>	<u>\$ (36,164)</u>	<u>\$ 397,070</u>

Future commitments on notes payable as of December 31, 2016 are as follows:

Year ending December 31,	Principal	Interest	Total
2017	20,874	15,768	36,642
2018	21,712	14,634	36,346
2019	21,240	13,447	34,687
2020	15,148	12,543	27,691
2021	15,913	11,777	27,690
2022 - 2026	92,474	45,979	138,453
2027 - 2031	107,595	20,249	127,844
2032 - 2035	25,516	2,201	27,717
	<u>\$ 320,473</u>	<u>\$ 136,598</u>	<u>\$ 457,071</u>

Failure to submit audited financials

Provisions of the accounts payable consolidation loan require submission of audited financials no later than 180 days after year end. The district was not in compliance with this requirement with respect to the December 31, 2016 financial statements.

See independent auditor's report.

FLORISSANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

6. NET POSITION

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

Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, plus unspent debt proceeds, and reduced by outstanding balances of mortgages, notes or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2016 and 2015, the District had a net position invested in capital assets, net of related debt calculated as follows:

	2016	2015
Capital assets, net of accumulated depreciation	\$ 3,517,094	\$ 2,263,129
Notes payable and judgment payable	(397,070)	(433,234)
	\$ 3,120,024	\$ 1,829,895

Restricted net position is comprised of amounts that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2016 and 2015 as follows:

Restricted for emergency reserves (see Note 9)	\$ 4,600	\$ 5,300
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Unrestricted net position consists of amounts that do not meet the definition of net position invested in capital, net of related debt or restricted net position.

7. GRANT INCOME

On June 24, 2014, the District was awarded and received funding for a principal forgiveness grant in amounts up to \$847,920 to make improvements to the District's water treatment and storage facilities, construct a new pretreatment tank, and to install a new automatic meter reading system. During the grant term, the District is required to maintain an operation and maintenance reserve in an amount equal to three months of operation and maintenance expenses. The estimated project completion date is February of 2016. During the years ended December 31, 2016 and 2015, the District incurred costs of \$88,767 and \$632,226, respectively, which are included in grant income in the statements of revenues, expenses, and changes in net position.

See independent auditor's report.

FLORISSANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

7. GRANT INCOME (CONTINUED)

On March 6, 2015, the District was awarded a State grant in amount of \$200,000 to procure dual train water treatment filtration system equipment. During the year ended December 31, 2015 the District incurred costs totaling \$200,000 and received payments totaling \$200,000, which are included in grant income in the statements of revenues, expenses, and changes in net position.

On March 6, 2015, the District was awarded a State grant in amount of \$950,000 for the construction of a new treatment facility and decommission of existing plant. During the years ended December 31, 2016 and 2015, the District had incurred costs totaling \$533,999 and \$168,968, respectively, and received payments totaling \$536,313 and \$164,730, respectively, which are included in grant income in the statements of revenues, expenses, and changes in net position.

On December 8, 2015, the District was awarded a State grant in amount of \$1,550,000 for the construction and replacement of the waste water treatment plant. During the year ended December 31, 2016, the District had incurred costs totaling \$702,293 and received payments totaling \$698,559, which are included in grant income in the statements of revenues, expenses, and changes in net position.

During the year ended December 31, 2015, the District received other grant income totaling \$976.

The District did not hold the required three months operations and maintenance reserve at December 31, 2016. Terms of the principal forgiveness grant allow the District to make up the shortfall in 24 substantially equal monthly installments beginning the second month after such shortfall.

8. 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; and natural disasters. The District carries commercial insurance for these risks of loss. There were no significant changes in coverage in 2016.

9. 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 within the State of Colorado.

See independent auditor's report.

FLORISSANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

9. TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

Spending and revenue limits are determined based on the prior 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. Revenues in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenues.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

Management believes the District 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, will likely require judicial interpretation.

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See independent auditor's report.

SUPPLEMENTARY INFORMATION

FLORISSANT WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET COMPARED TO ACTUAL
CASH BASIS
YEAR ENDED DECEMBER 31, 2016

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
<u>REVENUES</u>			
Charges for services	\$ 125,141	\$ 142,099	\$ 16,958
Property tax revenues	7,796	8,580	784
Grant income	17,935	1,259,261	1,241,326
Interest income	48	66	18
Total revenues	150,920	1,410,006	1,259,086
<u>EXPENDITURES</u>			
Personnel services	27,600	28,123	(523)
Supplies	3,615	5,940	(2,325)
Repairs and maintenance	21,959	19,067	2,892
Purchased services	28,500	34,248	(5,748)
Utilities	13,412	10,436	2,976
Professional fees	10,100	7,055	3,045
Fixed charges	9,056	17,874	(8,818)
Principal payments and interest expense	33,231	34,136	(905)
Capital outlay	650	-	650
Contingency	2,797	-	2,797
Grant expense	-	1,259,261	(1,259,261)
Total expenditures	150,920	1,416,140	(1,265,220)
Excess (deficit) of revenue over expenditures - budgetary basis	\$ -	\$ (6,134)	\$ (6,134)

See independent auditor's report.

FLORISSANT WATER AND SANITATION DISTRICT
RECONCILIATION OF AMOUNTS FROM GAAP BASIS TO CASH BASIS
YEAR ENDED DECEMBER 31, 2016

The accompanying supplementary Schedule of Revenues and Expenditures - Budget Compared to Actual on page 21 presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of differences in revenues and expenditures for the year ended December 31, 2016 is presented below.

<u>Total revenue per financial statements (operating and non-operating)</u>	\$ 1,495,136
Less:	
<u>Revenue accruals and non-cash adjustments for the year ended December 31, 2016</u>	<u>(85,130)</u>
<u>Total actual revenue and receipts per the budget</u>	<u>\$ 1,410,006</u>
<u>Total expenses per financial statements</u>	<u>\$ 176,782</u>
Add:	
<u>Expense and capital expenditure accruals and non-cash adjustments for the year ended December 31, 2016</u>	<u>1,283,224</u>
Less:	
<u>Bad debt recoveries</u>	<u>2,838</u>
<u>Depreciation</u>	<u>(46,704)</u>
<u>Total actual expenses and capital expenditures per the budget</u>	<u>\$ 1,416,140</u>

See independent auditor's report.