

**SOUTH ADAMS COUNTY WATER AND
SANITATION DISTRICT
Commerce City, Colorado**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
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INDEPENDENT AUDITORS' REPORT

Board of Directors
South Adams County Water and Sanitation District
Commerce City, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of South Adams County Water and Sanitation District (the District), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the entity'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.

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 and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of December 31, 2016 and 2015, and the respective changes in financial position and, its cash flows 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 discussion and analysis on pages 4 through 11 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 an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedule of operating revenue, budgetary comparison information and secondary market information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of operating revenue, budgetary comparison information, and the schedule of expenditures of federal awards are 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The secondary market information 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Greenwood Village, Colorado
[April 12, 2017]

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016 AND 2015**

The Management's Discussion and Analysis for South Adams County Water and Sanitation District (District) offers readers an overview of the District's financial activities for the fiscal years ended December 31, 2016 and 2015. Readers are encouraged to consider this information in conjunction with the District's financial statements, and notes to the basic financial statements.

Financial Highlights for 2016

- Net position increased by \$24,777,332 in 2016 or 6.1%, primarily due to capital contributions of \$16,840,513.
- Capital contributions consist of the following:

Tap fees	\$	3,585,769
FRICO contributions (cash)		3,000,000
Developer contributions (cash)		3,896,271
System development fees		6,358,473
- Income before capital contributions is \$7,936,819, an increase of \$3,931,165 or 98.1% from 2015.
- The income from operations is \$6,666,927 for 2016, compared to \$3,356,518 in 2015.
- The District currently has 18,697 active customer accounts.
- Unrestricted net position increased by \$13,847,005, which is a 34.1% increase from the prior fiscal year.

Overview of the Financial Statements

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

Statements of Net Position: The Statements of Net Position present information on all of the District's assets, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases and decreases in net position serve as a useful indicator of whether the financial condition of the District is improving or deteriorating.

Statements of Revenues, Expenses, and Changes in Net Position: The Statements of Revenues, Expenses, and Changes in Net Position report the changes that have occurred during the year to the District's net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues and expenses are reported for some items that will only have cash flows in subsequent years.

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

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016 AND 2015**

Notes to the Basic Financial Statements: The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages 17-34.

**Summary and Financial Analysis
NET POSITION**

	2016	2015
ASSETS		
Current Assets	\$ 60,566,277	\$ 50,876,443
Restricted Cash and Investments	6,072,279	8,420,452
Capital Assets, Net of Accumulated Depreciation	432,655,399	420,471,997
Total Assets	\$ 499,293,955	\$ 479,768,892
LIABILITIES		
Current Liabilities	\$ 7,491,805	\$ 6,611,485
Other Liabilities	103,664	395,742
Long-Term Liabilities	58,952,139	62,758,745
Total Liabilities	66,547,608	69,765,972
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	2,194,002	2,146,814
Total Deferred Inflows of Resources	2,194,002	2,146,814
NET POSITION		
Net Investment in Capital Assets	373,591,337	364,742,103
Restricted	2,500,000	2,500,000
Unrestricted	54,461,008	40,614,003
Total Net Position	430,552,345	407,856,106
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 499,293,955	\$ 479,768,892

The District increased its net position by \$24,777,332 during 2016. Capital assets net of depreciation increased by \$14,264,495. This increase is funded by the application of capital contributions in the amount of \$16,840,513. The "Operations Funds Available" (current assets less current liabilities) calculates to an amount of \$53,098,677, which is available for repayment of debt and future capital outlays funded by operations as well as sustaining current operations. This amount does not include \$2,500,000 of available funds shown as restricted cash and investments for debt service reserves specified in the Colorado Water and Power Authority loan documents.

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016 AND 2015**

	2015	2014
ASSETS		
Current Assets	\$ 50,876,443	\$ 58,974,191
Restricted Cash and Investments	8,420,452	11,747,322
Capital Assets, Net of Accumulated Depreciation	420,471,997	397,396,593
Total Assets	\$ 479,768,892	\$ 468,118,106
LIABILITIES		
Current Liabilities	\$ 6,611,485	\$ 8,937,532
Other Liabilities	395,742	248,563
Long-Term Liabilities	62,758,745	64,849,489
Total Liabilities	69,765,972	74,035,584
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	2,146,814	1,888,859
Total Deferred Inflows of Resources	2,146,814	1,888,859
NET POSITION		
Net Investment in Capital Assets	364,742,103	358,426,203
Restricted	2,500,000	2,500,000
Unrestricted	40,614,003	31,267,460
Total Net Position (Restated)	407,856,106	392,193,663
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 479,768,892	\$ 468,118,106

The District increased its net position by \$15,662,443 during 2015. Capital assets net of depreciation increased by \$23,075,404. This increase is funded by the application of capital contributions in the amount of \$11,656,789. The "Operations Funds Available" (current assets less current liabilities) calculates to an amount of \$44,264,958, which is available for repayment of debt and future capital outlays funded by operations as well as sustaining current operations. This amount does not include \$2,500,000 of available funds shown as restricted cash and investments for debt service reserves specified in the Colorado Water and Power Authority loan documents.

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016 AND 2015**

CHANGES IN NET POSITION

	<u>2016</u>	<u>2015</u>
OPERATING REVENUE		
Water	\$ 18,484,806	\$ 15,134,210
Sanitation	11,310,429	10,644,409
Total Operating Revenue	<u>29,795,235</u>	<u>25,778,619</u>
NONOPERATING REVENUE		
Taxes	2,354,267	2,115,783
Net Investment Income	195,440	54,125
Intergovernmental Revenue	-	600,000
Other	183,493	164,356
Total Nonoperating Revenue	<u>2,733,200</u>	<u>2,934,264</u>
Total Revenue	32,528,435	28,712,883
OPERATING EXPENSES		
Direct Expenses:		
Water	12,089,993	10,680,146
Sanitation	6,177,307	6,937,215
Total Direct Expenses	<u>18,267,300</u>	<u>17,617,361</u>
General and Administrative Expenses	4,858,265	4,804,740
Total Operating Expenses	<u>23,125,565</u>	<u>22,422,101</u>
NONOPERATING EXPENSES		
Interest	1,494,773	2,233,251
(Gain) Loss on Sale of Capital Asset	(88,335)	(8,530)
Other	56,870	60,407
Total Nonoperating Expenses	<u>1,463,308</u>	<u>2,285,128</u>
Total Expenses	24,588,873	24,707,229
INCOME BEFORE CAPITAL CONTRIBUTIONS	7,939,562	4,005,654
CAPITAL CONTRIBUTIONS	<u>14,756,677</u>	<u>11,656,789</u>
CHANGE IN NET POSITION	22,696,239	15,662,443
Net Position - Beginning of Year	407,856,106	392,193,663
NET POSITION - END OF YEAR	<u>\$ 430,552,345</u>	<u>\$ 407,856,106</u>

Revenue:

Operating revenue for fiscal year 2016 generated from water operations totaled \$18,484,806, an increase of \$3,350,596 or 22.1% compared to fiscal year 2015. Rates for metered water increased by 3.5% for 2016 and water consumption (sales) increased by 1.2% compared to the preceding year, in addition water usage during July and November was significantly higher than 2015 resulting in charges in excess of expected increases. Sewer operating revenues increased from \$10,644,409 to \$11,310,429 representing a 6.3% increase. Sewer service fee rates also increased 3.5% for 2016.

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016 AND 2015**

Non-operating revenue decreased from \$2,934,264 in 2015 to \$2,773,200, representing a 6.9% decrease. The decrease is related to intergovernmental revenue as the District did not receive funding from the state in 2016 as it did in 2015.

Expenses:

Total operating expenses for 2016, which include direct, general and administrative expenses, were \$23,125,565, an increase of \$703,464 or 3.1% more than the preceding year. Expenses for water increased by \$1.4 million in relation to the increased demand of more consumption. This increase was offset by a \$748,861 decrease in sewer expenses as a result of a decrease in depreciation expense compared to the prior year.

	2015	2014
OPERATING REVENUE		
Water	\$ 15,134,210	\$ 14,131,190
Sanitation	10,644,409	9,833,619
Total Operating Revenue	23,964,809	23,964,809
NONOPERATING REVENUE		
Taxes	2,115,783	2,175,008
Net Investment Income	54,125	25,043
Intergovernmental Revenue	600,000	400,000
Other	164,356	157,683
Total Nonoperating Revenue	2,934,264	2,757,734
Total Revenue	26,899,073	26,722,543
OPERATING EXPENSES		
Direct Expenses:		
Water	10,680,146	11,681,955
Sanitation	6,937,215	7,028,853
Total Direct Expenses	17,617,361	18,710,808
General and Administrative Expenses	4,804,740	4,849,927
Total Operating Expenses	22,422,101	23,560,735
NONOPERATING EXPENSES		
Interest	2,233,251	1,407,186
(Gain) Loss on Disposal of Capital Asset	(8,530)	7,407
Other	60,407	93,502
Total Nonoperating Expenses	2,285,128	1,508,095
Total Expenses	24,707,229	25,068,830
INCOME BEFORE CAPITAL CONTRIBUTIONS	4,005,654	1,653,713
CAPITAL CONTRIBUTIONS	11,656,789	11,470,530
CHANGE IN NET POSITION	15,662,443	13,124,243
Net Position - Beginning of Year	392,193,663	379,069,420
NET POSITION - END OF YEAR	\$ 407,856,106	\$ 392,193,663

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016 AND 2015**

Revenue:

Operating revenue for fiscal year 2015 generated from water operations totaled \$15,134,210, an increase of \$1,003,020 or 7.1% compared to fiscal year 2014. Rates for metered water increased by 5.0% for 2015 and water consumption (sales) decreased by (.1)% compared to the preceding year. Sewer operating revenues increased from \$9,833,619 to \$10,644,409 representing a 8.2% increase. Sewer service fee rates also increased 5.0% for 2015.

Non-operating revenue increased from \$2,757,734 in 2014 to \$2,934,264 representing a 6.4% increase. The increase is related to the increase in intergovernmental revenue as the District received some funding from the state.

Expenses:

Total operating expenses for 2015, which include direct, general and administrative expenses, were \$22,422,101, a decrease of \$(1,138,634) or (5)% more than the preceding year. The decreases in operating expense are attributable to a reduction in spending in anticipation of lower water revenues due to the early wet weather patterns in 2015.

Capital Assets

	December 31, 2015	Net Changes	December 31, 2016
	<u> </u>	<u> </u>	<u> </u>
Water System			
Land and Land Rights	\$ 4,061,733	\$ -	\$ 4,061,733
Water Rights	91,959,852	62,253,782	154,213,634
Construction in Progress	88,606,844	(25,368,866)	63,237,978
Plant and Equipment	156,661,037	774,427	157,435,464
Total Water System	<u>341,289,466</u>	<u>37,659,343</u>	<u>378,948,809</u>
Sanitation System			
Land and Land Rights	367,424	-	367,424
Construction in Progress	20,843,548	(8,194,550)	12,648,998
Plant and Equipment	126,656,243	(13,902,991)	112,753,252
Total Sanitation System	<u>147,867,215</u>	<u>(22,097,541)</u>	<u>125,769,674</u>
Accumulated Depreciation	<u>68,684,684</u>	<u>3,378,400</u>	<u>72,063,084</u>
Total Capital Assets - Net	<u>\$ 420,471,997</u>	<u>\$ 12,183,402</u>	<u>\$ 432,655,399</u>

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016 AND 2015**

2016

Gross capital assets increased in excess of \$15.6 million during 2016. Significant components of that increase are as follows:

- Decrease in plant and equipment by \$13 million related to a reclassification of Metro taps until they are ready for use of \$18 million to construction in progress offset by additions of \$5 million.
- Payment for the acquisition of permanent water supplies \$4.6 million related to the FRICO Water Stock Purchase Agreement.
- Increase in water rights of \$62.2 million of which \$51 million was due to a transfer from construction in progress and the remaining \$11.2 million being new water rights.

These continuing investments in infrastructure provide for the reliable operation of the District's water and wastewater systems and provide for the future capacity of the District to provide water and wastewater treatment for many years into the future.

	<u>December 31, 2014</u>	<u>Net Changes</u>	<u>December 31, 2015</u>
Water System			
Land and Land Rights	\$ 4,061,733	\$ -	\$ 4,061,733
Water Rights	86,735,037	5,224,815	91,959,852
Construction in Progress	89,915,977	(1,309,133)	88,606,844
Plant and Equipment	<u>152,524,944</u>	<u>4,136,093</u>	<u>156,661,037</u>
Total Water System	333,237,691	8,051,775	341,289,466
Sanitation System			
Land and Land Rights	367,424	-	367,424
Construction in Progress	6,279,595	14,563,953	20,843,548
Plant and Equipment	<u>121,452,808</u>	<u>5,203,435</u>	<u>126,656,243</u>
Total Sanitation System	128,099,827	19,767,388	147,867,215
Accumulated Depreciation	<u>63,940,925</u>	<u>4,743,759</u>	<u>68,684,684</u>
Total Capital Assets - Net	<u>\$ 397,396,593</u>	<u>\$ 23,075,404</u>	<u>\$ 420,471,997</u>

Gross capital assets increased in excess of \$27.8 million during 2015. Significant components of that increase are as follows:

- Improvement and expansion of water distribution system and plant \$3.5 million.
- Improvement and expansion of sanitation collection system and plant \$18.1 million.
- Payment for the acquisition of permanent water supplies \$4.6 million related to the FRICO Water Stock Purchase Agreement.
- Payment to Metro Wastewater District for future treatment capacity \$1.6 million.

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016 AND 2015**

These continuing investments in infrastructure provide for the reliable operation of the District's water and wastewater systems and provide for the future capacity of the District to provide water and wastewater treatment for many years into the future.

Debt Administration:

At December 31, 2016, the District has five outstanding debt obligations, two loans from the Colorado Water Resource and Power Development Authority (2002 and 2014) in the amounts of \$2,647,500 and \$22,165,162, the Series 2010 and 2014 Revenue Bonds in the amount of \$9,560,000 and \$12,070,000, and the Denver Storage Agreement in the amount of \$15,155,510. The District does not anticipate issuing any further debt in the foreseeable future.

At December 31, 2015, the District had five outstanding debt obligations, two loans from the Colorado Water Resource and Power Development Authority (2002 and 2014) in the amounts of \$3,075,000 and \$22,174,058, the Series 2010 and 2014 Revenue Bonds in the amount of \$10,115,000 and \$12,495,000, and the Denver Storage Agreement in the amount of \$16,109,662. The District does not anticipate issuing any further debt in the foreseeable future.

The District entered into a capital lease agreement for \$152,074 during 2012 for financing the acquisition of new information system servers.

Economic Environment:

The current economic environment for the District can be characterized as steady in the sale of water taps associated with residential and commercial development. The Denver metropolitan area, and in particular the Adams County area has experienced improvement in growth and expectations are for that to continue. The District estimates that it has current developed water resources to meet demand for the next 30 years. The District is well along in developing water and wastewater treatment capacity for the same time horizon.

Requests for Information:

This financial report is designed to provide its readers a general overview of the District's finances. Questions regarding any information contained in this report or requests for additional information should be addressed to the District Manager, 6595 East 70th Avenue, Commerce City, CO 80037 or call (303) 288-2646.

BASIC FINANCIAL STATEMENTS

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2016 AND 2015**

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and Investments	\$ 28,220,363	\$ 22,020,256
Cash and investments - Designated	27,167,415	19,281,424
Accounts Receivable:		
Customers	2,062,739	1,890,319
Taxes	2,194,002	2,177,574
Construction Loan	285,015	4,820,702
Other	437,313	444,575
Inventories, Supplies, and Materials	89,667	156,401
Prepaid Expenses	109,763	85,192
Total Current Assets	60,566,277	50,876,443
 RESTRICTED CASH AND INVESTMENTS		
Operating Reserve	2,500,000	2,500,000
2014 Bond Project	3,468,615	5,524,710
Employee Flexible Spending Accounts	24,205	4,000
Customer Deposits	79,459	48,121
Hydrant Water Fund	-	343,621
Total Restricted Cash and Investments	6,072,279	8,420,452
 CAPITAL ASSETS		
Capital Assets Not Being Depreciated	234,529,767	205,839,401
Capital Assets Being Depreciated (Net of Accumulated Depreciation)	198,125,632	214,632,596
Total Capital Assets	432,655,399	420,471,997
 Total Assets	 \$ 499,293,955	 \$ 479,768,892

See accompanying Notes to Financial Statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>2016</u>	<u>2015</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 2,637,288	\$ 1,791,643
Retainage Payable	160,249	944,276
Accrued Interest	164,405	641,315
Current Portion of Bonds and Loan Payable	3,858,564	2,442,140
Current Portion of Lease Payable	-	31,446
Current Portion of Accrued Benefits Payable	671,299	760,665
Total Current Liabilities	<u>7,491,805</u>	<u>6,611,485</u>
RESTRICTED LIABILITIES		
Customer Deposits	79,459	48,121
Hydrant Water Fund	-	343,621
Employee Flexible Spending Accounts	24,205	4,000
Total Restricted Liabilities	<u>103,664</u>	<u>395,742</u>
LONG-TERM LIABILITIES		
Long-Term Portion of Bonds and Loan Payable	58,798,879	62,657,444
Long-Term Portion of Accrued Benefits Payable	153,260	101,301
Total Long-Term Liabilities	<u>58,952,139</u>	<u>62,758,745</u>
Total Liabilities	66,547,608	69,765,972
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	2,194,002	2,146,814
Total Deferred Inflows of Resources	<u>2,194,002</u>	<u>2,146,814</u>
NET POSITION		
Net Investment in Capital Assets	373,591,337	364,742,103
Restricted	2,500,000	2,500,000
Unrestricted	54,461,008	40,614,003
Total Net Position	<u>430,552,345</u>	<u>407,856,106</u>
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 <u>\$ 499,293,955</u>	 <u>\$ 479,768,892</u>

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
WATER OPERATIONS		
Operating Revenue	\$ 18,484,806	\$ 15,134,210
Direct Water Expenses	12,089,993	10,680,146
Gross Income from Water Operations	6,394,813	4,454,064
SANITATION OPERATIONS		
Operating Revenue	11,310,429	10,644,409
Direct Sanitation Expenses	6,177,307	6,937,215
Gross Income from Sanitation Operations	5,133,122	3,707,194
GROSS INCOME FROM OPERATIONS	11,527,935	8,161,258
GENERAL AND ADMINISTRATIVE EXPENSES	4,858,265	4,804,740
NET INCOME FROM OPERATIONS	6,669,670	3,356,518
NONOPERATING REVENUES AND (EXPENSES)		
General Property Tax	2,173,347	1,957,413
Other Taxes	180,920	158,370
Net Investment Income	195,440	54,125
Intergovernmental Revenue	-	600,000
Gain (Loss) on Sale of Capital Asset	88,335	8,530
Miscellaneous	183,493	164,356
Interest Expense	(1,494,773)	(2,233,251)
Treasurer's Fees	(56,870)	(60,407)
Total Nonoperating Revenues and (Expenses)	1,269,892	649,136
INCOME BEFORE CAPITAL CONTRIBUTIONS	7,939,562	4,005,654
CAPITAL CONTRIBUTIONS		
Tap Fees	1,501,933	2,949,511
Developer Contributions	6,896,271	5,973,576
System Development Fees	6,358,473	2,733,702
Total Capital Contributions	14,756,677	11,656,789
CHANGE IN NET POSITION	22,696,239	15,662,443
Net Position - Beginning of Year	407,856,106	392,193,663
NET POSITION - END OF YEAR	\$ 430,552,345	\$ 407,856,106

See accompanying Notes to Financial Statements.

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 29,317,794	\$ 25,782,642
Cash Payments for Goods and Services	(10,003,003)	(12,262,129)
Cash Payments to Employees	(8,530,828)	(8,086,960)
Net Cash Provided by Operating Activities	10,783,963	5,433,553
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Tax Receipts Collected by Other Governmental Agencies, Net of Treasurer's Fee	2,328,157	2,046,210
Miscellaneous Receipts	183,493	164,356
Net Cash Provided by Noncapital Financing Activities	2,511,650	2,210,566
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for Capital Acquisitions	(16,322,558)	(27,217,162)
FRICO Escrow Received	20,205	3,000,000
Interest Paid	(2,043,275)	(2,044,992)
Cash Received from Other Government Entities	4,535,687	15,873,564
Cash Received from Sale of Assets	188,085	11,615
Principal Payments on Debt	(2,401,994)	(2,534,615)
System Development Fees	6,358,473	2,733,702
Tap Fees	1,501,933	2,949,511
Developer Cash Contributions	6,410,316	2,973,576
Net Cash Used by Capital and Related Financing Activities	(1,753,128)	(4,254,801)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts of Interest	195,440	54,125
Net Cash Provided by Investing Activities	195,440	54,125

See accompanying Notes to Financial Statements.

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 11,737,925	\$ 3,443,443
Cash and Cash Equivalents - Beginning of Year	49,722,132	46,278,689
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 61,460,057	\$ 49,722,132
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 6,669,670	\$ 3,356,518
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	3,741,333	4,756,771
Effect of Changes in Operating Assets and Liabilities:		
Customer Receivables	(172,420)	(118,881)
Other Receivables	7,262	(20,275)
Inventory	66,734	(2,444)
Prepaid Expenses	(24,571)	3,218
Accounts Payable	845,645	(2,611,840)
Accrued Benefits	(37,407)	(72,693)
Customer Deposits	31,338	(9,497)
Hydrant Water Deposits	(343,621)	152,676
Net Cash Provided by Operating Activities	\$ 10,783,963	\$ 5,433,553

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

Developer infrastructure contributions were \$485,955 and \$0 for 2016 and 2015, respectively.
Bond premium amortization was \$71,592 for 2016 and 2015.

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 1 DEFINITION OF REPORTING ENTITY

South Adams County Water and Sanitation District (District) is a quasi-municipal organization that provides water and sewer services to its customers. The District is governed by an elected five member Board of Directors. The District's service area is located in Commerce City, Colorado and the surrounding area. Since the major part of its income is derived from user charges, the District is classified as an "Enterprise Fund". Because of the self-supporting nature of the District, its accounting is on the accrual basis much like a private, profit-making business. However, unlike a private business, the District is not subject to federal or state income taxes.

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of Accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and loans is recorded as a reduction in liabilities. Tap fees, system development fees, and developer contributions (capital assets and contributions in aid of construction) are recorded as capital contributions when received.

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses

The District distinguishes between operating revenues and expenses and nonoperating items in the statements of revenues, expenses, and changes in 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 and sanitation services to its customers. Operating revenues consist of charges to customers for service provided. Operating expenses include the cost of service, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Budgets

Budgets are prepared in accordance with the requirements of Colorado Revised Statutes and accordingly include "anticipated income and other means of financing proposed expenditures", and expenditures include, in addition to those shown in the operating statements, debt redemptions and capital expenditures. Accordingly, budget comparisons are of the legally adopted budget. The level of budget control is determined by the resolution appropriating sums of monies. The resolution appropriates the level of budget control by total expenditures. Appropriations lapse at year-end. The District's budget calendar is as follows:

In August of each year, the District develops its budget for the upcoming year. In October, the budget is presented to the Board of Directors for preliminary approval. A public meeting is held at the November board meeting to finalize and approve the budget for the upcoming year.

Cash 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 held at fair value.

Designated Cash and Investments

The District has several cash and investment accounts that have been designated by the District as follows:

The future asset reserves are comprised of water and sewer tap fees, system development fees and water resource fees held for future capital purchases.

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Cash and Investments

The District has several cash and investment accounts that have been restricted for specific purposes. The following accounts have been restricted by external sources:

Under the District's Loan agreements with the Colorado Water Resources and Power Development Authority (CWPA), the District is required to maintain an operating reserve of \$2,500,000, which is shown as restricted cash on the statement of net position. Customer deposits are held by the District and will eventually be refunded to the customers. Proceeds from the 2014 revenue bonds are restricted for capital projects, and the unspent amount is shown as restricted cash on the statement of net position. Historically the District has had a number of parties that are permitted to use a fire hydrant to draw water for construction purposes. The hydrant policy was changed so that new construction water users whose business is located within the District's service area have sufficient space on their property to install the necessary infrastructure and will make a permanent connection to the District's water distribution system in lieu of utilizing District hydrants. The party will install infrastructure as approved by the District and will pay the hydrant water rate for a period of 10 years to adequately reimburse the District for the water resources it uses for construction purposes. Amounts held in employee flexible spending accounts are contributions by employees to a flexible spending account which is restricted to be used at the employee's discretion on allowable costs under the plan.

The restricted asset accounts for customer deposits, employee flexible spending account, and Hydrant Water Fund have corresponding restricted liabilities accounts.

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

Accounts Receivable

The District does not provide a reserve for estimated uncollectible accounts since such amounts are negligible. A lien on the property assures collection of virtually all accounts.

Inventories

Inventories are valued at the lower of cost using the first-in, first-out method or market.

Capital Assets

Capital assets, which include land and land rights, water rights, water plant and equipment, and sanitation plant and equipment, are reported by the District. The District's policy is to capitalize all capital asset purchases regardless of their initial, individual cost. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

Buildings	25-30 Years
Water and Sanitation Plant	40-99 Years
Furniture and Equipment	5-20 Years

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

Property Taxes

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

Property taxes are recorded initially as a deferred inflow of resources in the year they are levied and measurable. The property taxes are then recorded as revenue in the year they are available or collected.

Compensated Absences

Beginning May 2009, the District no longer accrues for sick leave due to the inception of a PTO policy that replaced the sick and vacation leave policy. Unused sick leave remaining from the previous policy is capped at 960 hours per employee and recorded as a long-term liability under accrued benefits payable. Upon termination or resignation from the District, unused sick leave will be paid according to the employee's years of service. Effective January 1, 1999, unused sick leave vests at the same rate as pension benefits vest for employees terminating prior to January 1, 2007. It is the District's policy to use the current year's used PTO amount as the current portion of accrued compensated absences. See the schedule located at Note 5.

Paid time off (PTO) is expected to be used within a reasonable period from the date of earning it. Each employee may carryover one and one half (1-1/2) times their annual accrual. Upon termination or resignation, unused PTO will be paid to the employee in full. Unused PTO is recorded as a long-term liability.

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amortization

Bond discounts and premiums are amortized over the lives of the bond issue on a straight-line basis, which approximates the effective interest method.

Capitalized Interest

The District capitalizes interest cost incurred on funds used to construct property plant and equipment. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Total capitalized interest for the years ended December 31, 2016 and 2015 totaled \$448,663 and \$273,826, respectively.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

New Accounting Pronouncements

The District implemented GASB issued Statement No. 72, *Fair Value Measurement and Application*. There were no significant changes to the District's financial statements as a result of implementation of this standard.

NOTE 3 CASH AND INVESTMENTS

Cash and investments are reflected on the December 31, 2016 and 2015 statements of net position as follows:

	<u>2016</u>	<u>2015</u>
Cash and Investments	\$ 28,220,363	\$ 22,020,256
Cash and Investments - Designated	27,167,415	19,281,424
Restricted Cash and Investments:		
Operating Reserve	2,500,000	2,500,000
2014 Bond Project	3,468,615	5,524,710
Employee Flexible Spending Accounts	24,205	4,000
Customer Deposits	79,459	48,121
Hydrant Water Fund	-	343,621
Total Cash and Investments	<u>\$ 61,460,057</u>	<u>\$ 49,722,132</u>

Cash and investments as of December 31, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Cash on Hand	\$ 274,085	\$ 4,505
Deposits with Financial Institutions	23,370,613	16,887,163
Investments and Cash Equivalents	37,815,359	32,830,464
Total Cash and Investments	<u>\$ 61,460,057</u>	<u>\$ 49,722,132</u>

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits

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

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

Credit Risk

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

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

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

The local government investment pool, Colorado Surplus Asset Fund Trust (CSAFE) is rated AAAM by Standard and Poor's.

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

Interest Rate Risk

Colorado revised statutes limit investment maturities up to five years or less depending on the specific investment held unless formally approved by the board of directors. Such actions are generally associated with debt service reserve or sinking fund requirements.

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

As of December 31, 2016, the District had the following investments:

Investment	Maturity		Standard & Poor's Rating	Total Fair Value	Concentration
	Less than One Year	1 - 5 Years			
CSAFE	\$ 37,815,359	\$ -	AAAm	\$ 37,815,359	100.0%

As of December 31, 2015, the District had the following investments:

Investment	Maturity		Standard & Poor's Rating	Total Fair Value	Concentration
	Less than One Year	1 - 5 Years			
CSAFE	\$ 32,830,464	\$ -	AAAm	\$ 32,830,464	100.0%

CSAFE

At December 31, 2016 and 2015, the District had \$37,815,359 and \$32,830,464, respectively, invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by State statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE is valued at amortized cost.

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2016 follows:

	2016				Balance at December 31, 2016
	Balance at January 1, 2016	Increases	Transfers	Decreases	
Capital Assets, Not Being Depreciated:					
Land and Land Rights	\$ 4,429,157	\$ -	\$ -	\$ -	\$ 4,429,157
Water Rights	91,959,852	4,635,477	57,618,305	-	154,213,634
Construction in Progress	109,450,392	8,783,938	(42,247,603)	99,751	75,886,976
Total Capital Assets, Not Being Depreciated	205,839,401	13,419,415	15,370,702	99,751	234,529,767
Capital Assets, Being Depreciated:					
Buildings	5,356,107	3	-	-	5,356,110
Water System Plant	148,875,462	370,610	290,564	-	149,536,636
Sanitation System Plant	121,921,530	1,790,945	(15,747,230)	-	107,965,245
Furniture and Equipment	7,164,181	443,513	85,964	362,933	7,330,725
Total Capital Assets, Being Depreciated	283,317,280	2,605,071	(15,370,702)	362,933	270,188,716
Less Accumulated Depreciation for:					
Buildings	686,646	117,482	-	-	804,128
Water System Plant	37,265,989	2,235,789	-	-	39,501,778
Sanitation system plant	26,409,235	903,850	-	-	27,313,085
Furniture and equipment	4,322,814	484,212	-	362,933	4,444,093
Total Accumulated Depreciation	68,684,684	3,741,333	-	362,933	72,063,084
Total Capital Assets, Being Depreciated, Net	214,632,596	(1,136,262)	(15,370,702)	-	198,125,632
Capital Assets, Net	<u>\$ 420,471,997</u>	<u>\$ 12,283,153</u>	<u>\$ -</u>	<u>\$ 99,751</u>	<u>\$ 432,655,399</u>

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 4 CAPITAL ASSETS (CONTINUED)

An analysis of the changes in capital assets for the year ended December 31, 2015 follows:

	2015				Balance at December 31, 2015
	Balance at January 1, 2015	Increases	Transfers	Decreases	
Capital Assets, Not Being Depreciated:					
Land and Land Rights	\$ 4,429,157	\$ -	\$ -	\$ -	\$ 4,429,157
Water Rights	86,735,037	4,580,171	644,644	-	91,959,852
Construction in Progress	96,195,571	19,377,207	(6,122,386)	-	109,450,392
Total Capital Assets, Not Being Depreciated	187,359,765	23,957,378	(5,477,742)	-	205,839,401
Capital Assets, Being Depreciated:					
Buildings	5,356,107	-	-	-	5,356,107
Water System Plant	145,093,660	397,227	3,384,575	-	148,875,462
Sanitation System Plant	116,926,170	3,098,087	1,897,273	-	121,921,530
Furniture and Equipment	6,601,816	382,568	195,894	16,097	7,164,181
Total Capital Assets, Being Depreciated	273,977,753	3,877,882	5,477,742	16,097	283,317,280
Less Accumulated Depreciation for:					
Buildings	569,164	117,482	-	-	686,646
Water System Plant	35,132,400	2,133,589	-	-	37,265,989
Sanitation system plant	24,344,080	2,065,155	-	-	26,409,235
Furniture and equipment	3,895,281	440,545	-	13,012	4,322,814
Total Accumulated Depreciation	63,940,925	4,756,771	-	13,012	68,684,684
Total Capital Assets, Being Depreciated, Net	210,036,828	(878,889)	5,477,742	3,085	214,632,596
Capital Assets, Net	<u>\$ 397,396,593</u>	<u>\$ 23,078,489</u>	<u>\$ -</u>	<u>\$ 3,085</u>	<u>\$ 420,471,997</u>

Depreciation expense for the years ended December 31, 2016 and 2015 as charged to the following operations:

	2016	2015
Direct Water Expenses	\$ 2,648,333	\$ 2,468,112
Direct Sewer Expenses	1,093,000	2,288,659
Total	<u>\$ 3,741,333</u>	<u>\$ 4,756,771</u>

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 5 LONG-TERM LIABILITIES

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

	Balance January 1, 2016	New Issues	Retirements	Balance December 31, 2016	Due Within One Year
Colorado Water and Power Authority Loan - 2002	\$ 3,075,000	\$ -	\$ 427,500	\$ 2,647,500	\$ 442,500
Colorado Water and Power Authority Loan - 2014	22,174,058	-	8,896	22,165,162	953,210
Series 2010 Bond	10,115,000	-	555,000	9,560,000	565,000
Series 2014 Bond	12,495,000	-	425,000	12,070,000	435,000
Denver Water	16,109,662	-	954,152	15,155,510	1,391,262
HP Lease Payable	31,446	-	31,446	-	-
Bond Premium	1,130,864	-	71,592	1,059,272	71,592
Total Long-Term Obligations	<u>65,131,030</u>	<u>\$ -</u>	<u>\$ 2,473,586</u>	<u>62,657,444</u>	<u>\$ 3,858,564</u>
Less: Current Portion	2,473,586			3,858,564	
Long-Term Portion	<u>\$ 62,657,444</u>			<u>\$ 58,798,880</u>	

The following is an analysis of changes in long-term liabilities for the year ended December 31, 2015:

	Balance January 1, 2015	New Issues	Retirements	Balance December 31, 2015	Due Within One Year
Colorado Water and Power Authority Loan - 2002	\$ 3,490,000	\$ -	\$ 415,000	\$ 3,075,000	\$ 427,500
Colorado Water and Power Authority Loan - 2014	22,182,954	-	8,896	22,174,058	8,896
Series 2010 Bond	10,660,000	-	545,000	10,115,000	555,000
Series 2014 Bond	12,900,000	-	405,000	12,495,000	425,000
Denver Water	17,240,000	-	1,130,338	16,109,662	954,152
HP Lease Payable	61,827	-	30,381	31,446	31,446
Bond premium	1,202,456	-	71,592	1,130,864	71,592
Total long-term obligations	<u>67,737,237</u>	<u>\$ -</u>	<u>\$ 2,606,207</u>	<u>65,131,030</u>	<u>\$ 2,473,586</u>
Less current portion	3,027,819			2,473,586	
Long-term portion	<u>\$ 64,709,418</u>			<u>\$ 62,657,444</u>	

A detail of the District's long-term liabilities is as follows:

Colorado Water and Power Authority (CWPA) Loan. Issue date May 30, 2002; interest rate 3.795%; final payment date of June 1, 2022; annual principal payments range from \$2,500 to \$517,500.

Colorado Water and Power Authority Loan. Issue date May 6, 2014; interest rate 2.25%; final payment date of August 1, 2036; annual principal payments range from \$8,896 to \$1,374,000.

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

Water and Wastewater Revenue Bonds, Series 2010. In October 2010, the District issued Bonds for the purpose of funding the costs of water resources for and capital improvements to the District’s joint water and wastewater system. The Series 2010 Bonds were issued in the amount of \$12,735,000. The bonds constitute special limited revenue obligations of the District payable solely from and to the extent of the revenue, net of operations and maintenance expenses, derived by the District from the operations of its joint water and wastewater system, and under certain circumstances from moneys held in the Series 2010 Bond Reserve Account. The bonds mature annually beginning in 2011 with final payment in 2030. Interest with rates from 2.00% to 4.00% is payable semi-annually.

Mandatory Sinking Fund Redemption. The Series 2010 Bonds maturing on December 1, 2030 (the Term Bonds), are subject to mandatory sinking fund redemption, at a redemption price equal to the principal amount of the Term Bonds so redeemed plus accrued interest to the redemption date, without redemption premium, on the dates and in the principal amounts specified in the following table.

<u>Redemption Date (December 1)</u>	<u>Principal Amount</u>
2029	\$ 810,000
2030 (Maturity)	840,000
Total	<u>\$ 1,650,000</u>

The amount of any sinking fund installment may be reduced by the principal amount of the Term Bonds that prior to such date have been optionally redeemed and cancelled and not theretofore applied as a credit against a mandatory sinking fund installment.

The Series 2010 Bonds maturing on or after December 1, 2010, are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$5,000, in any order of maturity and in whole or in part, maturities are determined by the District, on December 1, 2020, and on any date thereafter, upon payment of the principal amount of the Series 2010 Bonds are redeemed plus accrued interest to the redemption date without redemption premium.

Water and Wastewater Revenue Bonds, Series 2014. In November 2014, the District issued Bonds for the purpose of funding the costs of water resources and capital improvements to the District’s joint water and wastewater system. The Series 2014 Bonds were issued in the amount of \$12,900,000. The bonds constitute special limited revenue obligations of the District payable solely from and to the extent of the revenue, net of operations and maintenance expenses, derived by the District from the operations of its joint water and wastewater system, and under certain circumstances from moneys held in the Series 2014 Bond Reserve Account. The bonds mature annually beginning in 2015 with final payment in 2036. Interest with rates from 2.00% to 4.00% is payable semi-annually.

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

Mandatory Sinking Fund Redemption. The Series 2014 Bonds maturing on December 1, 2025 and 2026 (the Term Bonds), are subject to mandatory sinking fund redemption, at a redemption price equal to the principal amount of the Term Bonds so redeemed plus accrued interest to the redemption date, without redemption premium, on the dates and in the principal amounts specified in the following table.

<u>Redemption Date (December 1)</u>	<u>Principal Amount</u>
2025	\$ 570,000
2026 (Maturity)	590,000
Total	<u>\$ 1,160,000</u>

The amount of any sinking fund installment may be reduced by the principal amount of the Term Bonds that prior to such date have been optionally redeemed and cancelled and not theretofore applied as a credit against a mandatory sinking fund installment.

The Series 2010 Bonds maturing on or after December 1, 2025, are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$5,000, in any order of maturity and in whole or in part, maturities are determined by the District, on December 1, 2024, and on any date thereafter, upon payment of the principal amount of the Series 2014 Bonds are redeemed plus accrued interest to the redemption date without redemption premium.

Denver Storage Agreement

The District has entered into an agreement with Denver Water for the construction of 4,000-acre foot of water storage. This storage is in addition to the 8,000-acre foot of storage contemplated by the "1998 Water Storage Purchase Agreement." Under the terms of that agreement, the District had the option to purchase up to 4,897 additional acre feet of storage. The initial 8,000-acre feet of storage has been completed and paid for. Terms for the construction, payment and operation of the remaining 4,000-acre feet were finalized in April 2014. The District has an outstanding obligation, to Denver Water, of \$15,155,510. The District began paying off this obligation in June 2015 and anticipates making the final payment in December 2025. The accreted obligation consists of construction costs, mutually agreed to, and accrued interest currently shown at the rate of 4.651% per annum.

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

Denver Storage Agreement (Continued)

Bond and loan principal and interest requirements for the next five years and in five-year increments thereafter are as follows, excluding amortization of bond premium:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 3,786,972	\$ 1,822,197	\$ 5,609,169
2018	3,903,304	1,703,688	5,606,992
2019	4,016,147	1,569,439	5,585,586
2020	4,151,455	1,431,896	5,583,351
2021	4,316,708	1,263,365	5,580,073
2022-2026	19,219,962	4,141,828	23,361,790
2027-2031	11,999,859	1,837,775	13,837,634
2032-2036	10,203,765	630,288	10,834,053
Total	<u>\$ 61,598,172</u>	<u>\$ 14,400,476</u>	<u>\$ 75,998,648</u>

The District entered into a capital lease agreement during 2012 for financing the acquisition of the District's new information system servers. Upon final payment made in 2016, title to the leased assets passed to the District. The lease obligation for the equipment bears a total cost of \$152,074 and is due in five annual payments at an imputed interest rate of 3.414%. The carrying value of the equipment is \$30,414 net of accumulated depreciation of \$121,660.

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

	<u>Balance January 1, 2016</u>	<u>Incurred</u>	<u>Retired</u>	<u>Balance December 31, 2016</u>	<u>Current Portion</u>
Accrued Benefits Payable	<u>\$ 865,966</u>	<u>\$ 654,097</u>	<u>\$ 671,299</u>	<u>\$ 848,764</u>	<u>\$ 671,299</u>

	<u>Balance January 1, 2015</u>	<u>Incurred</u>	<u>Retired</u>	<u>Balance December 31, 2015</u>	<u>Current Portion</u>
Accrued Benefits Payable	<u>\$ 938,659</u>	<u>\$ 687,972</u>	<u>\$ 760,665</u>	<u>\$ 865,966</u>	<u>\$ 760,665</u>

NOTE 6 NET POSITION

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 6 NET POSITION (CONTINUED)

As of December 31, 2016 and 2015, the District had a net investment in capital assets calculated as follows:

	<u>2016</u>	<u>2015</u>
Net Investment in Capital Assets:		
Capital Assets - Net of Accumulated Depreciation	\$ 432,655,399	\$ 420,471,997
Unspent Bond Proceeds	3,753,630	10,345,412
Retainage Payable	(160,249)	(944,276)
Current Portion of Bonds and Loan Payable	(3,858,564)	(2,473,586)
Long-Term Portion of Bonds and Loan Payable	<u>(58,798,879)</u>	<u>(62,657,444)</u>
Total	<u>\$ 373,591,337</u>	<u>\$ 364,742,103</u>

Restricted assets include net position 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. The District's restricted net position as of December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Restricted Net Position:		
Operating Reserve	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>

NOTE 7 RETIREMENT AND DEFERRED COMPENSATION PLAN

Employees Pension Fund - The District has contracted with Lincoln National Life Insurance Company as the carrier of a single employer defined contribution retirement program for the District employees. The District has received a favorable determination letter from the Internal Revenue Service, which will allow the employer contributions to be non-taxable to the employees until the contributions are withdrawn from the Plan at retirement. The District contributes a 5% match of employees' wages to the Plan. An employee becomes eligible to participate in the Plan upon attaining the age of twenty-one and upon completing three years of service. Employees are 100% vested upon reaching normal retirement age, death or disability. On January 10, 2007, the District elected to amend the vesting schedule. If an employee terminates prior to normal retirement for any reason other than death or disability, the vesting schedules are as follows.

For employee terminating on or after January 1, 2007, the vesting schedule is as follows:

<u>Years of Credited Service</u>	<u>Non-Forfeitable Vested Percent</u>
3	60%
4	80%
5 or More	100%

Pension contributions were \$273,396 and \$226,446 for 2016 and 2015, respectively.

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 7 RETIREMENT AND DEFERRED COMPENSATION PLAN (CONTINUED)

The District also has a Deferred Compensation Plan under Section 457 of the Internal Revenue Code. All employees are eligible for this Plan. There are no costs to the District under this Deferred Compensation Plan. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. During 1997, the District amended the Section 457 Deferred Compensation Plan to require all amounts deferred to be held in trust for the exclusive benefit of participating employees and is not accessible by the District or its creditors.

NOTE 8 BOND AND LOAN COMPLIANCE

Under the CWPA loan agreements, the District will provide net revenues in each fiscal year sufficient to equal at least 110% of the aggregate amount of principal and interest payable in the following year.

As noted in the bond resolution for the 2010 and 2014 Water and Wastewater Revenue Bonds, the District will provide net revenues in each fiscal year sufficient to equal at least 125% of the aggregate amount of principal and interest payable in the following year of the bond issues.

As noted in the bond resolution for the 2010 Water and Wastewater Revenue Bonds the District will be required to be funded only if the Coverage Ratio, the percentage derived by dividing Net Revenues Received by the Combined Maximum Annual Debt Service Requirements of Parity Obligations outstanding during the fiscal year is less than 150%.

At December 31, 2016, management believes it has met these covenants.

NOTE 9 RISK MANAGEMENT

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2016. 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. The District is only covered by the Pool for workers compensation. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District continues to carry commercial insurance coverage for other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 9 RISK MANAGEMENT (CONTINUED)

These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the year under coverage. The District has had no significant reductions in insurance coverage from coverage in prior years. The District retains a certain level of all liability losses. For the year ended December 31, 2016, the District retains commercial general liability up to \$0 and a limit of \$1,000,000 per occurrence. The District retains liability losses for buildings up to \$5,000 with a limit of \$1,000,000 per occurrence. The District retains liability losses for earthquakes up to \$50,000 with a limit of \$5,000,000 per occurrence.

The District retains liability losses for Flood up to \$50,000 with a limit of \$5,000,000 per occurrence for buildings 1-8, 19-22, 26-44, 46, 86-87, 92, 99-102, 104-108; and retains liability losses for Flood up to \$100,000 for buildings and a limit of \$2,500,000 per occurrence for buildings 23-25, 88-91, and 95-97. The District retains liability losses for Utility Services up to \$5,000 with a limit of \$100,000 per occurrence. The District retains liability losses for Cause of Loss – Equipment Breakdown up to \$5,000 with a limit of \$250,000 per occurrence. The District retains liability losses for governmental crime \$1,000 with a limit of \$300,000 per occurrence. The District retains liability losses for public entity management liability \$10,000 with a limit of \$1,000,000 per occurrence. The District retains liability losses for public entity employment-related practices liability up to \$15,000 with a limit of \$1,000,000 per occurrence. The District retains liability losses for cyberfirst liability with a limit of \$50,000 per occurrence. The District retains liability losses for automobiles up to \$500 with a limit of \$1,000,000. The District retains umbrella excess liability up to \$10,000 with a limit of \$5,000,000 per occurrence.

NOTE 10 TAX, SPENDING, AND DEBT LIMITATIONS

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

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

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.

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 11 COMMITMENTS AND CONTINGENCIES

As of December 31, 2016, the District had unexpended construction related contract commitments and contingencies on other projects of \$216,666.

Water Rights Cases

The District is involved in several water rights proceedings. Water rights proceedings are determinations with respect to quantitative rights to water resources in the State of Colorado, and, as such, do not directly involve monetary determinations under Colorado law, though the District's water rights and water agreements are of substantial value.

NOTE 12 AGREEMENTS

The District has entered into the agreements described below.

Water Storage Agreement - Westminster

In 2001, the District entered into a water storage agreement with the City of Westminster. Under the conditions of this agreement, the City agrees to sell 1,200 acre-feet of storage space, inlet and outlet capacity and the right to carry 1,200 acre-feet of water to the District. The District paid an initial payment of \$336,000 in 2001 and has made annual payments from 2002 through 2007. The District agreed to pay total costs of \$3,767,459. As of December 31, 2016, the District has a remaining cost of \$1,376,459 to be paid once the project is complete. The project is in the process of being renegotiated between the City of Westminster and the District.

Water Stock Purchase Agreement - FRICO

On November 2, 2001, the District entered into a water resources agreement with Farmers Reservoir and Irrigation Company (FRICO), Burlington Ditch and Land Company, and Henrylyn Irrigation District to purchase water. Under this agreement, the District agrees to purchase 5,000 acre-feet of water subject to the satisfaction of certain conditions. The initial payment required was \$3,500,000, with principal payments totaling \$60,000,000, which will be funded through contributions from 11 developments. Participants' annual option payments will total \$1,200,000 per year with annual increases of 3.5% (see Water Resources Agreements section below). The District held \$12,057,272 and \$10,457,555 of developer contributions related to this agreement in escrow at December 31, 2016 and 2015, respectively.

Water Resource Agreements

The District has entered into various water resource agreements with landowners and developers in the District. Under these agreements, the District has acquired certain water rights, storage rights and related improvements, and received capital contributions to go towards providing public water service to the participants.

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 12 AGREEMENTS (CONTINUED)

Prospect Valley Intergovernmental Agreement

The District entered into an agreement with Prospect Valley Water and Sanitation District (PV) and Commerce City (CC) to share water resources among the parties and to meet conditions necessary for approval of the PV Service Agreement to provide services within Commerce City. PV conveyed to the District the water rights associated with certain wells located in the Lost Creek Designated Ground Water Basin, along with the well structures, related easements, and the obligation to convey additional easements and a 10 acre parcel of land in the future. In return, the District will issue 4,775.836 South Adams ERU Water Connections and the right of PV or its assigns to purchase 4,775.836 South Adams ERU Sanitary Sewer Connections. The ERU's can be used anywhere in the District's service area.

Metro Wastewater Reclamation District Agreement

On November 6, 2014, the District entered into an agreement with Metro Wastewater Reclamation District (MWRD) to purchase Single Family Residential Equivalent (SFRE) for existing customers in its Northern Service Area to divert a portion of its wastewater flow to MWRD for sanitation. From 2009 to 2025 the District has agreed to purchase a total of 8,910.2 SFREs, which it will begin to divert to MWRD upon the completion of the Northern Treatment Plant (NTP) to be constructed by MWRD.

SUPPLEMENTARY INFORMATION

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
SCHEDULE OF OPERATING REVENUE
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2015)**

	Water	Sanitation	Totals	
			2016	2015
Metered Water Fees	\$ 16,372,854	\$ -	\$ 16,372,854	\$ 14,112,055
Sewer Service Fees	-	11,069,156	11,069,156	10,342,187
Pretreatment Fees	-	74,637	74,637	134,989
Fireline Fees	215,523	-	215,523	204,088
Inclusion Fees	34,341	6,240	40,581	23,099
Leased Water	205,001	-	205,001	79,586
Turn on Charge	224,180	105,497	329,677	329,517
Tap-in Fees	410,661	54,899	465,560	333,222
Hydrant Water	1,022,246	-	1,022,246	219,876
Total Operating Revenue	\$ 18,484,806	\$ 11,310,429	\$ 29,795,235	\$ 25,778,619

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
SCHEDULE OF OPERATING EXPENSES COMPARED WITH BUDGET – WATER
(NON-GAAP BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2015)**

	Annual Budget	Source of Supply	Treatment	Actual		Total 2016	Actual Over (Under) Budget	Total 2015
				Distribution and Collection Allocated	Administration and General Allocated			
Power	\$ 985,600	\$ 703,238	\$ 242,124	\$ 11,460	\$ 13,865	\$ 970,687	\$ (14,913)	\$ 886,730
Purchased Water	3,783,816	3,637,395	-	-	-	3,637,395	(146,421)	3,130,971
Repair and Maintenance - Equipment	261,380	52,657	25,159	92,698	19,984	190,498	(70,882)	190,730
Repair and Maintenance - Fire and Mains	328,472	34,912	-	69,265	82,055	186,232	(142,240)	160,235
Repair and Maintenance Existing Service	332,300	-	22,821	242,166	5,129	270,116	(62,184)	204,039
Collection System Repairs	91,800	-	-	41,470	-	41,470	(50,330)	52,512
Safety Equipment	32,980	-	-	14,630	-	14,630	(18,350)	7,709
Customer Service Materials	115,600	77,948	16,250	176,890	-	271,088	155,488	243,970
Small Tools and Equipment	15,980	-	-	14,088	-	14,088	(1,892)	14,457
Operating Supplies - Chemicals	102,560	12,413	13,400	55,199	89,897	170,909	68,349	149,022
Office Supplies	94,272	-	5,862	1,784	25,318	32,964	(61,308)	21,089
Leased Equipment	35,700	-	-	-	9,351	9,351	(26,349)	10,568
Shop Supplies	29,200	15,522	4,690	11,017	-	31,229	2,029	22,319
Carbon Replacement	186,000	-	186,000	-	-	186,000	-	-
Chemical Supplies	41,000	33,384	14,646	-	-	48,030	7,030	39,234
Lab Supplies	53,000	32,287	16,770	-	-	49,057	(3,943)	18,582
Uniforms	17,091	1,758	1,790	7,407	2,020	12,975	(4,116)	12,117
Telecommunications	190,400	-	-	-	164,296	164,296	(26,104)	145,648
Utility - Gas	44,580	-	15,359	2,562	4,002	21,923	(22,657)	26,701
Salaries	3,479,357	239,734	862,552	1,199,466	1,135,200	3,436,952	(42,405)	3,113,312
Employee Benefits	1,203,659	100,340	261,187	426,731	387,643	1,175,901	(27,758)	998,632
Taxes - Payroll	259,885	18,614	65,806	96,224	85,560	266,204	6,319	243,698
Fuel Expense	89,848	12,552	3,694	29,632	7,435	53,313	(36,535)	53,382
Truck Expense	86,340	987	42	63,151	31	64,211	(22,129)	48,284
Water Supply	322,000	-	-	-	259,849	259,849	(62,151)	268,434
Water Master Plan	-	-	-	-	-	-	-	-
Water Resource Development	-	-	-	-	-	-	-	9,109
Quality Control	57,720	18,469	2,585	-	-	21,054	(36,666)	84,031
Audit	34,000	-	-	-	34,544	34,544	544	31,185
Management Services	225,080	-	-	8,809	123,141	131,950	(93,130)	104,809
Postage	85,000	-	-	95	49,022	49,117	(35,883)	52,726
Legal	309,040	-	-	-	297,586	297,586	(11,454)	375,092
Engineering	108,080	-	-	-	91,897	91,897	(16,183)	216,743
Insurance	205,360	-	-	-	170,953	170,953	(34,407)	142,861
Miscellaneous	345,292	9,956	14,639	6,803	165,068	196,466	(148,826)	162,061
Publications	36,856	-	-	-	19,211	19,211	(17,645)	15,759
Dues and Subscriptions	71,542	204	1,748	-	55,790	57,742	(13,800)	47,883
Water Rights Assessments	-	-	-	-	98,368	98,368	98,368	62,534
Conservation	17,000	-	-	-	10,987	10,987	(6,013)	8,645
Janitor	30,960	-	10,289	12,139	10,644	33,072	2,112	22,491
Landscape Maintenance	53,100	57,038	7,577	541	2,829	67,985	14,885	47,837
Board of Directors	6,120	-	-	-	5,440	5,440	(680)	3,969
Education	53,114	6,325	6,473	10,824	71,184	94,806	41,692	69,018
Total Operating Expenses - Water	13,821,084	\$ 5,065,733	\$ 1,801,463	\$ 2,595,051	\$ 3,498,299	12,960,546	(860,538)	11,519,128
Total Operating Expenses - Sanitation (Page 37)	<u>6,283,926</u>					<u>6,423,686</u>	<u>139,760</u>	<u>6,146,204</u>
Total Operating Expenses	\$ 20,105,010					\$ 19,384,232	\$ (720,778)	\$ 17,665,332

SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
SCHEDULE OF OPERATING EXPENSES COMPARED WITH BUDGET – SANITATION (NON-GAAP BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2015)

	Actual					Total 2016	Actual Over (Under) Budget	Total 2015
	Annual Budget	Transmission and Collection	Sewage Treatment	Distribution and Collection Allocated	Administration and General Allocation			
Power	\$ 473,115	\$ 97,614	\$ 337,787	\$ 5,393	\$ 6,524	\$ 447,318	\$ (25,797)	\$ 521,703
Repair and Maintenance - Equipment	204,120	93,261	291,544	43,622	9,404	437,831	233,711	243,860
Repair and Maintenance - Fire and Mains	133,928	-	118,628	32,595	38,614	189,837	55,909	87,425
Repair and Maintenance Existing Service	213,200	-	264,666	113,960	2,413	381,039	167,839	296,003
Collection System Repairs	43,200	-	-	19,516	-	19,516	(23,684)	30,841
Safety Equipment	15,520	-	-	6,884	-	6,884	(8,636)	4,527
Customer Service Materials	54,400	380	-	83,243	-	83,623	29,223	98,931
Small Tools and Equipment	7,520	-	-	6,629	-	6,629	(891)	8,491
Operating Supplies - Chemicals	426,486	24,079	374,997	25,976	42,304	467,356	40,870	382,638
Office Supplies	44,673	-	3,096	839	11,914	15,849	(28,824)	12,074
Leased Equipment	16,800	-	-	-	4,401	4,401	(12,399)	6,206
Shop Supplies	21,400	-	1,577	5,185	-	6,762	(14,638)	11,467
Uniforms	14,104	1,825	4,526	3,485	950	10,786	(3,318)	14,162
Telecommunications	89,600	-	-	-	77,316	77,316	(12,284)	85,580
Utility - Gas	62,920	3,156	39,757	1,205	1,883	46,001	(16,919)	34,670
Salaries	2,504,267	286,254	1,189,565	564,455	534,212	2,574,486	70,219	2,595,753
Employee Benefits	860,956	109,117	347,150	200,815	182,420	839,502	(21,454)	850,534
Taxes - Payroll	188,572	21,911	92,920	45,282	40,263	200,376	11,804	212,338
Fuel Expense	74,952	12,230	18,926	13,944	3,499	48,599	(26,353)	49,223
Truck Expense	90,750	(118)	20,790	29,718	15	50,405	(40,345)	48,855
Quality Control	63,480	25,934	17,287	-	-	43,221	(20,259)	36,058
Audit	16,000	-	-	-	16,256	16,256	256	18,315
Management Services	105,920	-	-	4,146	57,948	62,094	(43,826)	61,555
Postage	42,000	-	2,443	45	23,069	25,557	(16,443)	33,687
Legal	66,960	-	-	-	27,433	27,433	(39,527)	69,802
Engineering	54,200	-	-	-	38,472	38,472	(15,728)	34,884
Insurance	96,640	-	-	-	80,448	80,448	(16,192)	83,902
Miscellaneous	173,868	-	12,840	3,204	75,979	92,023	(81,845)	94,814
Publications	17,344	-	-	-	9,040	9,040	(8,304)	9,255
Dues and Subscriptions	30,996	-	-	-	27,619	27,619	(3,377)	26,358
Conservation	8,000	-	-	-	5,170	5,170	(2,830)	5,078
Janitor	20,640	-	11,814	5,712	5,009	22,535	1,895	16,379
Landscape Maintenance	12,396	-	4,113	254	1,332	5,699	(6,697)	6,680
Board of Directors	2,880	-	-	-	2,560	2,560	(320)	2,331
Education	32,119	7,950	4,501	5,093	33,499	51,043	18,924	51,825
Total Operating Expenses - Sanitation	\$ 6,283,926	\$ 683,593	\$ 3,158,927	\$ 1,221,200	\$ 1,359,966	\$ 6,423,686	\$ 139,760	\$ 6,146,204

SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
SCHEDULE OF OPERATING EXPENSES COMPARED WITH BUDGET – DISTRIBUTION AND COLLECTION
(NON-GAAP BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2015)

	Actual					Total 2016	Actual Over (Under) Budget	Total 2015
	Annual Budget	Distribution and Collection	Development	Meter Reading	Fleet			
Power	\$ 15,000	\$ 16,853	\$ -	\$ -	\$ -	\$ 16,853	\$ 1,853	\$ 12,771
Repair and Maintenance - Equipment	77,000	5,803	20,371	26,626	83,520	136,320	59,320	80,511
Repair and Maintenance - Fire and Mains	200,000	101,860	-	-	-	101,860	(98,140)	70,362
Repair and Maintenance Existing Service	300,000	155,432	-	200,694	-	356,126	56,126	283,935
Collection System Repairs	135,000	60,986	-	-	-	60,986	(74,014)	83,353
Safety Equipment	48,500	21,345	-	-	169	21,514	(26,986)	12,236
Customer Service Materials	170,000	-	-	260,133	-	260,133	90,133	192,706
Small Tools and Equipment	23,500	9,523	-	-	11,194	20,717	(2,783)	22,948
Operating Supplies - Chemicals	71,000	46,993	27,511	5,347	1,324	81,175	10,175	72,605
Office Supplies	9,000	87	2,423	17	96	2,623	(6,377)	3,941
Shop Supplies	20,000	2,827	-	-	13,375	16,202	(3,798)	12,658
Uniforms	13,880	5,901	1,742	1,734	1,515	10,892	(2,988)	11,433
Telecommunications	-	-	-	-	-	-	-	40
Utility - Gas	6,500	3,767	-	-	-	3,767	(2,733)	3,818
Salaries	1,847,750	832,189	525,307	244,077	162,348	1,763,921	(83,829)	1,650,642
Employee Benefits	670,743	303,756	189,217	78,990	55,583	627,546	(43,197)	564,770
Taxes - Payroll	134,193	65,211	40,934	23,007	12,354	141,506	7,313	131,690
Fuel Expense	74,000	-	-	-	43,576	43,576	(30,424)	41,105
Truck Expense	110,000	-	-	-	92,869	92,869	(17,131)	75,049
Management Services	57,200	-	12,955	-	-	12,955	(44,245)	9,799
Postage	-	140	-	-	-	140	140	-
Legal	5,000	-	-	-	-	-	(5,000)	-
Engineering	60,000	-	-	-	-	-	(60,000)	-
Miscellaneous	25,000	8,816	-	1,191	-	10,007	(14,993)	8,958
Publications	3,000	-	-	-	-	-	(3,000)	-
Dues and Subscriptions	3,000	-	-	-	-	-	(3,000)	-
Janitor	15,000	17,851	-	-	-	17,851	2,851	8,555
Landscape Maintenance	2,500	795	-	-	-	795	(1,705)	423
Education	11,500	6,004	7,303	408	2,202	15,917	4,417	13,599
Total Operating Expenses - Distribution and Collection	\$ 4,108,266	\$ 1,666,139	\$ 827,763	\$ 842,224	\$ 480,125	\$ 3,816,251	\$ (292,015)	\$ 3,367,907
Total Allocated to Water	\$ 2,793,621	\$ 1,132,975	\$ 562,879	\$ 572,712	\$ 326,485	\$ 2,595,051	\$ (198,570)	\$ 2,121,781
Total Allocated to Sanitation	1,314,645	533,164	264,884	269,512	153,640	1,221,200	(93,445)	1,246,126
Total	\$ 4,108,266	\$ 1,666,139	\$ 827,763	\$ 842,224	\$ 480,125	\$ 3,816,251	\$ (292,015)	\$ 3,367,907

SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
SCHEDULE OF OPERATING EXPENSES COMPARED WITH BUDGET – ADMINISTRATION AND GENERAL
(NON-GAAP BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2015)

	Actual						Total 2016	Over (Under) Budget	Total 2015
	Budget	Accounting and Management Finance	Information Technology	Environmental	General				
Power	\$ 30,000	\$ -	\$ -	\$ -	\$ -	\$ 20,389	\$ 20,389	\$ (9,611)	\$ 28,157
Repair and Maintenance - Equipment	76,500	-	9,098	14,652	5,638	-	29,388	(47,112)	54,649
Repair and Maintenance - Fire and Mains	140,400	-	2,984	117,685	-	-	120,669	(19,731)	93,934
Repair and Maintenance Existing Service	22,500	-	204	7,338	-	-	7,542	(14,958)	16,385
Operating Supplies - Chemicals	46,000	433	95,566	26,573	9,629	-	132,201	86,201	106,966
Office Supplies	116,400	1,862	18,819	13,237	3,314	-	37,232	(79,168)	21,799
Leased Equipment	52,500	-	-	13,752	-	-	13,752	(38,748)	16,774
Uniforms	3,460	191	2,348	-	431	-	2,970	(490)	2,914
Telecommunications	280,000	-	67	241,545	-	-	241,612	(38,388)	231,148
Utility - Gas	12,000	-	-	-	-	5,885	5,885	(6,115)	6,803
Salaries	1,567,138	380,885	929,811	110,096	248,620	-	1,669,412	102,274	1,575,197
Employee Benefits	568,845	67,906	320,357	39,708	98,949	43,143	570,063	1,218	511,194
Taxes - Payroll	117,801	27,104	71,575	8,379	18,765	-	125,823	8,022	119,968
Fuel Expense	19,600	15	9,518	-	1,401	-	10,934	(8,666)	12,742
Truck Expense	3,000	-	46	-	-	-	46	(2,954)	435
Quality Control	4,000	-	-	-	-	-	-	(4,000)	-
Water Supply	-	-	-	-	-	259,849	259,849	259,849	268,434
Water Master Plan	-	-	-	-	-	-	-	-	-
Water Resource Development	-	-	-	-	-	-	-	-	9,109
Audit	50,000	-	50,800	-	-	-	50,800	800	49,500
Management Services	273,800	-	1,564	179,525	-	-	181,089	(92,711)	156,565
Postage	125,000	-	72,091	-	-	-	72,091	(52,909)	83,692
Legal	173,000	-	-	-	-	325,019	325,019	152,019	444,894
Engineering	-	-	-	-	-	130,369	130,369	130,369	251,627
Insurance	302,000	-	-	94	1,171	250,136	251,401	(50,599)	226,763
Miscellaneous	463,950	12,129	1,376	-	-	227,542	241,047	(222,903)	221,815
Publications	51,200	-	-	-	22,247	6,004	28,251	(22,949)	25,014
Dues and Subscriptions	90,738	-	-	-	52,657	30,752	83,409	(7,329)	73,196
Water Rights Assessments	-	-	-	-	-	98,368	98,368	98,368	62,534
Conservation	25,000	-	-	-	16,157	-	16,157	(8,843)	13,723
Janitor	19,500	-	-	-	-	15,653	15,653	(3,847)	16,740
Landscape Maintenance	5,000	-	-	-	-	4,161	4,161	(839)	6,299
Board of Directors	9,000	8,000	-	-	-	-	8,000	(1,000)	6,300
Education	-	7,729	3,472	3,880	56,583	33,019	104,683	104,683	89,470
Total	\$ 4,648,332	\$ 506,254	\$ 1,589,696	\$ 776,464	\$ 535,562	\$ 1,450,289	\$ 4,858,265	\$ 209,933	\$ 4,804,740
Total Allocated to Water	\$ 3,160,866	\$ 344,253	\$ 1,080,993	\$ 527,996	\$ 364,182	\$ 1,180,875	\$ 3,498,299	\$ 337,433	\$ 3,307,093
Total Allocated to Sanitation	1,487,466	162,001	508,703	248,468	171,380	269,414	1,359,966	(127,500)	1,497,647
Total	\$ 4,648,332	\$ 506,254	\$ 1,589,696	\$ 776,464	\$ 535,562	\$ 1,450,289	\$ 4,858,265	\$ 209,933	\$ 4,804,740

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
SCHEDULE OF BUDGET COMPARISON (NON-GAAP BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2016**

	Water		Sanitation		General		Total Budget	Total Actual	Actual (Under) Over Budget
	Budget	Actual	Budget	Actual	Budget	Actual			
REVENUES AND RECEIPTS									
Service Fees	\$ 14,676,800	\$ 16,372,854	\$ 10,563,141	\$ 11,069,156	\$ -	\$ -	\$ 25,239,941	\$ 27,442,010	\$ 2,202,069
Pretreatment Rees	-	-	115,261	74,637	-	-	115,261	74,637	(40,624)
Hydrant Water	200,756	1,022,246	-	-	-	-	200,756	1,022,246	821,490
Fireline Fees	209,322	215,523	-	-	-	-	209,322	215,523	6,201
Inclusion Fees	23,329	34,341	25,750	6,240	-	-	49,079	40,581	(8,498)
Leased Water	239,219	205,001	-	-	-	-	239,219	205,001	(34,218)
Turn on Charge	202,500	224,180	129,832	105,497	-	-	332,332	329,677	(2,655)
Operation and Maintenance Funds Interest	-	-	-	-	-	-	-	-	-
Tap-In Fees	222,038	410,661	-	54,899	-	-	222,038	465,560	243,522
Contributions:									
Customers and Contractors	4,635,477	6,896,271	-	-	-	-	4,635,477	6,896,271	2,260,794
Connection Fees	2,500,500	6,358,473	2,733,750	3,585,769	-	-	5,234,250	9,944,242	4,709,992
Taxes:									
Property	-	-	-	-	2,011,994	2,173,347	2,011,994	2,173,347	161,353
Other	-	-	-	-	150,000	180,920	150,000	180,920	30,920
Interest Income	15,000	112,401	15,000	83,039	20,000	-	50,000	195,440	145,440
Intergovernmental Revenue	-	-	1,780,000	-	-	-	1,780,000	-	(1,780,000)
Gain on Disposal of Capital Asset	-	-	-	-	-	88,335	-	88,335	88,335
Miscellaneous	38,000	69,439	34,825	10,705	44,000	103,349	116,825	183,493	66,668
Total Revenue and Receipts	<u>\$ 22,962,941</u>	<u>\$ 31,921,390</u>	<u>\$ 15,397,559</u>	<u>\$ 14,989,942</u>	<u>\$ 2,225,994</u>	<u>\$ 2,545,951</u>	<u>\$ 40,586,494</u>	<u>\$ 49,457,283</u>	<u>\$ 8,870,789</u>
EXPENDITURES, DISBURSEMENTS AND TRANSFERS									
Operating Expenses	\$ 13,821,084	\$ 12,960,546	\$ 6,283,926	\$ 6,423,686	\$ -	\$ -	\$ 20,105,010	\$ 19,384,232	\$ (720,778)
Nonoperating Expenses	113,107	-	117,897	-	105,000	56,870	336,004	56,870	(279,134)
Debt Service Principal and Interest	1,305,330	2,588,066	1,245,767	1,380,293	-	-	2,551,097	3,968,359	1,417,262
Capital Expenditures	13,733,122	10,081,795	9,046,737	8,705,615	36,080	-	22,815,939	18,787,410	(4,028,529)
Transfers	-	(1,692,575)	-	(796,506)	-	2,489,081	-	-	-
Total Expenditures, Disbursements, and Transfers	<u>\$ 28,972,643</u>	<u>\$ 23,937,832</u>	<u>\$ 16,694,327</u>	<u>\$ 15,713,088</u>	<u>\$ 141,080</u>	<u>\$ 2,545,951</u>	<u>\$ 45,808,050</u>	<u>\$ 42,196,871</u>	<u>\$ (3,611,179)</u>

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
SCHEDULE OF BUDGET RECONCILIATION
YEAR ENDED DECEMBER 31, 2016**

	<u>Water</u>	<u>Sanitation</u>	<u>General</u>
Revenues and Receipts			
Budget Basis Revenues and Receipts	\$ 31,921,390	\$ 14,989,942	\$ 2,545,951
Allocate:			
General Fund Revenues	<u>1,731,247</u>	<u>814,704</u>	<u>(2,545,951)</u>
Budget Basis Revenues and Receipts	<u>33,652,637</u>	<u>15,804,646</u>	<u>-</u>
Contributions	-	-	-
GAAP Basis Revenue and Receipts	<u><u>\$ 33,652,637</u></u>	<u><u>\$ 15,804,646</u></u>	<u><u>\$ -</u></u>
 GAAP Basis			
Operating Revenues	\$ 18,484,806	\$ 11,310,429	\$ -
Nonoperating Revenues	<u>15,167,831</u>	<u>4,494,217</u>	<u>-</u>
Budget Basis Revenues and Receipts	<u><u>\$ 33,652,637</u></u>	<u><u>\$ 15,804,646</u></u>	<u><u>\$ -</u></u>
 Expenditures and Disbursements			
Budget Basis Expenditures and Disbursements	\$ 23,937,832	\$ 15,713,088	\$ 2,545,951
Plus:			
Amortization Expense - Bonds	(48,683)	(22,909)	-
Depreciation Expense	2,648,333	1,093,000	-
Transfers	1,692,575	796,506	(2,489,081)
Gain on Disposal of Capital Asset	-	-	-
General Fund Treasurer's Fees	38,672	18,198	(56,870)
Less:			
Capital Expenditures	10,081,795	8,705,615	-
Principal payments on Debt	<u>1,336,607</u>	<u>1,065,387</u>	<u>-</u>
GAAP Basis Expenditures and Disbursements	<u><u>\$ 16,850,327</u></u>	<u><u>\$ 7,826,881</u></u>	<u><u>\$ -</u></u>
 GAAP Basis			
Operating Expenses	\$ 12,089,993	\$ 6,177,307	\$ -
Allocated Administrative and General Expenses	3,498,299	1,359,966	-
Nonoperating Expenses	<u>1,262,035</u>	<u>289,608</u>	<u>-</u>
Total Expenses	<u><u>\$ 16,850,327</u></u>	<u><u>\$ 7,826,881</u></u>	<u><u>\$ -</u></u>

SECONDARY MARKET INFORMATION

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
HISTORICAL AND BUDGETED NET REVENUES AND PRO FORMA DEBT SERVICE COVERAGE
(AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT COVERAGE)**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Budget 2017</u>
Gross Revenues	\$ 21,610	\$ 22,686	\$ 21,825	\$ 24,455	\$ 41,776	\$ 30,071	\$ 27,788
Operating and Maintenance Expenses (Excluding Depreciation)	<u>15,782</u>	<u>16,777</u>	<u>16,586</u>	<u>18,699</u>	<u>17,665</u>	<u>19,387</u>	<u>18,701</u>
Net Revenue	<u>\$ 5,828</u>	<u>\$ 5,909</u>	<u>\$ 5,239</u>	<u>\$ 5,756</u>	<u>\$ 24,111</u>	<u>\$ 10,684</u>	<u>\$ 9,087</u>
Pro forma coverage of the combined maximum annual debt service requirements for the series 2010 and 2014 Bonds and the SWRPDA Loans	3.73	3.82	3.41	1.55	6.50	2.88	2.45

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (GAAP BASIS)**

	2010	2011	2012 (Restated)	2013	2014 (Restated)	2015	2016
WATER OPERATIONS							
Operating Revenue	\$ 11,062,640	\$ 11,616,703	\$ 14,066,254	\$ 12,837,426	\$ 14,131,190	\$ 15,134,210	\$ 18,484,806
Direct Water Expenses	9,895,217	9,818,138	10,488,392	10,535,335	11,681,955	10,680,146	12,089,993
Gross Income from Water Operations	1,167,423	1,798,565	3,577,862	2,302,091	2,449,235	4,454,064	6,394,813
SANITATION OPERATIONS							
Operating Revenue	7,041,392	7,791,555	8,472,445	8,907,160	9,833,619	10,644,409	11,310,429
Direct Sanitation Expenses	5,723,403	6,182,586	6,456,861	6,268,101	7,028,853	6,937,215	6,177,307
Gross Income from Sanitation Operations	1,317,989	1,608,969	2,015,584	2,639,059	2,804,766	3,707,194	5,133,122
GROSS INCOME FROM OPERATIONS	2,485,412	3,407,534	5,593,446	4,941,150	5,254,001	8,161,258	11,527,935
GENERAL AND ADMINISTRATIVE EXPENSES	3,540,748	3,923,105	4,060,822	4,858,265	4,849,927	4,804,740	4,858,265
NET INCOME (LOSS) FROM OPERATIONS	(1,055,336)	(515,571)	1,532,624	483,396	404,074	3,356,518	6,669,670
NONOPERATING REVENUES AND (EXPENSES)							
General Property Tax	1,729,029	1,841,660	1,826,621	1,842,959	2,018,751	1,957,413	2,173,347
Other Taxes	123,886	118,292	124,934	137,390	156,257	158,370	180,920
Net Investment Income	127,963	49,756	53,419	27,025	25,043	54,125	195,440
Intergovernmental Revenue	-	-	-	-	400,000	600,000	-
Gain (Loss) on Dissolution of Joint Venture	12,346	850	(472,647)	923	(7,407)	8,530	88,335
Miscellaneous	177,586	190,985	236,157	136,820	157,683	164,356	183,493
Interest Expense	(274,806)	(668,567)	(587,053)	(507,006)	(1,407,186)	(2,233,251)	(1,494,773)
Treasurer's Fees	(43,586)	(55,380)	(53,424)	(75,217)	(93,502)	(60,407)	(56,870)
Amortization Expense - Bonds	(21,717)	(14,739)	-	-	-	-	-
Total Nonoperating Revenues and (Expenses)	1,830,701	1,462,857	1,128,007	1,562,894	1,249,639	649,136	1,269,892
INCOME BEFORE CAPITAL CONTRIBUTIONS	775,365	947,286	2,660,631	2,046,290	1,653,713	4,005,654	7,939,562
CAPITAL CONTRIBUTIONS							
Tap Fees	1,867,375	864,595	1,354,162	3,305,099	2,815,086	2,949,511	1,501,933
Developer Contributions	5,375,260	6,428,308	5,473,362	4,475,107	6,054,357	5,973,576	6,896,271
System Development Fees	1,581,125	1,101,634	1,209,348	2,521,342	2,601,087	2,733,702	6,358,473
Total Capital Contributions	8,823,760	8,394,537	8,036,872	10,301,548	11,470,530	11,656,789	14,756,677
CHANGE IN NET POSITION	9,599,125	9,341,823	10,697,503	12,347,838	13,124,243	15,662,443	22,696,239
Net Position - Beginning of Year (Restated)	328,566,579	338,165,704	347,255,035	357,952,538	379,069,420	392,193,663	407,856,106
NET POSITION - END OF YEAR	<u>\$ 338,165,704</u>	<u>\$ 347,507,527</u>	<u>\$ 357,952,538</u>	<u>\$ 370,300,376</u>	<u>\$ 392,193,663</u>	<u>\$ 407,856,106</u>	<u>\$ 430,552,345</u>

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
REVENUES FROM WATER AND SEWER SERVICE CHARGES**

Revenues from Water Service Charges

Year	Consumption (Thousands of Gallons)	Revenues from Metered Water Service Charges
2010	2,742,876	\$ 10,248,611
2011	2,681,180	10,865,493
2012	2,988,808	13,289,896
2013	2,455,137	11,785,100
2014	2,621,609	13,207,911
2015	2,619,007	14,112,055
2016	2,650,240	16,372,854

Revenues from Sewer Service Charges

Year	Consumption (Thousands of Gallons)	Revenues from Metered Sewer Service Charges
2010	2,742,876	\$ 6,837,243
2011	2,681,180	7,574,937
2012	2,988,808	8,248,948
2013	2,455,137	8,664,629
2014	2,621,609	14,112,055
2015	2,619,007	10,342,187
2016	2,650,240	11,069,156

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
COMPARISON OF FISCAL YEAR 2016 AND 2017 BUDGET TO
FISCAL YEAR 2016 ACTUAL RESULTS OF OPERATIONS
BUDGETARY BASIS**

	2016		Over (Under) Budget	2017
	Adopted Budget	Actual		Adopted Budget
WATER OPERATIONS				
Operating Revenue	\$ 15,773,964	\$ 18,484,806	\$ 2,710,842	\$ 16,461,512
Direct Water Expenses	10,660,218	9,462,247	(1,197,971)	9,977,835
Gross Income from Water Operations	5,113,746	9,022,559	3,908,813	6,483,677
SANITATION OPERATIONS				
Operating Revenue	10,833,984	11,310,429	476,445	11,326,018
Direct Sanitation Expenses	4,796,460	5,063,720	267,260	5,130,490
Gross Income from Sanitation Operations	6,037,524	6,246,709	209,185	6,195,528
GROSS INCOME FROM OPERATIONS				
	11,151,270	15,269,268	4,117,998	12,679,205
GENERAL AND ADMINISTRATIVE EXPENSES				
	4,673,332	4,858,265	184,933	3,617,636
NET INCOME FROM OPERATIONS				
	6,477,938	10,411,003	3,933,065	9,061,569
NONOPERATING REVENUES				
General Property Tax	2,011,994	2,173,347	161,353	2,194,002
Other Taxes	150,000	180,920	30,920	160,000
Net Investment Income	50,000	195,440	145,440	100,000
Special Item - BNR Grant	1,780,000	-	(1,780,000)	-
Miscellaneous	116,825	183,493	66,668	125,000
Total Nonoperating Revenue	4,108,819	2,733,200	(1,375,619)	2,579,002
NONOPERATING EXPENSES				
Interest Expense	1,100,519	1,494,773	394,254	1,350,000
Treasurer's Fees	80,500	56,870	(23,630)	82,000
Total Nonoperating Expenses	1,181,019	1,551,643	370,624	1,432,000
INCOME BEFORE CAPITAL CONTRIBUTIONS				
	9,405,738	11,592,560	2,186,822	10,208,571
CAPITAL CONTRIBUTIONS				
Tap Fees	2,733,750	3,585,769	852,019	4,541,670
Developer Contributions	4,635,477	6,896,271	2,260,794	4,258,205
System Development Fees	2,500,500	6,358,473	3,857,973	4,692,719
Total Capital Contributions	9,869,727	16,840,513	6,970,786	13,492,594
Capital Expenditures	15,099,862	11,891,139	(3,208,723)	21,230,939
Capital Expenditures/Bond Fund	-	-	-	2,573,020
FRICO Payments	4,635,477	6,896,271	2,260,794	4,692,719
Intergovernmental Payments	3,080,600	-	(3,080,600)	4,127,160
Debt Service	1,681,082	2,473,586	792,504	3,706,610
SRF Loan Proceeds	(1,500,000)	4,535,687	6,035,687	(173,020)
2014B Bond Proceeds	-	-	-	(3,400,000)
NET DECREASE IN FUNDS				
	(3,721,556)	2,636,390	6,357,946	(9,056,263)
Funds Available - Beginning of Year	6,189,435	6,189,435	-	39,800,000
FUNDS AVAILABLE - END OF YEAR	\$ 2,467,879	\$ 8,825,825	\$ 6,357,946	\$ 30,743,737

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
GOVERNMENTAL AND ENTERPRISE ACTIVITY
FISCAL YEAR 2016 ACTUAL RESULTS OF OPERATIONS
BUDGETARY BASIS**

	General Government Fund	Enterprise Fund	Total
OPERATING REVENUES			
General Property Tax	\$ 2,173,347	\$ -	\$ 2,173,347
Other Taxes	180,920	-	180,920
Metered Water Fees	-	16,372,854	16,372,854
Sewer Service Fees	-	11,069,156	11,069,156
Pretreatment Fees	-	74,637	74,637
Fireline Fees	-	215,523	215,523
Inclusion Fees	-	40,581	40,581
Leased Water	-	205,001	205,001
Turn on Charge	-	329,677	329,677
Tap-In Fees	-	465,560	465,560
Hydrant Water	-	1,022,246	1,022,246
Total Operating Revenue	<u>2,354,267</u>	<u>29,795,235</u>	<u>32,149,502</u>
OPERATING EXPENSES			
Source of Supply	-	5,065,733	5,065,733
Treatment	-	1,801,463	1,801,463
Transmission	-	683,593	683,593
Treatment	-	3,158,927	3,158,927
Distribution and Collection	-	1,666,139	1,666,139
Development	-	827,763	827,763
Meter Readers	-	842,224	842,224
Management	162,001	344,253	506,254
Administration	508,703	1,080,993	1,589,696
Information Technology	248,468	527,996	776,464
General	1,015,687	1,450,289	2,465,976
Total Operating Expenses	<u>1,934,859</u>	<u>17,449,373</u>	<u>19,384,232</u>
TOTAL OPERATING REVENUE (LOSS)	419,408	12,345,862	12,765,270
OTHER REVENUES			
Developer Contributions	-	6,896,271	6,896,271
System Development Fees	-	7,860,406	7,860,406
Bond Proceeds	-	(4,535,687)	(4,535,687)
Intergovernmental Revenue	-	-	-
Interest Income	62,541	132,899	195,440
Miscellaneous	86,985	184,843	271,828
Total Other Revenues	<u>149,526</u>	<u>10,538,732</u>	<u>10,688,258</u>
TOTAL NET REVENUES	568,934	22,884,594	23,453,528
OTHER EXPENDITURES			
Nonoperating Expenses	56,870	-	56,870
Bonded Indebtedness	-	2,401,994	2,401,994
Capital Outlay	-	11,891,139	11,891,139
Intergovernmental Payments	-	-	-
FRICO	-	6,896,271	6,896,271
Total Other Expenses	<u>56,870</u>	<u>21,189,404</u>	<u>21,246,274</u>
BALANCE (DEFICIT)	<u>\$ 512,064</u>	<u>\$ 1,695,190</u>	<u>\$ 2,207,254</u>

COMPLIANCE SECTION

UNIFORM GUIDANCE



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
South Adams County Water and Sanitation District
Commerce City, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of South Adams County Water and Sanitation District (the District), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 12, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Greenwood Village, Colorado
April 12, 2017



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
South Adams County Water and Sanitation District
Commerce City, Colorado

Report on Compliance for Each Major Federal Program

We have audited South Adams County Water and Sanitation District's (The District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The District's major federal programs for the year ended December 31, 2016. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of The District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The District's compliance.

Opinion on Each Major Federal Program

In our opinion, The District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as 2016-001. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of The District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as 2016-001 that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Board of Directors
South Adams County Water and Sanitation District

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
April 12, 2017

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2016**

Section I - Summary of Auditors' Results

Financial Statements

Type of Auditors' Report Issued: Unmodified

Internal Control over Financial Reporting:

- Material Weakness(es) Identified Yes X No
- Significant Deficiency(ies) Identified that are not Considered to be Material Weakness(es) Yes X None Reported
- Noncompliance Material to Financial Statements Noted Yes X No

Federal Awards

Internal Control over Major Programs:

- Material Weakness(es) Identified Yes X No
- Significant Deficiency(ies) Identified that are not Considered to be Material Weakness(es) X Yes None Reported

Type of Auditors' Report Issued on Compliance for the Major Programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance Section 2 CFR 200.516(a)? X Yes No

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.458	Capitalization Grants for Clean Water State Revolving Program

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes X No

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2016**

Section II - Financial Statement Findings

None noted.

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2016**

Section III - Findings and Questioned Costs - Major Federal Programs

2016-001

Federal Agency: Environmental Protection Agency

Federal Program: Capitalization Grants for Clean Water State Revolving Funds

CFDA Number: 66.458

Pass-Through Agency: Colorado Water Resources and Power Development Authority

Award Period: January 1, 2016 to December 31, 2016

Type of Finding: Procurement

Condition:

During our testing over procurement we noted that the District was not able to provide documentation that a contractor was not debarred, suspended, or otherwise excluded.

Criteria or Specific Requirement:

Entities expending money under federal awards are required to verify if a vendor is suspended or debarred prior to entering into a covered transaction.

Questioned Costs:

None

Context:

The vendor in question was not noted as being suspended or debarred per review of the Federal System for Award Management.

Cause:

The District was not aware that verification was required for engineers, as the District thought the condition was only required for construction contractors.

Possible Asserted Effect:

The District could potentially enter into a covered transaction with an entity that is suspended or debarred.

Auditor Recommendation:

We recommend that the District implement a policy where all vendors are reviewed for suspension or debarment prior to entering into a covered transactions when payment is with federal funds.

Corrective Action Plan / Management Response

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Actions planned in response to the finding: The District does have a process in place to verify that vendors are reviewed for suspension and debarment prior to entering into transactions with federal funds. This was an anomaly since it was the engineer of record that was used for the completion of the project. We will expand our policy to cover all vendors when federal funds are used.

Responsible party: Byron Jefferson, Administrative Services Manager

Planned completion date for corrective action plan: Immediately

Plan to monitor completion of corrective action plan: Discussions between the District Manager, Administrative Services Manager, and the project manager will be held whenever federal funds are used for a project to ensure the process has been followed.

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2016**

Section IV - Prior Year Major Federal Program Findings

2015-001 Accounting for FRICO Agreement

Material Weakness

During our testing performed during fiscal year 2016, prior year material weakness appears to be mitigated.

2015-002 Procurement

Significant Deficiency in Internal Control over Compliance

Repeat finding, see current year finding 2016-001.

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2016**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Environmental Protection Agency			
Passed through the Colorado Water & Resources Power Development Authority			
Capitalization Grants for Clean Water State Revolving Fund - Loan W14A134	N/A	66.458	<u>\$ 2,456,098</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

**SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2016**

NOTE 1 GENERAL

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal financial assistance programs of the primary government of the District. The District's reporting entity is defined in Note 1 to the District's basic financial statements. All federal financial assistance received by the District directly from federal agencies, as well as federal financial assistance passed through other government agencies, including the State of Colorado, is included on the schedule.

NOTE 2 BASIS OF ACCOUNTING

Expenditures reported on the Schedule are reported using the accrual basis of accounting, which is described in Note 1 to the basic financial statements. The information in this schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of The District, it is not intended to and does not present the financial position, changes in net position, or cash flows of The District.

Business-type funds account for the District's federal grant activity. Amounts reported in the schedule of expenditures of federal awards are recognized on the full accrual basis at the time liabilities are incurred and all eligibility requirements are met.

For the Capitalization Grants for Clean Water State Revolving Funds, amounts reported in the Schedule are recognized on the accrual basis. The loans are recognized as revenue when received and the associated expenses are recognized when the work is performed. As such, the District has determined that the associated liability of the loan will be recognized upon receipt of the reimbursement.

NOTE 3 OUTSTANDING FEDERAL LOANS

The District has the following federal loan obligations as of December 31, 2016:

Capitalization Grants for Clean Water State Revolving Funds	CFDA 66.458	\$22,165,162
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NOTE 4 INDIRECT COST RATE

The District has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.