



**BACA GRANDE WATER AND SANITATION DISTRICT**  
(Saguache County, Colorado)

**FINANCIAL STATEMENTS**

**with Independent Auditor's Report**

**DECEMBER 31, 2017**

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**RECEIVED**

Office of the State Auditor

October 1, 2018

# BACA GRANDE WATER AND SANITATION DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Baca Grande Water and Sanitation District  
Saguache County, Colorado

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

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

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**Fiscal Focus Partners, LLC**

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information on page 34 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 information on page 34 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The supplemental information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the basic financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.

*Fiscal Focus Partners, LLC*

Lakewood, Colorado  
October 1, 2018

## **BASIC FINANCIAL STATEMENTS**

**BACA GRANDE WATER AND SANITATION DISTRICT**  
**STATEMENT OF NET POSITION**  
**December 31, 2017**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 968,956	\$ 149,966	\$ 1,118,922
Cash and cash equivalents, restricted	69,920	395,956	465,876
Accounts receivable	-	308,252	308,252
Accounts receivable - County Treasurer	6,085	2,151	8,236
Property taxes receivable	375,016	172,304	547,320
Prepaid expenses	-	1,948	1,948
Capital assets not being depreciated	-	1,338,607	1,338,607
Capital assets, net of accumulated depreciation	-	7,748,094	7,748,094
Total assets	<u>1,419,977</u>	<u>10,117,278</u>	<u>11,537,255</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount on refunding	-	45,802	45,802
Pension related deferred outflow	-	185,539	185,539
Total deferred outflows of resources	<u>-</u>	<u>231,341</u>	<u>231,341</u>
<b>LIABILITIES</b>			
Accounts payable	10,663	222,794	233,457
Retainage payable	-	46,004	46,004
Accrued interest	-	2,572	2,572
Long-term liabilities			
Due within one year	-	136,595	136,595
Due in more than one year	-	6,497,933	6,497,933
Net pension liability	-	671,082	671,082
Total liabilities	<u>10,663</u>	<u>7,576,980</u>	<u>7,587,643</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred property tax revenue	375,016	172,304	547,320
Deferred amount on refunding	-	129,852	129,852
Pension related deferred inflow	-	10,461	10,461
Total deferred inflows of resources	<u>375,016</u>	<u>312,617</u>	<u>687,633</u>
<b>NET POSITION</b>			
Net investment in capital assets	-	2,456,451	2,456,451
Restricted			
Loan operating reserve requirement	54,000	279,160	333,160
Emergency reserve (TABOR)	15,920	-	15,920
Unrestricted	964,378	(276,589)	687,789
Total net position	<u>\$ 1,034,298</u>	<u>\$ 2,459,022</u>	<u>\$ 3,493,320</u>

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

**BACA GRANDE WATER AND SANITATION DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2017**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 86,457	\$ -	\$ -	\$ -	\$ (86,457)	\$ -	\$ (86,457)
Total General government	\$ 86,457	\$ -	\$ -	\$ -	\$ (86,457)	\$ -	\$ (86,457)
Business-type activities:							
Water and sanitation	\$ 1,571,177	\$ 983,432	\$ -	\$ 345,443	(242,302)		(242,302)
Interest on long-term debt and related costs	802,940	-	-	-	(802,940)		(802,940)
Total	\$ 2,374,117	\$ 983,432	\$ -	\$ 345,443	\$ (1,045,242)	\$ (1,045,242)	\$ (1,045,242)
General revenues:							
Property taxes					440,690	223,847	664,537
Specific ownership taxes					76,685	-	76,685
Net investment income					12,306	9,395	21,701
Other income					975	48,609	49,584
Transfers					(190,000)	190,000	-
Total general revenues					340,656	471,851	812,507
Change in net position					254,199	(573,391)	(319,192)
Net position - Beginning - restated					780,099	3,032,413	3,812,512
Net position - Ending					\$ 1,034,298	\$ 2,459,022	\$ 3,493,320

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

**BACA GRANDE WATER AND SANITATION DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUND  
December 31, 2017**

	<b>General</b>
<b>ASSETS</b>	
Cash and investments	\$ 968,956
Restricted cash and cash investments	69,920
Accounts receivable - County Treasurer	6,085
Property taxes receivable	375,016
Total assets	\$ 1,419,977
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	
Accounts payable	\$ 10,663
Total liabilities	10,663
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred property tax revenue	375,016
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	375,016
 <b>FUND BALANCE</b>	
Restricted:	
Emergency reserves	15,920
Loan operating reserve requirement	54,000
Unassigned	964,378
Total fund balance	1,034,298
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	
	\$ 1,419,977
 <b>Net position of governmental activities</b>	
	\$ 1,034,298

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

**BACA GRANDE WATER AND SANITATION DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - GOVERNMENTAL FUND  
Year Ended December 31, 2017**

	<b>General</b>
<b>REVENUES</b>	
Property taxes	\$ 440,690
Specific ownership taxes	76,685
Interest income	12,306
Miscellaneous revenue	975
Total revenues	530,656
 <b>EXPENDITURES</b>	
General government:	
Audit	8,950
Accounting	31,080
County Treasurer's fees	13,459
Directors' fees	6,500
Legal fees	26,345
Management	123
Total expenditures	86,457
 <b>EXCESS OF REVENUE OVER EXPENDITURES</b>	 444,199
 <b>OTHER FINANCING SOURCES (USES)</b>	
Transfers to other funds	(190,000)
Total other financing sources (uses)	(190,000)
 <b>NET CHANGE IN FUND BALANCE</b>	 254,199
 <b>FUND BALANCE - BEGINNING OF YEAR</b>	 780,099
 <b>FUND BALANCE - END OF YEAR</b>	 \$ 1,034,298
 <b>Change in net position of governmental activities</b>	 \$ 254,199

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

**BACA GRANDE WATER AND SANITATION DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended December 31, 2017**

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original and Final</u>	<u>Actual</u>	
<b>REVENUES</b>			
Property taxes	\$ 413,382	\$ 440,690	\$ 27,308
Specific ownership taxes	67,200	76,685	9,485
Interest income	5,380	12,306	6,926
Miscellaneous revenue	2,000	975	(1,025)
Total Revenues	<u>487,962</u>	<u>530,656</u>	<u>42,694</u>
<b>EXPENDITURES</b>			
General government:			
Audit	10,550	8,950	1,600
Accounting	40,000	31,080	8,920
County Treasurer's fees	13,193	13,459	(266)
Directors' fees	6,500	6,500	-
Legal fees	31,100	26,345	4,755
Management	65,000	123	64,877
Total Expenditures	<u>166,343</u>	<u>86,457</u>	<u>79,886</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>321,619</u>	<u>444,199</u>	<u>122,580</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Emergency reserve	(14,639)	-	14,639
Transfers to other funds	(300,000)	(190,000)	110,000
Total other financing sources (uses)	<u>(314,639)</u>	<u>(190,000)</u>	<u>124,639</u>
<b>NET CHANGE IN FUND BALANCE</b>	6,980	254,199	247,219
<b>FUND BALANCE - BEGINNING OF YEAR</b>	391,392	780,099	388,707
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 398,372</u>	<u>\$ 1,034,298</u>	<u>\$ 635,926</u>

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

**BACA GRANDE WATER AND SANITATION DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**December 31, 2017**

	<u>Water and Sewer Enterprise Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 149,966
Cash and investments - restricted	395,956
Accounts receivable, net of allowance for uncollectibles	308,252
Accounts receivable - County Treasurer	2,151
Property taxes receivable	172,304
Prepaid expenses	1,948
Capital assets not being depreciated	1,338,607
Capital assets, net of accumulated depreciation	<u>7,748,094</u>
<b>Total assets</b>	<u>10,117,278</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Bond insurance	\$ 45,802
Pension related deferred outflow	<u>185,539</u>
<b>Total deferred outflows of resources</b>	<u>\$ 231,341</u>
<b>LIABILITIES AND NET POSITION</b>	
Current Liabilities	
Accounts payable	\$ 222,794
Retainage payable	46,004
Accrued interest payable	2,572
Non-current liabilities:	
Long-term debt:	
Due within one year	136,595
Due in more than one year	6,497,933
Net pension liability	<u>671,082</u>
<b>Total liabilities</b>	<u>7,576,980</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred taxes receivable	\$ 172,304
Deferred amount on refunding	129,852
Pension related deferred inflow	<u>10,461</u>
<b>Total deferred inflows of resources</b>	<u>\$ 312,617</u>
<b>NET POSITION</b>	
Net investment in capital assets	2,456,451
Restricted	
Loan operating reserve requirement	279,160
Unrestricted	<u>(276,589)</u>
<b>Total net position</b>	<u>\$ 2,459,022</u>

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

**BACA GRANDE WATER AND SANITATION DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**Year Ended December 31, 2017**

	<u>Water and Sewer Enterprise Fund</u>
<b>OPERATING REVENUE</b>	
Water and sewer fees	\$ 717,802
Availability of service fees	261,163
Miscellaneous revenue	4,467
Total operating revenue	<u>983,432</u>
<b>OPERATING EXPENSES</b>	
Depreciation	449,603
Insurance	33,827
Office expense	32,570
Operating expenses	32,826
Professional fees	42,161
Repair and maintenance	272,362
Salaries and benefits	472,515
Small tools and supplies	3,219
Testing	6,620
Utilities	83,372
Utility billing	15,121
Vehicle operations	16,446
Water costs	99,985
Total operating expenses	<u>1,560,627</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(577,195)</u>
<b>NONOPERATING REVENUE (EXPENSE)</b>	
Property and specific ownership taxes	223,847
Payment in lieu of taxes	28,397
Grant income	345,443
Interest income	9,395
Sale of asset	20,000
Cost of issuance	(147,426)
Interest and fiscal charges	(666,064)
Total nonoperating revenue (expense), net	<u>(186,408)</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<u>(763,603)</u>
<b>CAPITAL CONTRIBUTIONS - TAP FEES</b>	212
<b>TRANSFERS IN</b>	<u>190,000</u>
<b>CHANGE IN NET POSITION</b>	<u>(573,391)</u>
<b>NET POSITION - BEGINNING OF YEAR - Restated</b>	<u>3,032,413</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 2,459,022</u>

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

**BACA GRANDE WATER AND SANITATION DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**Year Ended December 31, 2017**

	<b>Water and Sewer Enterprise Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 937,217
Cash payments to suppliers for goods and services	(565,692)
Cash payments to employees for services	(244,526)
Net cash provided by operating activities	126,999
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Transfers in	190,000
Net cash provided by noncapital financing activities	190,000
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Property and specific ownership taxes received	223,847
Tap fees received	212
Payment in lieu of taxes	28,397
Purchases of capital assets	(985,827)
Principal paid on debt	(124,312)
Grant income	345,443
Interest and fiscal charges paid on debt	(270,746)
Net cash used in capital and related financing activities	(782,986)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment income	9,395
Net cash provided by investing activities	9,395
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(456,592)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	1,002,514
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 545,922

Continued

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

**BACA GRANDE WATER AND SANITATION DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**Year Ended December 31, 2017**

**RECONCILIATION OF OPERATING INCOME TO CASH FLOWS  
PROVIDED BY OPERATING ACTIVITIES**

Operating income (loss)	\$	(577,195)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation		449,603
Effects of changes in operating assets and liabilities:		
Accounts receivable		(57,457)
Prepaid expense		432
Accounts payable		254,248
Pension related liabilities		<u>57,368</u>
Total adjustments		<u>704,194</u>
Net cash provided by operating activities	\$	<u><u>126,999</u></u>

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

## **NOTES TO BASIC FINANCIAL STATEMENTS**

# BACA GRANDE WATER AND SANITATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

### 1. DEFINITION OF REPORTING ENTITY

Baca Grande Water and Sanitation District (the "District") is a quasi-municipal political subdivision of the State of Colorado, is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in Saguache County, Colorado. The District was established on January 21, 1972 to provide water and sewer services within and outside of its boundaries.

The District's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). A summary of the significant accounting policies used in the preparation of these financial statements follows.

The District has no component units for which either discrete or blended presentation is required. The inclusion or exclusion of component units is based on a determination of the elected official's financial accountability to their constituents, and whether the financial reporting entity follows the same accountability. Further, the financial statements of the reporting entity should enable the reader to distinguish between the primary government (including its blended component units, which are in substance, part of the primary government) and discretely presented component units. The criteria used for determining whether an entity should be included, either blended or discretely presented, includes but is not limited to fiscal dependency, imposition of will, legal standing, and the primary recipient of services.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**Government-Wide and Fund Financial Statements** — The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between *governmental* and *business-type* activities of the District. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities are financed to a significant extent by fees and charges.

The statement of net position reports all financial and capital resources of the District. The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as net position.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. *Program revenues* include 1) fees and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are

# BACA GRANDE WATER AND SANITATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

restricted to meeting the operational or capital requirements of a particular function or segment. Revenues that are not classified as program revenues, including all taxes, are reported as general revenues.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation** — The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. On an accrual basis, property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

The District considers property taxes as available if they are collected within 30 days after year-end. Property taxes are recognized as revenue in the fiscal period for which they are levied, providing the available criteria are met.

Those revenues susceptible to accrual are property taxes, interest revenue and charges for services. Specific ownership taxes collected and held by the county at year-end on behalf of the District are also recognized as revenue.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the accrual criteria are met. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The District reports the following major governmental fund:

*General Fund* – The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

# BACA GRANDE WATER AND SANITATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

Additionally, the District reports the following major proprietary fund:

*Water and Sewer Enterprise Fund* – The enterprise fund is used to account for those operations financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The District has one enterprise fund-the Water and Sewer Enterprise Fund. The intent of the District is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as programs revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges for services. Operating expenses for enterprise funds include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

**Pooled Cash and Investments** – The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

**Receivables** — All receivables are reported net of allowance for uncollectible accounts of \$50,480 at December 31, 3017.

**Prepaid Expenses** — Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Due To and From Other Funds** — Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. In the fund financial statements, these receivables and payable are classified as "due from other funds" or "due to other funds". In the government-wide financial statements, all internal balances have been substantially eliminated.

**Restricted Cash and Investments** — The use of certain cash and investments of the District is restricted. These cash and investment items are classified as restricted assets on the balance sheet

# BACA GRANDE WATER AND SANITATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

because they are maintained in separate accounts and their use is limited by debt agreements.

**Investments** – Investments are stated at fair value. Fair value is the amount the District can reasonably expect to receive to sell an investment in an orderly transaction between market participants.

**Amortization of Bond Issue Premium** – In the government-wide financial statements and proprietary fund types in the fund financial statements, bond premiums are reported as a component of noncurrent liabilities. Bond premiums are amortized over the life of the bonds using the effective interest method. Accumulated amortization of bond premium totaled \$50,651 at December 31, 2017.

**Cost of Bond Refunding** – In the government-wide financial statements and proprietary fund types in the fund financial statements, the deferred cost on bond refundings is being amortized over the life of the refunded bonds. The amortization amount is a component unit of interest expense and the unamortized deferred cost of \$129,852 at December 31, 2017, is reflected as deferred outflows of financial resources.

**Capital Assets** — Capital assets, which include property, water plant, sewage treatment plant and collection systems, related improvements and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as those assets with an initial, individual cost of \$5,000 or greater and an estimated useful life in excess of two years. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Improvements are capitalized and are depreciated over the remaining useful lives of the related fixed assets, as applicable. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

Assets are depreciated using the straight-line method over the following estimated useful lives:

Water plant and distribution systems	20-40 years
Sewage treatment plant and collection systems	20-40 years
Equipment	5-15 years

When depreciable property is acquired, depreciation is included in expense for the year of acquisition for the number of months during the year the asset was in service. When depreciable property is retired or otherwise disposed of, depreciation is included in expense for the number of months in service during the year of retirement and the related costs and accumulated depreciation are removed from the accounts with any gain or loss reflected in the statement of revenue, expenses and changes in fund net position.

# BACA GRANDE WATER AND SANITATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

**Construction commitments**-The District had construction commitments of \$218,934 at December 31, 2017.

**Compensated absences**— District employees earn paid time off at the rate of 160 to 200 hours per year, based on length of service, which is to be used for vacations, medical leave or personal time off. Employees are allowed to accrue up to 80 hours of unused paid time off at the end of each calendar year. Compensated absences are recorded as current salary cost when paid.

**Contributed Capital** – Tap fees are generally recorded as capital contributions when received.

**Long-Term Liabilities** — In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Bonds payable are reported net of the applicable premium or discount.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity** — The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications available to be used in the governmental fund financial statements are as follows:

*Non-spendable* – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

*Restricted* -This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed* – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

*Assigned* – This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to

# BACA GRANDE WATER AND SANITATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

*Unassigned* – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

**Statement of Cash Flows** — For purposes of the Statement of Cash Flows, the District's cash and cash equivalents are considered to be cash on hand, demand deposits, government pools, and short-term investments with original maturities of three months or less from the date of acquisition, including restricted cash and cash equivalents.

**Estimates** — The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Adoption of Accounting Pronouncement** — In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, *Fair Value Measurement and Application*. The objective of Statement No. 72 is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. The District adopted the provisions of Statement No. 72 during the year ended December 31, 2016. There were no restatements of reported values of the District's assets or liabilities resulting from the implementation of Statement No. 72. See Note 4 for the expanded disclosures regarding fair value measurements.

**Subsequent Events** — The District has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date of issuance of the financial statements.

### 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

**Budget Information** — The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In the fall, the District Manager submits to the Board of Directors, a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted by the District to obtain taxpayer comments.
3. Prior to December 15, the budget is legally approved.

# BACA GRANDE WATER AND SANITATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

4. Any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
5. Formal budgetary integration is employed as a management control device during the year for the governmental and proprietary funds.
6. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. The budget for the Water and Sewer Enterprise Fund is prepared on a basis of accounting other than generally accepted accounting principles, which is normal for proprietary funds. The primary differences are that bond proceeds are treated as a budget source, capital expenditures and principal payments are treated as a budget use, and accrued unpaid interest and the amortization and depreciation expense are not budgeted. The Water and Sewer Enterprise Fund expenditures exceeded the Budget which may be a violation of State stature. The District's Board of Directors will formally adopt a resolution amending the budget on October 19, 2018.
8. Budgeted amounts are as originally adopted or amended.
9. All annual appropriations lapse at the end of the year.

#### 4. DEPOSITS AND INVESTMENTS

The District's deposits and investments consist of the following at December 31, 2017:

	Deposits	COLO- TRUST	Total
Cash and cash Equivalents	\$ 167,853	951,069	\$ 1,118,922
Restricted cash and cash equivalents	<u>69,920</u>	<u>395,956</u>	<u>465,876</u>
Total	<u>\$ 237,773</u>	<u>\$ 1,347,025</u>	<u>\$ 1,584,798</u>

Reconciliation of cash and cash equivalents to the government-wide financial statements at December 31, 2017:

	Governmental Activities	Business- type Activities	Total
Cash and cash equivalents	\$ 968,956	\$ 149,966	\$ 1,118,922
Restricted cash and cash equivalents	<u>69,920</u>	<u>395,956</u>	<u>465,876</u>
Total	<u>\$ 1,038,876</u>	<u>\$ 545,922</u>	<u>\$ 1,584,798</u>

**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 regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by

# BACA GRANDE WATER AND SANITATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

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eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

At December 31, 2017, the carrying amount of the District's deposits including money markets were \$237,773, the bank balances were \$245,665. Of the total bank balance, \$245,665 was covered by FDIC insurance and falls under the provision of the Colorado Public Deposit Protection Act which is collateralized in single institution pools.

**Investments** — The District is authorized by Colorado statutes to invest in the following:

- Obligations of the United States and certain U.S. government agencies' securities
- Certain international agencies' securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Certain commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certificates of deposits
- Certain money market fund
- Guaranteed investment contracts

**Fair Value Measurements** – The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest level to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest level to unobservable inputs (level ) as follows:

Level 1 - Unadjusted quoted prices for identical instruments in active markets.

Level 2 - Observable inputs other than quoted market prices.

Level 3 - Valuation derived from valuation techniques in which significant inputs are observable.

Investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

December 31,  
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Investments measured at NAV:	
COLOTRUST	\$ 1,347,025
Total investments measured at NAV	\$ 1,347,025

# BACA GRANDE WATER AND SANITATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

Fixed income securities classified in Level 2 of the fair value hierarchy are valued primarily using quoted prices in inactive markets, as well as other pricing methods using observable inputs.

Investments Measured at NAV:

Colorado Government Liquid Asset Trust (COLOTRUST) is an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes by state statutes. A twelve member Board of Trustees, elected by the fund participants, is responsible for overseeing the management of COLOTRUST, including establishing operating standards and policies. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. Designated custodial banks provide safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions of COLOTRUST. All securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTRUST. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury notes. COLOTRUST reports all investments as level 2 investments while the District's investment in COLOTRUST is reported at NAV. The separate audited financial statements of COLOTRUST are available on their website at [www.colotruster.com](http://www.colotruster.com). The District has no unfunded commitments or redemption restrictions on their investments in COLOTRUST.

Investments with maturities of less than 90 days are classified as cash and cash equivalents on the financial statements.

The District's investments are subject to interest rate risk and credit risk as described below:

*Interest Rate Risk:* The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

*Credit Risk.* State law limits investments to those described above. The District does not have an investment policy that would further limit its investment choices. As of December 31, 2017 the District's COLOTRUST investment is rated AAAM by Standard & Poor's.

### **Restricted cash and investments**

As of December 31, 2017, unspent bond proceeds were restricted for the costs to improve various components of the water and sewer systems of \$4,278.

In accordance with the terms of the CWRPDA Loans (see Note 5) the District is required to maintain an operating reserve equal to three months of operation and maintenance expenses, excluding depreciation of the water and sewer systems, as set forth in the annual budget for the current fiscal year. As of December 31, 2017, the required operating reserve was \$333,160, which met the requirement of the loan covenants.

The District restricted \$15,920 in compliance with State requirements for emergency reserves (Note 10).

# BACA GRANDE WATER AND SANITATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

### 5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Balance at December 31, 2016	Additions	Disposals/ Retirements	Balance at December 31, 2017
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 52,823	\$ -	\$ -	\$ 52,823
Construction in process	299,957	985,827	-	1,285,784
Total capital assets, not being depreciated	<u>352,780</u>	<u>985,827</u>	<u>-</u>	<u>1,338,607</u>
Capital assets, being depreciated:				
Water plant and distribution system	8,633,108	-	-	8,633,108
Sewer plant and collection system	8,185,108	-	-	8,185,108
Machinery and equipment	277,967	-	-	277,967
Total capital assets being depreciated	<u>17,096,183</u>	<u>-</u>	<u>-</u>	<u>17,096,183</u>
Less accumulated depreciation for:				
Water plant and distribution system	4,389,091	221,350	-	4,610,441
Sewer plant and collection system	4,281,027	211,323	-	4,492,350
Machinery and equipment	228,368	16,930	-	245,298
Total accumulated depreciation	<u>8,898,486</u>	<u>449,603</u>	<u>-</u>	<u>9,348,089</u>
Total capital assets being depreciated, net	<u>8,197,697</u>	<u>(449,603)</u>	<u>-</u>	<u>7,748,094</u>
Total capital assets, net	<u>\$ 8,550,477</u>	<u>\$ 536,224</u>	<u>\$ -</u>	<u>\$ 9,086,701</u>

Depreciation expense of \$449,603 for the year ended December 31, 2017 was charged to the enterprise fund operations.

### 6. LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2017:

	Balance at December 31, 2016	Additions	Reductions	Balance at December 31, 2017	Due Within One Year
<b>Business-Type Activities:</b>					
General Obligation Bonds:					
2010 Bonds	\$ 5,305,000	\$ -	\$ 5,305,000	\$ -	\$ -
2017 Bonds	-	5,305,000	-	5,305,000	45,000
Bond Issuance Premium	129,851	354,429	129,851	354,429	15,410
Total Bonds Payable	<u>\$ 5,434,851</u>	<u>\$ 5,659,429</u>	<u>\$ 5,434,851</u>	<u>\$ 5,659,429</u>	<u>\$ 60,410</u>
CWRPDA Loan:					
2009 Loan	\$ 1,049,411	\$ -	\$ 74,312	\$ 975,099	\$ 76,185
	<u>\$ 6,484,262</u>	<u>\$ 5,659,429</u>	<u>\$ 5,509,163</u>	<u>\$ 6,634,528</u>	<u>\$ 136,595</u>

# BACA GRANDE WATER AND SANITATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

### **Bonds payable**

#### **\$5,305,000 General Obligation Refunding Bonds, Series 2017, dated December 29, 2017.**

The District issued \$5,305,000 in general obligation refunding bonds for the purpose of refunding the outstanding General Obligation refunding bonds issued in 2010. Proceeds from the sale of the bonds were also used to provide funds to pay future bond interest and to pay the costs of issuance of the bonds.

The bonds interest rate ranges from 3% to 4% and are payable semiannually on each June 1 and December 1, commencing June 1, 2018.

The bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2027, and on any date thereafter, without redemption premium.

The bonds and interest are insured as to repayment by the District.

### **Loans payable**

#### **\$1,483,750 Loan Agreement, Colorado Water Resources and Power Development Authority (CWRPDA), dated August 19, 2009**

On August 19, 2009, the District entered into a loan agreement with CWRPDA for a maximum principal amount of \$1,483,750. The loan proceeds were used for distribution system improvements, water main and meter replacements, and well improvements.

Payments of principal and interest are made semi-annually on June 1 and December 1, beginning December 1, 2010 through June 1, 2029. The loan bears interest at the rate of 2.0% per annum. The District has the option to repay the loan, in whole or in part, without penalty upon prior written notice of not less than 30 days to CWRPDA.

The 2009 loan agreement contains a restrictive covenant which requires the District to maintain a three-month operating reserve (see Note 4). At December 31, 2017, the District restricted \$333,160 of fund balance in compliance with this covenant.

# BACA GRANDE WATER AND SANITATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

### Debt Maturities

Debt maturities for the next five years and to maturity are as follows:

<u>Year</u>	<u>Business Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 121,185	\$ 197,749
2019	107,717	209,934
2020	109,278	207,472
2021	220,872	204,978
2022	227,498	199,153
2023 - 2027	1,273,038	902,716
2028 - 2032	1,390,139	692,762
2033 - 2037	1,590,000	428,500
2038 - 2040	1,240,000	100,600
Total	<u>\$ 6,279,727</u>	<u>\$ 3,143,864</u>

### Refunding

On December 29, 2017, the District refunded the Series 2010 General Obligation Bonds with the issuance of \$5,305,000 of General Obligation Refunding Bonds, Series 2017 (with an average interest rate of 3.76%).

The District refunded the financial obligations to reduce its total debt service payments over the next 23 years by almost \$670,521 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$485,744.

In the government-wide statements, the District incurred a cost on bond refunding in the amount of \$129,852, which has been deferred and is being amortized over the life of the 2017 bonds. At December 31, 2017, the remaining amount to be deferred was \$129,852.

# BACA GRANDE WATER AND SANITATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

### Debt authorization

On November 4, 2008 and May 4, 2010, a majority of qualified electors of the District authorized the issuance of indebtedness in amounts not to exceed \$6,000,000 and \$6,000,000, respectively, at interest rates not to exceed 8.5% per annum. The 2010 authorization was for the purpose of refunding previously issued bonds. At December 31, 2017, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes.

<u>Purpose</u>	<u>Authorized in 2008 and 2010</u>	<u>Used by 2009 Bonds and Note</u>	<u>Used by 2010 and 2017 Bonds</u>	<u>Authorized But Unissued</u>
Water Supply	\$ 3,000,000	\$ 2,039,234	\$ 960,000	\$ 766
Sanitary Sewer	3,000,000	2,549,516	450,000	484
Refunding	6,000,000	-	6,000,000	-
Total	<u>\$ 12,000,000</u>	<u>\$ 4,588,750</u>	<u>\$ 7,410,000</u>	<u>\$ 1,250</u>

### 7. 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, reduced by the outstanding balances of any bonds, loans, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. As of December 31, 2017, the District had net investment in capital assets as follows:

Net investment in capital assets:	
Capital assets, not being depreciated	\$ 1,338,607
Capital assets, net	7,748,094
Long-term liabilities due within one year	(136,595)
Long-term liabilities due in more than one year	(6,497,933)
Unspent bond proceeds	<u>4,278</u>
 Total net investment in capital assets	 <u>\$ 2,456,451</u>

The restricted component of net position consists of assets that are restricted for use either externally imposed by creditors, net grantors, contributors, or laws or regulations of other governments or imposed by law through the constitutional provisions or enabling legislation. The purposes for the restrictions of net position are described in Note 4. As of December 31, 2017, the District had restricted net position as follows:

# BACA GRANDE WATER AND SANITATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

### Restricted:

Loan operating reserve requirement	\$ 333,160
Emergency reserve (TABOR)	<u>15,920</u>
Total restricted net position	<u>\$ 349,080</u>

As of December 31, 2017, the District had unrestricted net position of \$687,789.

## 8. DEFINED BENEFIT PENSION PLAN

### Summary of Significant Accounting Policies

*Pensions.* The District participates in the Local Government Division Trust Fund ("LGDTF"), a cost-sharing multiple employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### General Information about the Pension Plan

*Plan description.* Eligible employees of the District are provided with pensions through the LGDTF Plan-a cost sharing multiple employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes ("CRS"), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code.

Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided.* PERA provides retirement, disability and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement and age at retirement. Retirement eligibility is specified in tables set forth in C.R.S ss 24-51-602, 604, 1713 and 1714.

# BACA GRANDE WATER AND SANITATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

\*Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit

\*The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases, the service retirement benefit is limited to 100% of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007, receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the LGDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

*Contributions.* Eligible employees and the District are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S.ss 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below

# BACA GRANDE WATER AND SANITATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

**December 31, 2017**

	For the Year Ended December 31, <u>2016</u>	For the Year Ended December 31, <u>2017</u>
Employer Contribution Rate <sup>1</sup>	10.00%	10.00%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. ss 24-51-208(1)(f):	(1.02)%	(1.02)%
Amount Apportioned to the LGDTF <sup>1</sup>	8.98%	8.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. ss 24-51-411 <sup>1</sup>	2.20%	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. ss 24-51-411 <sup>1</sup>	<u>1.50%</u>	<u>1.50%</u>
Total Employer Contribution Rate to the LGDTF <sup>1</sup>	12.68%	12.68%

1. Rates are expressed as a percentage of salary as defined in C.R.S. ss 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the District were \$39,634 for the year ended December 31, 2017.

### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2017, the District reported a liability of \$671,082 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31 2015.

Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The District's proportion of the net pension liability was based on District contributions to the LGDTF for the calendar year 2016 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2016, the District's proportion was .049697 percent, which was a decrease of .001201 percent from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the District recognized pension expense of \$97,001. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

# BACA GRANDE WATER AND SANITATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$11,942	-
Changes in assumptions or other inputs	\$47,601	\$1,941
Net difference between projected and actual earnings on pension plan investments	\$80,594	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$5,768	\$8,520
Contributions subsequent to the measurement date	\$39,634	-
Total	\$185,539	\$10,461

\$39,634 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2018	\$75,550
2019	\$36,546
2020	\$22,583
2021	\$ 765
2022	-
Thereafter	-
Total	<u>\$135,444</u>

# BACA GRANDE WATER AND SANITATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

*Actuarial assumptions.* Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and were effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

Actuarial Cost Method	Entry Age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50 - 10.45%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to January 1, 2007; and DPS Benefit Structure (automatic)	2.00%
PERA Benefit Structure hired after December 31, 2006; (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve(AIR)

Mortality rates used in the December 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year and Females set back 2 years. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

# BACA GRANDE WATER AND SANITATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

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Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for age less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.

- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.

- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.

- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

Several factors were considered in evaluating the long-term rate of return assumption for the LGDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. As of the November 18, 2016 adoption

# BACA GRANDE WATER AND SANITATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity -- Developed	18.55%	5.20%
Non U.S. Equity -- Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income -- Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	<b>100.00%</b>	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

-Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.

# BACA GRANDE WATER AND SANITATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

-Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

-Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

-Employer contributions were assumed to be made rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

-Employer contributions and the amount of total service costs for the future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

-The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flow is not a factor (i.e. the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e. the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

-Benefit payments and contributions were assumed to be made at the end of the month.

# BACA GRANDE WATER AND SANITATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

Based on the above assumptions and methods, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payment of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. As of the prior measurement date, the GASB Statement No. 67 projection test indicated the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent.

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate for the year ended December 31, 2017:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$989,480	\$671,082	\$407,414

*Pension plan fiduciary net position.* Detailed information about the LGDTF's fiduciary net position is available in PERA's comprehensive financial report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

### 9. INTERFUND AND OPERATING TRANSFERS

The transfer of \$190,000 from the General Fund to the Enterprise Fund was for the purpose of assisting with capital and operating costs of the Enterprise Fund.

# BACA GRANDE WATER AND SANITATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

### 10. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for these risks of loss, including worker's compensation and employee health and accident insurance.

The District was a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2017. The Pool is an organization created by an intergovernmental agreement to provide property, liability, public official's liability, boiler and machinery and workers compensation coverage to its members. Settlements have not exceeded coverage during the past three fiscal years.

### 11. AMENDMENT TO COLORADO CONSTITUTION

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 authorize 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 Board of Directors has adopted a resolution establishing an enterprise to operate its water and sanitation activities. The District's management believes its water and sanitation operations qualify for this exclusion.

Fiscal year spending and revenue limits are determined based on the prior year's spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

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

The District believes, after consultation with legal counsel, 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.

On November 3, 1998, the voters approved a ballot which stated that the District is authorized to collect, retain and expend all revenues including grants and other funds collected during 1998 and each subsequent year from any source, notwithstanding the limitations of Article X, Section 20 of the Colorado Constitution, effective January 1, 1998, provided, however that no property tax mill levy be increased at any time nor shall any new tax be imposed without prior approval

# BACA GRANDE WATER AND SANITATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

of the voters. On November 4, 2008, the District electors approved a ballot question regarding a tax increase to pay for District operations, maintenance and other expenses.

### 12. SUBSEQUENT EVENT FOR PENSION REFORM

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at [www.leg.colorado.gov](http://www.leg.colorado.gov).

-Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).

-Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for employees.

Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

### 13. PRIOR PERIOD RESTATEMENT

During a prior year the Pension liability was incorrectly reported. Therefore, the beginning Net Position for the Water and Sewer Enterprise Fund as of January 1, 2017, was restated to correctly reflect the liability. The restatement is summarized as follows:

Beginning Net Position, as originally stated	\$2,849,285
Adjustment for pension liability	<u>\$ 183,128</u>
Beginning Net Position, as restated	<u>\$3,032,413</u>

**REQUIRED SUPPLEMENTAL INFORMATION**

**BACA GRANDE WATER AND SANITATION DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY**

Years Ended December 31,

	2016	2015	2014	2013
District's proportion of the Net Pension Liability (Asset)	0.0497%	0.0485%	0.0579%	0.0534%
District's proportionate share of the Net Pension Liability (Asset)	\$ 671,082	\$ 534,225	\$ 518,738	\$ 439,567
District's covered-employee payroll	\$ 301,230	\$ 301,229	\$ 317,241	\$ 281,377
District's proportionate share of the Net Pension Liability (Asset) as a percentage of its covered-employee payroll	222.78%	177.35%	163.52%	156.22%
Plan fiduciary net position as a percentage of the total pension liability	73.60%	76.90%	80.72%	77.66%

**BACA GRANDE WATER AND SANITATION DISTRICT  
SCHEDULE OF THE DISTRICT PENSION CONTRIBUTIONS**

Years Ended December 31,

	2017	2016	2015	2014	2013
<b>DISTRICT CONTRIBUTIONS</b>					
Contractually Required Contribution	\$ 39,634	\$ 38,196	\$ 40,212	\$ 36,135	\$ 19,263
Contributions in Relation to the Contractually Required Contribution	\$ 39,634	\$ 38,196	\$ 40,212	\$ 36,135	\$ 19,263
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered-Employee Payroll	\$ 312,571	\$ 301,230	\$ 317,241	\$ 284,976	\$ 281,377
Contributions as a Percentage of Covered-Employee Payroll	12.68%	12.68%	12.68%	12.68%	6.85%

This schedule will report ten years of data when it is available.

**SUPPLEMENTAL INFORMATION**

**BACA GRANDE WATER AND SANITATION DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**NET POSITION (NON-GAAP BUDGETARY BASIS)**  
**WATER AND SEWER ENTERPRISE FUND**  
**For the Year Ended December 31, 2017**

	Budgeted Amounts <u>Original</u>	Budgeted Amounts <u>Final</u>	Actual	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Water and sewer fees	\$ 613,580	\$ 613,580	\$ 717,802	\$ 104,222
Availability of service fees	187,728	187,728	261,163	73,435
Property and specific ownership taxes	213,741	213,741	223,847	10,106
Tap fees	-	-	212	212
Payments in lieu of taxes	26,295	26,295	28,397	2,102
Grant income	376,150	376,150	345,443	(30,707)
Interest income	3,700	3,700	9,395	5,695
Miscellaneous income	1,800	1,800	4,467	2,667
Total Revenues	<u>1,422,994</u>	<u>1,422,994</u>	<u>1,590,726</u>	<u>167,732</u>
<b>EXPENDITURES</b>				
Operations:				
Insurance	40,000	40,000	33,827	6,173
Office expense	31,926	31,926	32,570	(644)
Operating expenses	48,532	48,532	32,826	15,706
Professional fees	35,800	35,800	42,161	(6,361)
Repair and maintenance	284,572	284,572	272,362	12,210
Salaries and benefits	448,249	448,249	415,147	33,102
Small tools and supplies	6,500	6,500	3,219	3,281
Testing	5,000	5,000	6,620	(1,620)
Utilities	115,568	115,568	83,372	32,196
Utility billing	15,275	15,275	15,121	154
Vehicle operations	32,000	32,000	16,446	15,554
Water costs	112,364	112,364	99,985	12,379
Total Operations Expenditures	<u>1,175,786</u>	<u>1,175,786</u>	<u>1,053,656</u>	<u>122,130</u>
Debt service:				
Principal	124,684	124,684	124,312	372
Interest	280,992	280,992	270,546	10,446
Trustee, fiscal and paying agent fees	200	200	200	-
Capital outlay	650,119	940,000	985,827	(45,827)
Total Expenditures	<u>2,231,781</u>	<u>2,521,662</u>	<u>2,434,541</u>	<u>87,121</u>
<b>EXCESS OF REVENUE OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<u>(808,787)</u>	<u>(1,098,668)</u>	<u>(843,815)</u>	<u>254,853</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	-	5,305,000	5,305,000	-
Bond premium	-	354,429	354,429	-
Costs of issuance	-	(195,270)	(193,228)	2,042
Escrow transfer	-	(5,464,159)	(5,464,159)	-
Sale of asset	-	-	20,000	20,000
Transfer from (to) other funds	300,000	300,000	190,000	(110,000)
Total other financing sources	<u>300,000</u>	<u>300,000</u>	<u>212,042</u>	<u>(87,958)</u>
<b>EXCESS OF REVENUE OVER (UNDER)EXPENSES</b>	<u>(508,787)</u>	<u>(798,668)</u>	<u>(631,773)</u>	<u>166,895</u>
<b>FUNDS AVAILABLE - BEGINNING OF YEAR</b>	<u>1,381,284</u>	<u>1,611,562</u>	<u>1,611,562</u>	<u>-</u>
<b>FUNDS AVAILABLE - END OF YEAR</b>	<u>\$ 872,497</u>	<u>\$ 812,894</u>	<u>\$ 979,789</u>	<u>\$ 166,895</u>

**BACA GRANDE WATER AND SANITATION DISTRICT  
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF  
REVENUES, EXPENSES AND CHANGES IN NET POSITION - ENTERPRISE FUND  
Year Ended December 31, 2017**

Revenue (budgetary basis)	\$	1,780,726
Revenues per Statement of Revenues, Expenses and Changes in Fund Net Position		1,780,726
Expenditures (budgetary basis)		2,434,541
Expenditures included in statement of revenues, expenses and changes in net position, but not included with expenditures on a budgetary basis:		
Depreciation		449,603
Expenditures included under budgetary basis, but not included in statement of revenues, expenses and changes in net position		
Capital outlay - water system improvements and water rights		(985,827)
Debt paid, net of costs of issuance		418,433
Pension liability		57,367
Operating and non-operating expenses per statement of revenues, expenses and changes in net position		2,374,117
Sale of Asset		20,000
Change in net position per statement of revenues, expenses and changes in net position	\$	(573,391)

**BACA GRANDE WATER AND SANITATION DISTRICT**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**December 31, 2017**

Year Ended December 31,	\$5,305,000 General Obligation Bonds, Series 2017 Principal Due on December 1 Interest Rate of 3% to 4% Payable on June 1 and December 1			\$1,483,750 Colorado Water Resources and Power Development Authority Loan Principal and Interest Interest Rate of 2.00% Due June 1 and December 1		
	Principal	Interest	Total	Principal	Interest	Total
	2018	\$ 45,000	\$ 178,634	\$ 223,634	\$ 76,185	\$ 19,115
2019	30,000	192,350	222,350	77,717	17,584	95,301
2020	30,000	191,450	221,450	79,278	16,022	95,300
2021	140,000	190,550	330,550	80,872	14,428	95,300
2022	145,000	186,350	331,350	82,498	12,803	95,301
2023	150,000	182,000	332,000	84,156	11,145	95,301
2024	150,000	177,500	327,500	85,847	9,453	95,300
2025	155,000	173,000	328,000	87,573	7,728	95,301
2026	165,000	168,350	333,350	89,333	5,968	95,301
2027	215,000	163,400	378,400	91,129	4,172	95,301
2028	225,000	156,950	381,950	92,960	2,340	95,300
2029	235,000	147,950	382,950	47,179	472	47,651
2030	250,000	138,550	388,550	-	-	-
2031	265,000	128,550	393,550	-	-	-
2032	275,000	117,950	392,950	-	-	-
2033	290,000	106,950	396,950	-	-	-
2034	305,000	95,350	400,350	-	-	-
2035	320,000	86,200	406,200	-	-	-
2036	330,000	76,600	406,600	-	-	-
2037	345,000	63,400	408,400	-	-	-
2038	395,000	49,600	444,600	-	-	-
2039	415,000	33,800	448,800	-	-	-
2040	430,000	17,200	447,200	-	-	-
	<u>\$ 5,305,000</u>	<u>\$ 3,022,634</u>	<u>\$ 8,327,634</u>	<u>\$ 974,727</u>	<u>\$ 121,230</u>	<u>\$ 1,095,957</u>

(continued)

**BACA GRANDE WATER AND SANITATION DISTRICT**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**

**December 31, 2017**

(continued)

<b>Year Ended December 31,</b>	<b>Total</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ 121,185	\$ 197,749	\$ 318,934
2019	107,717	209,934	317,651
2020	109,278	207,472	316,750
2021	220,872	204,978	425,850
2022	227,498	199,153	426,651
2023	234,156	193,145	427,301
2024	235,847	186,953	422,800
2025	242,573	180,728	423,301
2026	254,333	174,318	428,651
2027	306,129	167,572	473,701
2028	317,960	159,290	477,250
2029	282,179	148,422	430,601
2030	250,000	138,550	388,550
2031	265,000	128,550	393,550
2032	275,000	117,950	392,950
2033	290,000	106,950	396,950
2034	305,000	95,350	400,350
2035	320,000	86,200	406,200
2036	330,000	76,600	406,600
2037	345,000	63,400	408,400
2038	395,000	49,600	444,600
2039	415,000	33,800	448,800
2040	430,000	17,200	447,200
	<u>\$ 6,279,727</u>	<u>\$ 3,143,864</u>	<u>\$ 9,423,591</u>