

**CRESTVIEW WATER  
AND SANITATION DISTRICT  
FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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Office of the State Auditor

April 10, 2018

## CONTENTS

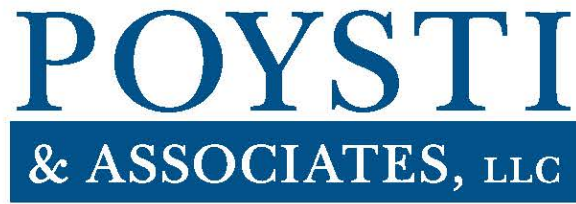
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-7

### BASIC FINANCIAL STATEMENTS

Statements of Net Position - Proprietary Fund	8
Statements of Revenue and Expenses and Changes in Net Position - Proprietary Fund	9
Statements of Cash Flows - Proprietary Fund	10
Notes to Financial Statements	11-17

### ADDITIONAL INFORMATION

Departmental Statements of Net Position - Proprietary Fund	Schedule 1
Departmental Schedule of Revenue and Expenses and Changes in Net Position - Proprietary Fund	Schedule 2
Schedule of Water Operating Expenses - Proprietary Fund	Schedule 3
Schedule of Sewer Operating Expenses - Proprietary Fund	Schedule 4
Schedule of Administrative and General Expenses - Proprietary Fund	Schedule 5
Departmental Schedule of Revenue and Expenditures - Budget and Actual - Proprietary Fund	Schedule 6



Independent Auditor's Report

Board of Directors  
Crestview Water and Sanitation District  
Denver, Colorado

I have audited the accompanying basic financial statements of Crestview Water and Sanitation District (the District) as of and for the year ended December 31, 2017, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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

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

***Auditor's Responsibility***

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## *Opinions*

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other-Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 I obtained during my audit of the basic financial statements. I 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*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The individual departmental schedules listed in the table of contents are presented for purpose of additional analysis and are not a required part of the basic financial statements. The individual departmental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### *Prior Period Financial Statements*

The basic financial statements of Crestview Water and Sanitation District as of December 31, 2016, were audited by another auditing firm whose report dated January 25, 2017, expressed an unmodified opinion on those statements.

February 26, 2018  
Denver, Colorado



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### OVERVIEW OF THE DISTRICT

This section of the Annual Financial Report for Crestview Water and Sanitation District (District) presents a discussion and analysis of the District's financial condition and operating results during the period from January 1, 2017 to December 31, 2017. It is provided as a narrative introduction and overview of the financial statements contained in the following Annual Financial Report and should be read in conjunction with the District's financial statements.

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

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

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

Water is provided to the District by Denver Water in accordance with Distributor Contract No. M236. The District serves approximately 4,940 residential, commercial, industrial and public customer taps. The distribution system is operated and maintained by the District and encompasses approximately 52 miles of piping and 4 elevated storage tanks. Meters are read monthly for billing purposes.

Wastewater treatment for the District is performed by Metro Wastewater Reclamation District (Metro) pursuant to the terms and conditions of a perpetual contract between Crestview and Metro. The collection system is operated and maintained by the District, and encompasses approximately 56 miles of piping and one sewage lift station. The District serves approximately 5,640 sanitary sewer residential, commercial, industrial, and public customers.

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

The District employs personnel to operate, maintain and repair the transmission and distribution system and wastewater collection system. The District also employs a pipeline replacement crew to replace the District's aging water mains. The District owns, operates, and maintains vehicles, equipment and supplies to accomplish these functions.

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

The financial statements include comparative data of assets, liabilities, deferred inflows of resources and changes in net position for the current fiscal reporting period (2017) and the prior fiscal reporting period (2016). Liabilities include current liabilities of accounts payable and accrued liabilities. Deferred inflows of resources include property taxes and other special assessments earned but levied for a subsequent period. Net position include capital assets and unrestricted assets designated for capital replacement, reserves for contingencies and unrestricted funds.

The departmental statements of revenues, expenses and changes in net position - proprietary fund compares the current fiscal reporting period (2017) and the prior fiscal reporting period (2016) and includes operating revenue, water and sewer sales, sale of supplies, inspections and miscellaneous revenue, also, operating expenses for water, sewer, and administrative and general. Water and sewer connection fees are included in non-operating revenue and expenses along with general property and specific ownership taxes, interest income, tax collection fees, and miscellaneous revenue.

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

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

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

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

### FINANCIAL HIGHLIGHTS

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

REVIEW OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating revenues:			
Water sales	\$ 4,614,807	\$ 4,409,850	\$ 4,326,432
Sewer charges	2,927,045	2,930,493	2,914,839
Sale of supplies	10,432	40,511	28,419
Miscellaneous and inspections	<u>50,324</u>	<u>57,720</u>	<u>64,246</u>
Total operating revenues	<u>7,602,608</u>	<u>7,438,574</u>	<u>7,333,936</u>
 Operating expenses:			
Water	3,706,608	4,125,505	3,297,947
Sewer	2,041,698	1,684,773	1,755,526
Administrative and general	<u>606,275</u>	<u>602,861</u>	<u>657,178</u>
Total operating expenses	<u>6,354,581</u>	<u>6,413,139</u>	<u>5,710,651</u>
 Net operating gain	1,248,027	1,025,435	1,623,285
 Total non-operating revenues (net)	<u>660,739</u>	<u>631,714</u>	<u>599,565</u>
 Income before contributions	1,908,766	1,657,149	2,222,850
 Tap fees collected	<u>594,415</u>	<u>778,592</u>	<u>336,320</u>
 Change in net position	2,503,181	2,435,741	2,559,170
 Net position- beginning of year	<u>22,395,927</u>	<u>19,960,186</u>	<u>17,401,016</u>
 Net position- end of year	<u>\$ 24,899,108</u>	<u>\$ 22,395,927</u>	<u>\$ 19,960,186</u>

REVIEW OF NET POSITION

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Current assets	\$ 14,227,402	\$ 11,643,110	\$ 9,440,905
Non-current assets	<u>11,541,780</u>	<u>11,666,289</u>	<u>11,561,813</u>
 Total assets	<u>\$ 25,769,182</u>	<u>\$ 23,309,399</u>	<u>\$ 21,002,718</u>
 Total current liabilities	<u>\$ 247,286</u>	<u>\$ 308,450</u>	<u>\$ 466,233</u>
 Deferred inflows of resources:			
Unavailable revenue – property taxes	<u>\$ 622,788</u>	<u>\$ 605,022</u>	<u>\$ 576,299</u>
 Net position			
Net investment in capital assets	\$ 11,541,780	\$ 11,666,289	\$ 11,561,813
Unrestricted	<u>13,357,328</u>	<u>10,729,638</u>	<u>8,398,373</u>
 Total net position	<u>\$ 24,899,108</u>	<u>\$ 22,395,927</u>	<u>\$ 19,960,186</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

CAPITAL ASSETS AND LONG TERM DEBT ACTIVITY

The District did not replace any water mains in 2017 in anticipation of the newly created Pipeline Replacement Crew. The pipeline replacement crew will be replacing the planned 2017 water main replacement project in 2018 in order to save money compared to contractor prices.

The District contracted to have 3,884 lineal feet of 8 inch sewer main, 750 lineal feet of 12 inch sewer main and 1,892 lineal feet of 15 inch sewer mains lined. The District also had twenty-nine manholes spray lined.

The District purchased three 2017 Ford F-150 pick-up trucks, one 2017 Ford F-550 flat-bed truck, one 2017 tandem axle dump truck and a 2017 Bobcat skid steer loader.

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

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

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

OTHER POTENTIALLY SIGNIFICANT MATTERS

The District entered into an Intergovernmental Agreement with the City of Westminster to have the Federal View Subdivision located at the southwest corner of 72<sup>nd</sup> avenue and Federal Boulevard served potable water by the City of Westminster. Thirty-three water accounts were transferred to the City of Westminster. All connection change-overs were performed in late 2016 by the City of Westminster. The City of Westminster assumed all responsibility for delivery of potable water to the customers within the Federal View Subdivision as of January 1, 2017.

No other potentially significant matters are approved and agreed upon or currently known that would be expected to have an effect on the financial position of the District.

CONTACTING THE DISTRICT'S ADMINISTRATIVE OFFICE

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

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

CRESTVIEW WATER AND SANITATION DISTRICT  
STATEMENTS OF NET POSITION  
PROPRIETARY FUND

<u>December 31,</u>	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 7,205,628	\$ 8,754,921
Investments	3,987,051	0
Accounts receivable - property taxes	633,381	612,362
Other accounts receivable	283,695	220,832
Inventories	262,000	270,000
Prepaid insurance	16,574	15,615
Cash and cash equivalents - designated for capital replacement and contingencies	<u>1,839,073</u>	<u>1,769,380</u>
Total current assets	14,227,402	11,643,110
 <u>Non-current Assets</u>		
Capital assets	<u>11,541,780</u>	<u>11,666,289</u>
Total Assets	<u>\$ 25,769,182</u>	<u>\$ 23,309,399</u>
 <u>Liabilities</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 157,823	\$ 165,696
Accrued liabilities	<u>89,463</u>	<u>142,754</u>
Total Current Liabilities	<u>\$ 247,286</u>	<u>\$ 308,450</u>
 <u>Deferred Inflows of Resources</u>		
Unavailable revenue - property taxes	<u>\$ 622,788</u>	<u>\$ 605,022</u>
 <u>Net Position</u>		
Net investment in capital assets	\$ 11,541,780	\$ 11,666,289
Unrestricted	<u>13,357,328</u>	<u>10,729,638</u>
Total Net Position	<u>\$ 24,899,108</u>	<u>\$ 22,395,927</u>

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

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

For the Years Ended December 31,	<u>2017</u>	<u>2016</u>
Operating Revenues		
Water sales	\$ 4,614,807	\$ 4,409,850
Sewer charges	2,927,045	2,930,493
Sale of supplies	10,432	40,511
Miscellaneous and inspections	<u>50,324</u>	<u>57,720</u>
Total operating revenues	<u>7,602,608</u>	<u>7,438,574</u>
Operating Expenses		
Water	3,706,608	4,125,505
Sewer	2,041,698	1,684,773
Administrative and general	<u>606,275</u>	<u>602,861</u>
Total operating expenses	<u>6,354,581</u>	<u>6,413,139</u>
Net operating gain	<u>1,248,027</u>	<u>1,025,435</u>
Non-Operating Revenues (Expenses)		
General property taxes	594,342	570,685
Specific ownership taxes	56,817	44,387
Interest income	8,614	3,258
Miscellaneous	1,607	21,949
Tax collection fee	<u>(641)</u>	<u>(8,565)</u>
Total non-operating revenues (net)	<u>660,739</u>	<u>631,714</u>
Income before contributions	1,908,766	1,657,149
Tap fees collected	<u>594,415</u>	<u>778,592</u>
Changes in net position	2,503,181	2,435,741
Net Position		
Balance - January 1	<u>22,395,927</u>	<u>19,960,186</u>
Balance - December 31	<u>\$ 24,899,108</u>	<u>\$ 22,395,927</u>

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

CRESTVIEW WATER AND SANITATION DISTRICT  
STATEMENTS OF CASH FLOWS  
PROPRIETARY FUND

<u>For the Years Ended December 31,</u>	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Cash received from customers	\$ 7,489,421	\$ 7,329,337
Cash paid to suppliers	(4,463,246)	(4,597,987)
Cash paid to employees	(1,485,594)	(1,479,389)
Other cash received	<u>50,324</u>	<u>57,720</u>
Net cash provided by operating activities	<u>1,590,905</u>	<u>1,309,681</u>
Cash flows from non-capital financing activities		
Cash received from property and other taxes	647,906	619,327
Collection fees paid	(641)	(8,565)
Other cash received	<u>1,607</u>	<u>21,949</u>
Net cash provided by non-capital financing activities	<u>648,872</u>	<u>632,711</u>
Cash flows from capital and related financing activities		
Cash received from tap fees	594,415	778,592
Cash received from sale of fixed assets	48,804	27,650
Purchase of fixed assets	<u>(384,159)</u>	<u>(626,889)</u>
Net cash provided by capital and related financing activities	<u>259,060</u>	<u>179,353</u>
Cash flows from investing activities		
Purchase of investments	(3,987,051)	0
Interest received	<u>8,614</u>	<u>3,258</u>
Net cash provided by (used in) investing activities	<u>(3,978,437)</u>	<u>3,258</u>
Net increase in cash	(1,479,600)	2,125,003
Cash and cash equivalents - beginning of year	<u>10,524,301</u>	<u>8,399,298</u>
Cash and cash equivalents - end of year	<u>\$ 9,044,701</u>	<u>\$ 10,524,301</u>
Summary of cash and cash equivalents:		
Unrestricted cash and cash equivalents	\$ 7,205,628	\$ 8,754,921
Designated cash and cash equivalents	<u>1,839,073</u>	<u>1,769,380</u>
	<u>\$ 9,044,701</u>	<u>\$ 10,524,301</u>
Reconciliation of operating gain to net cash provided by operating activities:		
Net operating gain	\$ 1,248,027	\$ 1,025,435
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	459,864	436,114
Changes in assets and liabilities		
(Increase) decrease in current asset	(55,822)	(52,734)
Increase (decrease) in current liabilities	<u>(61,164)</u>	<u>(99,134)</u>
Net cash provided by operating activities	<u>\$ 1,590,905</u>	<u>\$ 1,309,681</u>

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

CRESTVIEW WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

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

Basis of Presentation

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

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

Capital Assets

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

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

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

Budget and Budgetary Accounting

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

CRESTVIEW WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

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

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

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

Tax and Spending Limitations

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

Income Tax

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

Inventories

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

Cash Flows

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

Use of Estimates

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

Risk Management

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

CRESTVIEW WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating/Non-Operating Revenues and Expenses

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

NOTE 2 – CASH AND INVESTMENTS

Cash 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. As of December 31, 2017, State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The fair value of the collateral must be at least equal to 102% of the uninsured deposits.

The Federal Deposit Insurance Corporation (FDIC) coverage for government accounts is \$250,000 per official custodian. Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's deposits were not exposed to custodial credit risk, as all deposits were insured by the FDIC and/or were collateralized by securities held by the pledging financial institution and covered by eligible collateral as determined by PDPA. The District does not have a deposit policy for custodial credit risk.

A summary of the District's cash is as follows:

	2017	2016
Checking accounts - interest bearing	\$ 7,205,028	\$ 10,523,701
Petty cash	600	600
	\$ 7,025,628	\$ 10,524,301

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

Investments

In accordance with its investment policy, the District manages its exposure to declines with the implementation of the prudent investor rule as a guideline for investments decisions, which the District makes in following state statutes regarding investments.

Colorado Revised Statutes limit investment maturities to five years of less or three years or less (depending upon the type of investment), unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

CRESTVIEW WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

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

- 1) Obligations of the United States and certain U.S. government agency securities.\*
- 2) General obligation and reserve bonds of U.S. local government entities.
- 3) Bankers' acceptances of certain banks.
- 4) Commercial paper.
- 5) Written repurchase agreements collateralized by certain authorized securities.
- 6) Certain money market funds.\*
- 7) Guaranteed investment contracts.
- 8) Local government investment pools.
- 9) Certain reverse repurchase agreements.
- 10) Certain corporate bonds and certain international securities.
- 11) Certain securities lending agreements

The District generally limits its concentration of investments to those noted with an asterisk (\*) above, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirement or subject to investment custodial credit risk for investments that are in the possession of another party. The bond mutual fund is rated AAA by Morningstar and has an average maturity of one to five years.

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

The District has one recurring fair value measurement for U.S. government agency securities of \$3,987,051 as of December 31, 2017. These Securities are measured using Level 1 inputs.

As of December 31, 2017 and 2016, the District's investments consisted of the following:

	2017	2016
Money market	\$ 0	\$ 0
U.S. government agency securities	3,987,051	0
	\$ 3,987,051	\$ 0

CRESTVIEW WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CAPITAL ASSETS

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

	<u>December 31,</u> <u>2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31,</u> <u>2017</u>
Source of supply Collection, transmission, and distribution	\$ 329,593	\$ 0	\$ 0	\$ 329,593
Buildings	13,897,928	0	0	13,897,928
Office equipment	1,801,191	12,506	0	1,813,697
Shop equipment	84,872	0	(14,033)	70,839
Transportation equipment	397,705	11,969	(12,730)	396,944
	<u>1,522,752</u>	<u>310,880</u>	<u>(106,764)</u>	<u>1,726,868</u>
	18,034,041	335,355	(133,527)	18,235,869
Less accumulated depreciation	<u>(6,367,752)</u>	<u>(459,864)</u>	<u>133,527</u>	<u>(6,694,089)</u>
	<u>\$ 11,666,289</u>	<u>\$ (124,509)</u>	<u>\$ 0</u>	<u>\$ 11,541,780</u>
	<u>December 31,</u> <u>2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31,</u> <u>2016</u>
Source of supply Collection, transmission, and distribution	\$ 329,593	\$ 0	\$ 0	\$ 329,593
Buildings	13,582,438	352,068	(36,578)	13,897,928
Office equipment	1,757,727	43,464	0	1,801,191
Shop equipment	68,818	16,054	0	84,872
Transportation equipment	362,662	36,635	(1,592)	397,705
	<u>1,485,085</u>	<u>92,369</u>	<u>(54,702)</u>	<u>1,522,752</u>
	17,586,323	540,590	(92,872)	18,034,041
Less accumulated depreciation	<u>(6,024,510)</u>	<u>(436,114)</u>	<u>92,872</u>	<u>(6,367,752)</u>
	<u>\$ 11,561,813</u>	<u>\$ 104,476</u>	<u>\$ 0</u>	<u>\$ 11,666,289</u>

NOTE 4 – COMMITMENTS

The District has made commitments to purchase water and sewer services and have been budgeted as follows for the year ending December 31, 2018:

Water purchases	\$ 2,366,019
Metro sewer charges	<u>1,262,940</u>
	<u>\$ 4,628,959</u>

CRESTVIEW WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – OPERATING LEASES

The District leases office equipment under operating lease agreements expiring through July 2021. The amount of lease payments made under these agreements for the years ended December 31, 2017 and 2016, totaled \$7,346 and \$7,381. Minimum annual rental commitments are as follows as of December 31:

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

NOTE 6 – RETIREMENT PLAN

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

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

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

The contribution rate is 6% for the employees and 6% for the District of the employee's base payroll. The District's total payroll for 2017 and 2016 was \$993,834 and \$1,049,537 and contributions were based on a payroll of \$963,291 and \$1,016,666. Both the District and the covered employees made the required contributions for 2017 and 2016 of \$87,017 and \$92,847. In addition, employees made voluntary contributions of \$22,684 and \$15,776 for the years ended December 31, 2017 and 2016.

NOTE 7 – TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20, of the Colorado Constitution, commonly known as the Taxpayer 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. District management believes its water and sewer operations, and all activities related thereto, are carried on as an enterprise within the meaning of TABOR and the Enterprise Act, C.R.S. 37-45-1-01, *et seq.* The District's annual budget and financial statements are deemed by the District to the annual budget and financial statements of the enterprise.

CRESTVIEW WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

Spending and revenue limits are determined based on the prior-year's fiscal year spending adjusted for allowable increases based on inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the fiscal year spending limit must be refunded, unless voters approve retention of such revenue.

The District's management believes it is in compliance with the provision 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.

NOTE 8 – RECONCILIATION OF ACTUAL AND BUDGET DATA (SCHEDULE 6)

	<u>2017</u>
Changes in net position - net expenses over revenues	\$ 2,503,181
Add depreciation	459,864
Less capital additions	<u>(335,355)</u>
Statement of revenues and expenditures compared to budget	<u>\$ 2,627,690</u>

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

December 31,	2017			2016
	Water	Sewer	Total	Memorandum Total
Assets				
Cash on hand	\$ 0	\$ 600	\$ 600	\$ 600
Cash in bank-checking	5,681,961	1,523,067	7,205,028	8,754,321
Investments	1,993,526	1,993,525	3,987,051	0
Receivables				
Taxes	559,462	73,919	633,381	612,362
Accounts	170,217	113,478	283,695	220,832
Inventory of supplies (at cost)	157,000	105,000	262,000	270,000
Prepaid expenses	9,116	7,458	16,574	15,615
Designated assets				
Cash	944,537	894,536	1,839,073	1,769,380
Capital assets				
Source of supply	329,593	0	329,593	329,593
Collection, transmission, and distribution systems	9,027,435	4,870,493	13,897,928	13,897,928
Buildings and land	1,190,844	622,853	1,813,697	1,801,191
Office equipment	48,802	22,037	70,839	84,872
Shop equipment	261,939	135,005	396,944	397,705
Transportation equipment	1,103,470	623,398	1,726,868	1,522,752
Accumulated depreciation	<u>(4,048,073)</u>	<u>(2,646,016)</u>	<u>(6,694,089)</u>	<u>(6,367,752)</u>
Total Assets	<u>\$17,429,829</u>	<u>\$ 8,339,353</u>	<u>\$ 25,769,182</u>	<u>\$ 23,309,399</u>
Liabilities				
Accounts payable	\$ 155,879	\$ 1,944	\$ 157,823	\$ 165,696
Accrued vacation and sick pay	<u>44,732</u>	<u>44,731</u>	<u>89,463</u>	<u>142,754</u>
Total Liabilities	<u>\$ 200,611</u>	<u>\$ 46,675</u>	<u>\$ 247,286</u>	<u>\$ 308,450</u>
Deferred inflows of resources				
Unavailable revenue	<u>\$ 548,869</u>	<u>\$ 73,919</u>	<u>\$ 622,788</u>	<u>\$ 605,022</u>
Net position				
Net investment in capital assets	\$ 7,914,010	\$ 3,627,770	\$ 11,541,780	\$ 11,666,289
Unrestricted				
Designated for capital replacement	900,000	850,000	1,750,000	1,700,000
Reserved for contingencies	44,537	44,536	89,073	69,380
Unrestricted	<u>7,821,802</u>	<u>3,696,453</u>	<u>11,518,255</u>	<u>8,960,258</u>
Net Position	<u>\$16,680,349</u>	<u>\$ 8,218,759</u>	<u>\$ 24,899,108</u>	<u>\$ 22,395,927</u>

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

For the Years Ended December 31,	2017			2016
	Water	Sewer	Total	Memorandum Total
Operating Revenues				
Water sales	\$ 4,614,807	\$ 0	\$ 4,614,807	\$ 4,409,850
Sewer charges	0	2,927,045	2,927,045	2,930,493
Sale of supplies	10,432	0	10,432	40,511
Miscellaneous and inspections	38,058	12,266	50,324	57,720
Total Operating Revenues	4,663,297	2,939,311	7,602,608	7,438,574
Operating Expenses				
Water	3,706,608	0	3,706,608	4,125,505
Sewer	0	2,041,698	2,041,698	1,684,773
Administrative and general	323,506	282,769	606,275	602,861
Total Operating Expenses	4,030,114	2,324,467	6,354,581	6,413,139
Net Operating Income	633,183	614,844	1,248,027	1,025,435
Non-Operating Revenues (Expenses)				
General property taxes	416,039	178,303	594,342	570,685
Specific ownership tax	39,772	17,045	56,817	44,387
Interest income	4,307	4,307	8,614	3,258
Miscellaneous	804	803	1,607	21,949
County treasurer's collection fee	(449)	(192)	(641)	(8,565)
Total Non-Operating Revenues (Net)	460,473	200,266	660,739	631,714
Income before contributions	1,093,656	815,110	1,908,766	1,657,149
Tap fees collected	416,092	178,323	594,415	778,592
Changes in Net Position	\$ 1,509,748	\$ 993,433	\$ 2,503,181	\$ 2,435,741

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

For the Years Ended December 31,	<u>2017</u>	<u>2016</u>
Source of Supply		
Depreciation	\$ 855	\$ 855
Water purchased	<u>2,352,200</u>	<u>2,343,218</u>
	<u>2,353,055</u>	<u>2,344,073</u>
Transmission and Distribution Expense		
Automotive	5,705	13,613
Depreciation	302,965	278,456
Insurance	13,730	11,260
Miscellaneous	73,725	104,375
Outside services	6,250	11,500
Repairs and maintenance	296,628	827,713
Salaries, wages and benefit	<u>654,550</u>	<u>534,515</u>
	<u>1,353,553</u>	<u>1,781,432</u>
Total Water Operating Expenses	<u>\$ 3,706,608</u>	<u>\$ 4,125,505</u>

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

<u>December 31,</u>	<u>2017</u>	<u>2016</u>
Collection and Transmission Expense		
Automotive	\$ 706	\$ 189
Depreciation	139,538	139,550
Insurance	13,730	11,260
Miscellaneous	8,398	12,908
Outside services	6,250	11,500
Repairs and maintenance	133,218	19,221
Salaries, wages and benefits	384,176	437,429
Utilities	<u>4,242</u>	<u>3,515</u>
	690,258	635,572
Sewage Treatment Expenses		
Metro sewer charge	<u>1,351,440</u>	<u>1,049,201</u>
Total Sewer Operating Expenses	<u>\$ 2,041,698</u>	<u>\$ 1,684,773</u>

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

For the Years Ended December 31,	<u>2017</u>			<u>2016</u>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Memorandum Total</u>
Automotive	\$ 0	\$ 0	\$ 0	\$ 789
Depreciation	8,253	8,253	16,506	17,253
Directors' fees	3,950	3,950	7,900	7,500
Insurance	7,548	6,175	13,723	11,250
Legal	13,000	13,000	26,000	24,037
Miscellaneous	6,163	6,162	12,325	10,287
Office expense	44,275	44,274	88,549	90,201
Outside services	11,244	11,244	22,488	14,933
Publication	86	85	171	185
Repairs and maintenance	2,241	2,240	4,481	0
Salaries, wages and benefits	216,467	177,110	393,577	408,252
Telephone	1,735	1,734	3,469	8,074
Training and seminars	6,950	6,949	13,899	5,995
Utilities	<u>1,594</u>	<u>1,593</u>	<u>3,187</u>	<u>4,105</u>
 Total Administrative and General	 <u>\$ 323,506</u>	 <u>\$ 282,769</u>	 <u>\$ 606,275</u>	 <u>\$ 602,861</u>

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

For the Year Ended December 31,	2017		
	<u>Budget</u>	<u>Actual</u>	Variance
	(Non-GAAP)	(Non-GAAP)	Favorable (Unfavorable)
<b>Revenue</b>			
Water sales	\$ 4,432,947	\$ 4,614,807	\$ 181,860
Sewer charges	3,005,540	2,927,045	(78,495)
Interest	8,000	8,614	614
Tap fees and charges	300,000	314,315	14,315
General property taxes	605,022	594,342	(10,680)
Specific ownership taxes	42,000	56,817	14,817
Miscellaneous	<u>106,000</u>	<u>62,363</u>	<u>(43,637)</u>
Total Revenue	<u>8,499,509</u>	<u>8,578,303</u>	<u>78,794</u>
<b>Expenditures</b>			
<b>Water Source</b>			
Purchased water	2,407,495	2,352,200	55,295
<b>Transmission and Distribution</b>			
Automotive	12,000	5,705	6,295
Employee benefits	155,835	174,516	(18,681)
Insurance	31,500	13,730	17,770
Miscellaneous	38,736	48,347	(9,611)
Outside services	33,400	6,250	27,150
Payroll taxes	36,266	35,393	873
Repairs and maintenance	270,000	296,628	(26,628)
Salaries and wages	474,064	444,641	29,423
Telephone	7,000	7,231	(231)
Utilities	22,000	18,147	3,853
<b>Sewer Collection and Processing</b>			
Automotive	12,000	706	11,294
Employee benefits	88,600	90,747	(2,147)
Insurance	23,700	13,730	9,970
Metro sewer charges	1,351,440	1,351,440	0
Miscellaneous	21,500	7,301	14,199
Outside services	23,000	6,250	16,750
Payroll taxes	20,620	20,741	(121)
Repairs and maintenance	20,000	133,218	(113,218)
Salaries and wages	269,514	272,688	(3,174)
Telephone	3,000	1,097	1,903
Utilities	10,000	4,242	5,758

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

For the Year Ended December 31,			2017
	<u>Budget</u>	<u>Actual</u>	Variance
	(Non-GAAP)	(Non-GAAP)	Favorable (Unfavorable)
Expenditures (Continued)			
Administrative and General			
Automotive	\$ 700	\$ 0	\$ 700
County treasurer fee	9,700	641	9,059
Directors' fees	8,000	7,900	100
Employee benefits	93,620	95,987	(2,367)
Insurance	27,650	13,723	13,927
Legal	24,000	26,000	(2,000)
Miscellaneous	24,900	12,325	12,575
Office expense	75,000	88,549	(13,549)
Outside services	31,000	22,488	8,512
Payroll taxes	21,790	24,488	(2,698)
Publication	1,200	171	1,029
Repairs and maintenance	0	4,481	(4,481)
Salaries and wages	284,811	273,102	11,709
Telephone	8,000	3,469	4,531
Training and seminars	10,000	13,899	(3,899)
Utilities	6,000	3,187	2,813
Capital Additions	<u>2,185,000</u>	<u>335,355</u>	<u>1,849,645</u>
Total Expenditures	<u>8,143,041</u>	<u>6,230,713</u>	<u>1,912,328</u>
Net Revenues Over Expenditures	356,468	2,347,590	<u>\$ 1,991,122</u>
Available Resources			
Balance - January 1	<u>8,960,258</u>	<u>8,960,258</u>	
Balance - December 31	<u>\$ 9,316,726</u>	<u>\$ 11,307,848</u>	