

# **FLOISSANT WATER & SANITATION DISTRICT**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2017 AND 2016**

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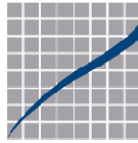
July 31, 2018



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**BiggsKofford**

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors  
**Florissant Water and Sanitation District**  
Florissant, Colorado

### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of Florissant Water and Sanitation District as of and for the years ended December 31, 2017 and 2016, as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

## **Opinion**

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of Florissant Water and Sanitation District as of December 31, 2017 and 2016, and the respective changes in its financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*BiggsKofford, P.C.*

Colorado Springs, Colorado  
July 31, 2018

**FLORISSANT WATER AND SANITATION DISTRICT**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2017 AND 2016**

|  | <u>2017</u>         | <u>2016</u>         |
|--|---------------------|---------------------|
| <b><u>ASSETS</u></b>   |                     |                     |
| Current assets:  |                     |                     |
| Cash and investments   | \$ 37,301           | \$ 11,152           |
| Accounts receivable, less allowance<br>for doubtful accounts                 | 13,150              | 12,432              |
| Property taxes receivable  | 37,720              | 33,632              |
| Grant receivable   | 122,966             | -                   |
| <u>Total current assets</u>  | <u>211,137</u>      | <u>57,216</u>       |
| Non-current assets:  |                     |                     |
| Capital assets, net  | 4,156,443           | 3,497,094           |
| Land   | 20,000              | 20,000              |
| <u>Total non-current assets</u>  | <u>4,176,443</u>    | <u>3,517,094</u>    |
| <u>Total assets</u>  | <u>\$ 4,387,580</u> | <u>\$ 3,574,310</u> |
| <b><u>LIABILITIES</u></b>  |                     |                     |
| Current liabilities:   |                     |                     |
| Accounts payable and accrued liabilities                                     | \$ 135,078          | \$ 9,621            |
| Prebilled charges for services   | 700                 | 2,192               |
| Current maturities of notes payable  | 22,010              | 20,874              |
| <u>Total current liabilities</u>   | <u>157,788</u>      | <u>32,687</u>       |
| Non-current liabilities:   |                     |                     |
| Notes payable, net of current portion  | 277,895             | 299,599             |
| Judgment payable (including accrued interest)                                | 57,866              | 76,597              |
| <u>Total liabilities</u>   | <u>493,549</u>      | <u>408,883</u>      |
| <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>                                  |                     |                     |
| Deferred property tax revenues   | 37,720              | 33,632              |
| <b><u>NET POSITION</u></b>   |                     |                     |
| Invested in capital assets,<br>net of related debt                           | 3,818,672           | 3,120,024           |
| Restricted for emergency reserves  | 5,700               | 4,600               |
| Unrestricted   | 31,939              | 7,171               |
| <u>Total net position</u>  | <u>3,856,311</u>    | <u>3,131,795</u>    |
| <u>Total liabilities, deferred inflows of resources<br/>and net position</u> | <u>\$ 4,387,580</u> | <u>\$ 3,574,310</u> |

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

**FLORISSANT WATER AND SANITATION DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES**  
**IN NET POSITION**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

|   | <u>2017</u>         | <u>2016</u>         |
|---|---------------------|---------------------|
| <b><u>OPERATING REVENUES</u></b>                |                     |                     |
| Charges for services                            | \$ 185,504          | \$ 139,838          |
| <u>Total operating revenues</u>                 | <u>185,504</u>      | <u>139,838</u>      |
| <b><u>OPERATING EXPENSES</u></b>                |                     |                     |
| Personnel services                              | 42,027              | 25,163              |
| Depreciation                                    | 46,388              | 46,704              |
| Supplies  | 3,989               | 4,184               |
| Repairs and maintenance                         | 22,872              | 11,603              |
| Purchased services                              | 28,039              | 34,298              |
| Utilities                                       | 12,582              | 9,259               |
| Bad debt expense (recoveries)                   | 1,643               | (2,838)             |
| Professional fees                               | 8,249               | 7,055               |
| Fixed charges                                   | 20,945              | 17,761              |
| <u>Total operating expenses</u>                 | <u>186,734</u>      | <u>153,189</u>      |
| <u>Net operating loss</u>                       | <u>(1,230)</u>      | <u>(13,351)</u>     |
| <b><u>NON-OPERATING REVENUES (EXPENSES)</u></b> |                     |                     |
| Property tax revenues                           | 34,501              | 31,593              |
| Interest income                                 | 60                  | 66                  |
| Grant income                                    | 711,394             | 1,323,639           |
| Interest expense                                | (20,209)            | (23,593)            |
| <u>Net non-operating revenues</u>               | <u>725,746</u>      | <u>1,331,705</u>    |
| <u>Change in net position</u>                   | <u>724,516</u>      | <u>1,318,354</u>    |
| <u>Net position, beginning of year</u>          | <u>3,131,795</u>    | <u>1,813,441</u>    |
| <u>Net position, end of year</u>                | <u>\$ 3,856,311</u> | <u>\$ 3,131,795</u> |

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

**FLORISSANT WATER AND SANITATION DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

|  | <u>2017</u>      | <u>2016</u>      |
|--|------------------|------------------|
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>                     |                  |                  |
| Receipts from customers  | \$ 184,786       | \$ 137,752       |
| Cash payments to suppliers for goods and services                      | (139,347)        | (141,366)        |
| Net cash provided by (used in) operating activities                    | 45,439           | (3,614)          |
| <b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u></b>         |                  |                  |
| Cash received from general and specific tax revenues                   | 34,501           | 31,593           |
| Net cash provided by non-capital financing activities                  | 34,501           | 31,593           |
| <b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b> |                  |                  |
| Acquisitions and construction of capital assets                        | (705,737)        | (1,300,669)      |
| Grant revenues   | 711,394          | 1,323,639        |
| Payments on long-term debt   | (39,299)         | (36,164)         |
| Interest expense   | (20,209)         | (23,593)         |
| Net cash used in capital and related financing activities              | (53,851)         | (36,787)         |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>                     |                  |                  |
| Interest income  | 60               | 66               |
| Net cash provided by investing activities                              | 60               | 66               |
| Net decrease in cash and investments                                   | 26,149           | (8,742)          |
| Cash and investments, beginning of year                                | 11,152           | 19,894           |
| Cash and investments, end of year                                      | <u>\$ 37,301</u> | <u>\$ 11,152</u> |

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

**FLORISSANT WATER AND SANITATION DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

|   | <u>2017</u>      | <u>2016</u>       |
|---|------------------|-------------------|
| <b><u>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>         |                  |                   |
| Net operating loss  | \$ (1,230)       | \$ (13,351)       |
| Adjustments to reconcile net operating loss to net cash provided by (used in) operating activities: |                  |                   |
| Depreciation  | 46,388           | 46,704            |
| Bad debt expense (recoveries)   | 1,643            | (2,838)           |
| (Increase) decrease in operating assets:  |                  |                   |
| Accounts receivable   | (2,361)          | 752               |
| Grant receivable  | (122,966)        | -                 |
| Increase (decrease) in operating liabilities:   |                  |                   |
| Accounts payable  | 125,457          | (36,392)          |
| Prebilled charges for services  | (1,492)          | 1,511             |
| Net cash provided by (used in) operating activities   | <u>\$ 45,439</u> | <u>\$ (3,614)</u> |

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

**FLORISSANT WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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**1. DEFINITION OF REPORTING ENTITY**

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Financial reporting entity

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

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

Basis of accounting

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

See independent auditor's report.

**FLORISSANT WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of accounting (continued)

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

Use of estimates

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

Operating revenues and expenses

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

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

Budgets and budgetary accounting

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

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

See independent auditor's report.

**FLORISSANT WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Budgets and budgetary accounting (continued)

Budgetary comparison schedules are provided as supplementary information as required by Colorado Revised Statutes. There were no changes to the original budget during the year ended December 31, 2017.

The District incurred expenditures in excess of appropriations for the year ended December 31, 2017, which may be a violation of the local government budget law.

Cash and equivalents

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

Accounts receivable

Accounts receivable of the District consist of sewage collection services receivable. Accounts receivable are stated at the amount the District expects to collect. The District maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Management considers the following factors when determining the collectability of specific customer accounts: customer credit-worthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. If the financial condition of the District's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. The District's allowance for doubtful accounts as of December 31, 2017 and 2016 was \$18,338 and \$17,000, respectively.

Property taxes

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

See independent auditor's report.

**FLORISSANT WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital assets

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

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

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

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

Water rights

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

Deferred inflows of resources

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

See independent auditor's report.

**FLORISSANT WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Net position

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

Subsequent events

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

**3. CASH AND INVESTMENTS**

Cash and investments as of December 31, 2017 and 2016 are classified in the accompanying financial statements as follows:

|                            | <u>2017</u>      | <u>2016</u>      |
|----------------------------|------------------|------------------|
| Statement of net position: |                  |                  |
| Cash and investments       | <u>\$ 37,301</u> | <u>\$ 11,152</u> |

Cash and investments as of December 31, 2017 and 2016 consist of deposits with financial institutions.

Deposits with financial institutions

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

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

See independent auditor's report.

**FLORISSANT WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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**3. CASH AND INVESTMENTS (CONTINUED)**

Investments

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

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

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

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

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

As of December 31, 2017, the District had no investments.

See independent auditor's report.

**FLORISSANT WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**4. CAPITAL ASSETS**

District capital asset activity for the year ended December 31, 2017 is as follows:

|   | Balance<br>01/01/17 | Additions/<br>Reclass-<br>ifications | Dispositions/<br>Reclass-<br>ifications | Balance<br>12/31/17 |
|---|---------------------|--------------------------------------|---|---------------------|
| Capital assets, not being depreciated:      |                     |                                      |   |                     |
| Construction in progress                    | \$ 2,320,609        | \$ 705,737                           | \$ -                                    | \$ 3,026,346        |
| Land  | 20,000              | -                                    | -                                       | 20,000              |
| Water rights                                | 150,772             | -                                    | -                                       | 150,772             |
|   | <u>2,491,381</u>    | <u>705,737</u>                       | <u>-</u>                                | <u>3,197,118</u>    |
| Total capital assets, not being depreciated |                     |                                      |   |                     |
| Capital assets, being depreciated:          |                     |                                      |   |                     |
| Wastewater treatment and collection plant   | 828,941             | -                                    | -                                       | 828,941             |
| Equipment                                   | 7,723               | -                                    | -                                       | 7,723               |
| Vehicles                                    | 3,500               | -                                    | -                                       | 3,500               |
| Water treatment and distribution system     | 1,287,084           | -                                    | -                                       | 1,287,084           |
|   | <u>2,127,248</u>    | <u>-</u>                             | <u>-</u>                                | <u>2,127,248</u>    |
| Total capital assets, being depreciated     |                     |                                      |   |                     |
| Less accumulated depreciation:              |                     |                                      |   |                     |
| Wastewater treatment and collection plant   | (415,308)           | (16,602)                             | -                                       | (431,910)           |
| Equipment                                   | (4,955)             | (734)                                | -                                       | (5,689)             |
| Vehicles                                    | (2,990)             | (510)                                | -                                       | (3,500)             |
| Water treatment and distribution system     | (678,282)           | (28,542)                             | -                                       | (706,824)           |
|   | <u>(1,101,535)</u>  | <u>(46,388)</u>                      | <u>-</u>                                | <u>(1,147,923)</u>  |
| Total accumulated depreciation              |                     |                                      |   |                     |
| Capital assets, net                         | <u>\$ 3,517,094</u> | <u>\$ (46,388)</u>                   | <u>\$ -</u>                             | <u>\$ 4,176,443</u> |

Depreciation expense for the years ended December 31, 2017 and 2016 totaled \$46,388 and \$46,704, respectively.

See independent auditor's report.

**FLORISSANT WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**4. CAPITAL ASSETS (CONTINUED)**

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

|  | Balance<br>01/01/16 | Additions/<br>Reclass-<br>ifications | Dispositions/<br>Reclass-<br>ifications | Balance<br>12/31/16 |
|--|---------------------|--------------------------------------|---|---------------------|
| Capital assets, not being depreciated:         |                     |                                      |   |                     |
| Construction in progress                       | \$ 1,019,940        | \$ 1,300,669                         | \$ -                                    | \$ 2,320,609        |
| Land   | 20,000              | -                                    | -                                       | 20,000              |
| Water rights                                   | <u>150,772</u>      | <u>-</u>                             | <u>-</u>                                | <u>150,772</u>      |
| Total capital assets, not<br>being depreciated | <u>1,190,712</u>    | <u>1,300,669</u>                     | <u>-</u>                                | <u>2,491,381</u>    |
| Capital assets, being depreciated:             |                     |                                      |   |                     |
| Wastewater treatment<br>and collection plant   | 828,941             | -                                    | -                                       | 828,941             |
| Equipment                                      | 7,723               | -                                    | -                                       | 7,723               |
| Vehicles                                       | 3,500               | -                                    | -                                       | 3,500               |
| Water treatment and<br>distribution system     | <u>1,287,084</u>    | <u>-</u>                             | <u>-</u>                                | <u>1,287,084</u>    |
| Total capital assets,<br>being depreciated     | <u>2,127,248</u>    | <u>-</u>                             | <u>-</u>                                | <u>2,127,248</u>    |
| Less accumulated depreciation:                 |                     |                                      |   |                     |
| Wastewater treatment<br>and collection plant   | (398,661)           | (16,647)                             | -                                       | (415,308)           |
| Equipment                                      | (4,219)             | (736)                                | -                                       | (4,955)             |
| Vehicles                                       | (2,288)             | (702)                                | -                                       | (2,990)             |
| Water treatment and<br>distribution system     | <u>(649,663)</u>    | <u>(28,619)</u>                      | <u>-</u>                                | <u>(678,282)</u>    |
| Total accumulated<br>depreciation              | <u>(1,054,831)</u>  | <u>(46,704)</u>                      | <u>-</u>                                | <u>(1,101,535)</u>  |
| Capital assets, net                            | <u>\$ 2,263,129</u> | <u>\$ (46,704)</u>                   | <u>\$ -</u>                             | <u>\$ 3,517,094</u> |

See independent auditor's report.

**FLOISSANT WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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**5. LONG-TERM DEBT**

Long-term debt consisted of the following as of December 31, 2017 and 2016:

|  | <b>2017</b> | <b>2016</b> |
|--|-------------|-------------|
| On September 1, 2011, the District entered into an agreement to borrow \$133,751 from Farmers Home Administration, payable in monthly installments of \$895 plus interest at 5.0% per annum, with the final payment due in May of 2032, secured by the net water revenues of the District.     | \$ 104,084  | \$ 109,473  |
| On July 1, 1992, the District entered into an agreement to borrow \$40,000 from Farmers Home Administration, payable in monthly installments of \$195 plus interest at 5.0% per annum, with the final payment due in July of 2032, secured by the net water revenues of the District.          | 21,608      | 22,622      |
| On October 2, 1992, the District entered into an agreement to borrow \$87,000 from Farmers Home Administration, payable in monthly installments of \$415 plus interest at 5.0% per annum, with the final payment due in July of 2032, secured by the net water revenues of the District.       | 48,721      | 51,354      |
| On February 28, 1995, the District entered into an agreement to borrow \$30,000 from Farmers Home Administration, payable in monthly installments of \$145 plus interest at 4.5% per annum, with the final payment due in February of 2035, secured by the net water revenues of the District. | 20,133      | 20,533      |
| On November 1, 2009, the District entered into an agreement to borrow \$67,500 from Farmers Home Administration, payable in monthly installments of \$746 plus interest at 5.9% per annum, with the final payment due in October of 2019, secured by the net water revenues of the District.   | 15,233      | 23,035      |

See independent auditor's report.

**FLORISSANT WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**5. LONG-TERM DEBT (CONTINUED)**

|   | <b>2017</b>       | <b>2016</b>       |
|---|-------------------|-------------------|
| On June 24, 2014, the District was issued an accounts payable consolidation loan in the amount of \$100,905. The note is payable in monthly installments of \$666 plus interest at 5.0% per annum, with the final payment due in June of 2034, secured by the net water revenues of the District. | 90,126            | 93,456            |
| Total   | 299,905           | 320,473           |
| Less current portion  | (22,010)          | (20,874)          |
|   | <b>\$ 277,895</b> | <b>\$ 299,599</b> |

Judgment payable

On June 8, 1995, the District received an unfavorable ruling of \$213,285 in a lawsuit regarding an inverse condemnation. The outstanding amount of the judgment payable was \$57,866 and \$76,597 as of December 31, 2017 and 2016, respectively, including interest and attorney fees. The liability, which accrues interest at 8.0% per annum, is being paid as funds are available from a special assessment on the property holders of the District.

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

|                | Balance<br>01/01/17 | Additions   | Repayments         | Balance<br>12/31/17 |
|----------------|---------------------|-------------|--------------------|---------------------|
| Notes payable  | \$ 320,473          |             | \$ (20,568)        | \$ 299,905          |
| Clare judgment | 76,597              | -           | (18,731)           | 57,866              |
|                | <b>\$ 397,070</b>   | <b>\$ -</b> | <b>\$ (39,299)</b> | <b>\$ 357,771</b>   |

See independent auditor's report.

**FLORISSANT WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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**5. LONG-TERM DEBT (CONTINUED)**

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

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

Future commitments on notes payable as of December 31, 2017 are as follows:

| Year ending<br>December 31, | Principal         | Interest          | Total             |
|-----------------------------|-------------------|-------------------|-------------------|
| 2018                        | 22,010            | 14,634            | 36,644            |
| 2019                        | 21,240            | 13,447            | 34,687            |
| 2020                        | 15,148            | 12,543            | 27,691            |
| 2021                        | 15,913            | 11,777            | 27,690            |
| 2022                        | 16,717            | 10,973            | 27,690            |
| 2023 - 2027                 | 97,147            | 41,305            | 138,452           |
| 2028 - 2032                 | 94,698            | 15,063            | 109,761           |
| 2033 - 2037                 | 17,032            | 1,087             | 18,119            |
|                             | <u>\$ 299,905</u> | <u>\$ 120,829</u> | <u>\$ 420,734</u> |

Failure to submit audited financial statements timely

Provisions of the accounts payable consolidation loan require submission of audited financial statements no later than 180 days after year end. The District was not in compliance with this requirement with respect to the December 31, 2017 or 2016 financial statements. Because management believes the submission of the accompanying financial statements will remedy this violation, the loan has been allocated between current and non-current liabilities in accordance with the loan provisions assuming no default.

See independent auditor's report.

**FLORISSANT WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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**6. NET POSITION**

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

Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, plus unspent debt proceeds, and reduced by outstanding balances of mortgages, notes or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2017 and 2016, the District had a net position invested in capital assets, net of related debt calculated as follows:

|   | <b>2017</b>         | <b>2016</b>         |
|---|---------------------|---------------------|
| Capital assets, net of accumulated depreciation | \$ 4,176,443        | \$ 3,517,094        |
| Notes payable and judgment payable              | (357,771)           | (397,070)           |
|   | <b>\$ 3,818,672</b> | <b>\$ 3,120,024</b> |

Restricted net position is comprised of amounts that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2017 and 2016 as follows:

|  |          |          |
|--|----------|----------|
| Restricted for emergency reserves (see Note 9) | \$ 5,700 | \$ 4,600 |
|--|----------|----------|

Unrestricted net position consists of amounts that do not meet the definition of net position invested in capital, net of related debt or restricted net position.

**7. GRANT INCOME**

On June 24, 2014, the District was awarded and received funding for a principal forgiveness grant in amounts up to \$847,920 to make improvements to the District's water treatment and storage facilities, construct a new pretreatment tank, and to install a new automatic meter reading system. The project was completed during the year ended December 31, 2016. During the year ended December 31, 2016, the District incurred and was reimbursed for costs of \$88,767, which were included in grant income in the statements of revenues, expenses, and changes in net position.

See independent auditor's report.

**FLORISSANT WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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**7. GRANT INCOME (CONTINUED)**

On March 6, 2015, the District was awarded a State grant in amount of \$950,000 for the construction of a new treatment facility and decommissioning of an existing plant. During the years ended December 31, 2017 and 2016, the District incurred costs totaling \$240,733 and \$533,999, respectively, and received payments totaling \$242,657 and \$536,313, respectively, which are included in grant income in the statements of revenues, expenses, and changes in net position.

On December 8, 2015, the District was awarded a State grant in amount of \$1,550,000 for the construction and replacement of the waste water treatment plant. During the years ended December 31, 2017 and 2016, the District had incurred costs totaling \$465,003 and \$702,293, respectively, and received payments totaling \$468,737 and \$698,559, respectively, which are included in grant income in the statements of revenues, expenses, and changes in net position.

**8. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters. The District carries commercial insurance for these risks of loss. There were no significant changes in coverage in 2017.

**9. TAX, SPENDING AND DEBT LIMITATIONS**

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

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

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

See independent auditor's report.

**FLORISSANT WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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**9. TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)**

Management believes the District is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate fiscal year spending limits, will likely require judicial interpretation.

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See independent auditor's report.

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## **SUPPLEMENTARY INFORMATION**

**FLORISSANT WATER AND SANITATION DISTRICT**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET COMPARED TO ACTUAL**  
**CASH BASIS**  
**YEAR ENDED DECEMBER 31, 2017**

|   | Original<br>Budget | Final<br>Budget  | Actual           | Favorable<br>(Unfavorable)<br>Variance |
|---|--------------------|------------------|------------------|--|
| <b><u>REVENUES</u></b>                                    |                    |                  |                  |  |
| Charges for services                                      | \$ 141,653         | \$ 141,653       | \$ 181,950       | \$ 40,297                              |
| Property tax revenues                                     | 8,674              | 8,674            | 9,642            | 968                                    |
| Grant income  | 18,960             | 18,960           | 588,428          | 569,468                                |
| Interest income   | 51                 | 51               | 60               | 9                                      |
| <b>Total revenues</b>                                     | <b>169,338</b>     | <b>169,338</b>   | <b>780,080</b>   | <b>610,742</b>                         |
| <b><u>EXPENDITURES</u></b>                                |                    |                  |                  |  |
| Personnel services  | 36,000             | 36,000           | 39,524           | (3,524)                                |
| Supplies  | 3,038              | 3,038            | 3,989            | (951)                                  |
| Repairs and maintenance                                   | 14,350             | 14,350           | 17,262           | (2,912)                                |
| Purchased services  | 23,706             | 23,706           | 28,039           | (4,333)                                |
| Utilities   | 13,323             | 13,323           | 12,582           | 741                                    |
| Professional fees   | 7,000              | 7,000            | 8,249            | (1,249)                                |
| Fixed charges   | 21,736             | 21,736           | 20,909           | 827                                    |
| Principal payments and interest expense                   | 36,744             | 36,744           | 30,551           | 6,193                                  |
| Capital outlay  | 484                | 484              | -                | 484                                    |
| Contingency   | 12,957             | -                | -                | -                                      |
| Grant expense   | -                  | -                | 588,428          | (588,428)                              |
| <b>Total expenditures</b>                                 | <b>169,338</b>     | <b>156,381</b>   | <b>749,533</b>   | <b>(593,152)</b>                       |
| Excess of revenues over<br>expenditures - budgetary basis | <u>\$ -</u>        | <u>\$ 12,957</u> | <u>\$ 30,547</u> | <u>\$ 17,590</u>                       |

See independent auditor's report.

**FLORISSANT WATER AND SANITATION DISTRICT**  
**RECONCILIATION OF AMOUNTS FROM GAAP BASIS TO CASH BASIS**  
**YEAR ENDED DECEMBER 31, 2017**

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The accompanying supplementary Schedule of Revenues and Expenditures - Budget Compared to Actual on page 23 presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with US GAAP, a reconciliation of differences in revenues and expenditures for the year ended December 31, 2017 is presented below.

|   |    |           |
|---|----|-----------|
| <u>Total revenue per financial statements (operating and non-operating)</u>                               | \$ | 931,459   |
| Less:   |    |           |
| Revenue accruals and non-cash adjustments for the year ended<br>December 31, 2017                         |    | (151,379) |
| <u>Total actual revenue and receipts per the budget</u>   | \$ | 780,080   |
| <u>Total expenses per financial statements</u>  | \$ | 206,943   |
| Add:  |    |           |
| Expense and capital expenditure accruals and non-cash<br>adjustments for the year ended December 31, 2017 |    | 590,621   |
| Less:   |    |           |
| Bad debt expense  |    | (1,643)   |
| Depreciation  |    | (46,388)  |
| <u>Total actual expenses and capital expenditures per the budget</u>                                      | \$ | 749,533   |

See independent auditor's report.