

**Genesee Water and Sanitation District  
(Jefferson County, Colorado)**

**FINANCIAL STATEMENTS**

**with Independent Auditor's Report**

**December 31, 2017 and 2016**

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Office of the State Auditor

July 24, 2018

**Genesee Water and Sanitation District**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Genesee Water and Sanitation District  
Jefferson County, Colorado

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

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

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, financial position of Genesee Water and Sanitation District, as of December 31, 2017, and the 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 iii-ix be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information and other supplemental information as listed in the table of contents is presented for purposes of additional analysis and legal requirements and is not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplemental information, other supplemental information, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 supplemental information, the other supplemental information, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Fiscal Focus Partners, LLC*

Lakewood, Colorado  
July 2, 2018

## Genesee Water and Sanitation District

### MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Genesee Water and Sanitation District (the District), we offer readers of the District's basic financial statements this narrative overview and analysis of the financial activities of Genesee Water and Sanitation District for the year ended December 31, 2017.

#### Financial Highlights

- Net Position decreased by \$128,820 (1.26%) when compared to 2016
- District Revenues increased by \$34,158 (1.10%) from 2016 to 2017
- District Expenses increased by \$205,058 (6.69%) from 2016 to 2017

#### Overview of the Financial Statements

The basic financial statements of the District are presented as a special purpose government engaged in business type activities – providing water and sanitation services, through its enterprise.

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

The *Statements of Revenues, Expenses and Changes in Net Position* present information, which reflects how the District's Net Position changed during the past year. All changes in the Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

The *Statements of Cash Flows* report the District's cash flows from operating, non-capital financing, capital and investing activities.

These financial statements distinguish between functions of the District that will be principally supported by service charges and property taxes. The functions of the District include effective and economical operation of water and sanitation systems within the jurisdictional boundaries of the District.

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the District's budgetary comparisons presented for legal compliance.

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

**Genesee Water and Sanitation District**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Financial Analysis**

As noted earlier, Net Position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities and deferred inflows by \$6,209,270 and \$3,878,387 for water and sanitation, respectively.

	<b>NET POSITION</b>			
	<b>Water</b>		<b>Sanitation</b>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Assets</b>				
Current assets	\$ 1,356,818	\$ 7,090,425	\$ 1,088,356	\$ 914,825
Capital assets, net	<u>19,812,648</u>	<u>16,044,871</u>	<u>3,477,356</u>	<u>3,789,711</u>
<b>Total</b>	<u>21,169,466</u>	<u>23,135,296</u>	<u>4,565,712</u>	<u>4,704,536</u>
<b>Liabilities</b>				
Current liabilities	\$ 1,075,358	\$ 2,241,863	\$ 59,887	\$ 143,233
Long-term liabilities	<u>12,979,956</u>	<u>13,719,498</u>	<u>508,565</u>	<u>526,111</u>
<b>Total</b>	<u>14,055,314</u>	<u>15,961,361</u>	<u>568,452</u>	<u>669,344</u>
<b>Deferred Inflows of Resources</b>	<u>904,882</u>	<u>881,557</u>	<u>118,873</u>	<u>111,093</u>
<b>Net Position</b>				
Net invested in capital assets	6,246,261	7,264,211	3,011,030	3,213,326
<b>Restricted</b>				
Governmental reserve	55,629	24,640	46,222	26,048
Capital replacements	269,719	313,084	446,280	368,361
Loan operating reserve	260,725	264,700	-	-
Emergency reserve	30,018	29,431	6,713	3,572
<b>Unrestricted</b>	<u>(653,082)</u>	<u>(1,603,688)</u>	<u>368,142</u>	<u>312,792</u>
<b>Total Net Position</b>	<u>\$ 6,209,270</u>	<u>\$ 6,292,378</u>	<u>\$ 3,878,387</u>	<u>\$ 3,924,099</u>

The largest portion of the District's Net Position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Genesee Water and Sanitation District  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**REVENUE, EXPENSES AND CHANGES IN NET POSITION**

	<u>Water</u>		<u>Sanitation</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>REVENUE</b>				
Operating Revenue	\$ 761,443	\$ 789,318	\$ 812,757	\$ 816,484
Nonoperating Revenue	1,214,045	1,228,423	352,078	271,940
<b>Total Revenue</b>	<u>1,975,488</u>	<u>2,017,741</u>	<u>1,164,835</u>	<u>1,088,424</u>
<b>EXPENSES</b>				
Operating/Administrative & General Expenses	909,842	864,125	829,115	792,894
Depreciation	901,542	722,912	360,387	369,391
Nonoperating Expenses	247,212	291,114	21,045	23,649
<b>Total Expenses</b>	<u>2,058,596</u>	<u>1,878,151</u>	<u>1,210,547</u>	<u>1,185,934</u>
<b>Change in Net Positions</b>	(83,108)	139,590	(45,712)	(97,510)
Net Position - Beg of Year	<u>6,292,378</u>	<u>6,152,788</u>	<u>3,924,099</u>	<u>4,021,609</u>
Net Position - End of Year	<u>\$ 6,209,270</u>	<u>\$ 6,292,378</u>	<u>\$ 3,878,387</u>	<u>\$ 3,924,099</u>

District water operating revenue decreased \$27,875 (3.53%) from 2016 to 2017.

District sanitation operating revenue decreased by \$3,727 (.46%) from 2016 to 2017.

Investment earnings remained low in 2017. The District continues to monitor and maximize interest earnings with available funds.

General operations and administrative expenses of the water and sewer operations increased \$81,938 (4.94%) from 2016 to 2017. The largest increase was utilities expense, \$49,180 (20.47%), which is not typical and was in large part due to the simultaneous operation of the old and new water treatment facilities for several months. This was necessary in order to fully commission all processes of the new Advanced Water Treatment Facility and at the same time continuously produce drinking water which remained in compliance with all state and federal quality requirements. Repairs and maintenance increased by \$26,973 (22.01%), and was budgeted for during the 2017 budget cycle.

The District received \$215,272 in tax revenue from the 3.00 mill tax levy and \$340,327 in Capital Replacement Fees (CRF) fees (\$15.00 per month, per customer, \$30 per 2-month billing cycle). All revenue generated from these two sources is restricted and used to fund only capital replacements and reserves.

**Genesee Water and Sanitation District**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**Budgetary Highlights**

The District prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of debt issuance, sale of assets and debt repayments, as well as capital outlay in addition to operations and non-operating revenue and contributions. Capital contributions of facilities and depreciation are not reflected on the budget since they do not affect “funds available.” Additionally, the budget includes the separation of the Enterprise and Government functions within the District.

**Revenue to the Government Fund**

Income received from property taxes, specific ownership taxes, bond proceeds and related investment earnings will be used to pay for long term debt service, which includes interest and principal on bonds and loans, Jefferson County Treasurer property tax collection fees, loan administration fees and bank servicing fees associated with bonds. In past years a transfer from the Government fund to the Enterprise fund was made for associated administrative services provided by the Enterprise on behalf of the Government. However, effective January 1, 2014 it has been determined the Government will directly perform related duties. In May 2008 voters approved an additional 3.0 mills property tax to fund capital replacements beginning in 2009 and ending in 2018. Money received will be restricted funds and as of 2014 is administered through the Government capital replacement program, but in unison with the Enterprise Capital Replacement Program. For more information see the Capital Replacement Fund.

**Revenue to the Enterprise Fund**

Revenues, primarily from water and sewer service charges (excluding property taxes, specific ownership taxes) are used to pay for most operations and administrative expenses of the District.

Water service fees and Water Capital Replacement Fund charges were increased on December 26, 2017. The old and current rates are summarized below:

<b>Schedule of Fees and Charges</b>				
<b>Effective 12/26/17</b>				
<b>Single and Multi-Family dwellings</b>				
<b>Base Charges - 2 Month Period</b>				
		Prior to 12/26/17	After 12/26/2017	
Water		\$46.00	\$55.00	
Sewer		\$90.00	\$90.00	
<b>Capital Replacement Fund</b>				
Water		\$25.00	\$25.00	
Sewer		\$15.00	\$15.00	
<b>Consumption Charges</b>				
1,000-5,000	Gallons	\$3.25	\$4.05	Per 1,000 Gallons
6,000-10,000	Gallons	\$3.90	\$4.80	Per 1,000 Gallons
11,000-15,000	Gallons	\$4.60	\$5.60	Per 1,000 Gallons
16,000-20,000	Gallons	\$5.30	\$6.50	Per 1,000 Gallons
21,000 Plus	Gallons	\$6.00	\$7.75	Per 1,000 Gallons

Water and Sewer service fees along with associated revenues and operating expenses are reviewed annually.

## **Genesee Water and Sanitation District**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **Capital Replacement Fund**

On May 5, 2008 District voters approved a 3.0 property tax mill levy with a term of 2009 through 2018 to establish a restricted reserve fund for Capital replacements. At the time of review it was decided to fund the Capital Replacement fund partially through property taxes with the remaining amounts needed by any and all other revenue sources. It was estimated in 2008 3.0 mills would fund approximately one half of the projected capital replacement needs for the next ten years, exclusive of the new water treatment facility project described previously on page 2, long term debt . The fund will help to assure that as District infrastructure ages, most of which is now 30-plus years old, repair and replacement funds will be available to continue to provide high quality water and sewer service. Other related revenue sources include a Capital Replacement Fee (CRF) which was increased from \$15 to \$25 effective December 26, 2017 for water with sewer remaining at \$15 bringing the bi-monthly total to \$40. This fee is added to each customer's bill to help meet the unfunded portion of the District's capital replacement plan.

#### **Capital Asset and Debt Administration**

##### **Capital Assets**

The District's investment in capital assets at December 31, 2017 amounts to \$9,257,291 (net of accumulated depreciation). This investment in capital assets includes water rights, operating system and equipment and vehicles. It should be noted that the actual value of the District's water rights portfolio cannot be accurately quantified as the rights have a perpetual life, and generally become increasingly valuable over time. Management feels the water rights currently held by the District have a greater value than the acquisition price reflected in the financial statements. Analyses of changes in capital assets are as follows:

- Continued construction and completion of Advanced Water Treatment Facility.
- Continued customer water meter replacement program.

Additional information on the District's capital assets can be found in Note 4 of this report.

##### **Long-Term Debt**

Refunding of the remaining principal balance of the July 1, 2004 outstanding reservoir bonds ("2004 Series") in the amount of \$2,435,000 was accomplished on December 12, 2014 through a new "2014 Series" general obligation loan agreement with JP Morgan Chase Bank. In addition to the refunding, issuance of \$500,000 in new funds was provided for within the loan for a total "2014 Series" loan amount of \$2,988,000 and includes all costs of issuance. The "2014 Series" loan has a term of 10 years, no provision for early redemption and an interest rate of 2.25% per annum. Issuance of the \$500,000 amount was provided at the time creating cash flow in order to continue with engineering, geotechnical and permitting associated with the replacement of the District's 32 year old water treatment facility. At a November 4, 2014 election, the District electorate authorized (with an overwhelming 77% in favor) \$10,300,000 in general obligation debt to be used for the full replacement of its aging water treatment facility along with other water system replacements and improvements. Unfortunately, bidding results came in higher than expected for the Advanced Water Treatment Facility and in order to complete all water system replacements anticipated to be covered/funded with the \$10,300,000 voter authorization, the District Enterprise implemented another loan in the amount of \$2.5 million with the Colorado Water Resources and Power Development Authority. This loan is a 0% interest, 20 year term and is secured with a revenue pledge from the District. Proceeds from this loan will be used to fund any shortfalls which may develop with the water treatment project and to complete the other water system replacements and improvements.

**Genesee Water and Sanitation District**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Economic Factors and Next Year's (2018) Budget and Rates**

- Completion of 3<sup>rd</sup> Pump/Motor/VFD systems in Larkspur and Base stations.
- Completion of modifications to the Wastewater Treatment Facility providing for an alternative disinfection method.
- Continued Implementation of Customer Water Meter Replacement Program.
- Property taxes - Budgeted in the amount of \$786,009 to pay the District's debt service requirements and \$237,746 to be restricted and used only for capital repair and replacements scheduled in 2018.
- Capital Replacement Fee (CRF) revenue is estimated at \$343,440 for 2018 and is restricted and used only for capital replacements.

**Requests for Information**

This report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Director of Administration  
2310 Bitterroot Lane  
Golden, CO 80401

## **BASIC FINANCIAL STATEMENTS**

**Genesee Water and Sanitation District**  
**STATEMENTS OF NET POSITION**  
**December 31, 2017 and 2016**

	<u>Water</u>	<u>Sanitation</u>	<u>Totals</u>	
			<u>2017</u>	<u>2016</u>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and investments	\$ (472,785)	\$ 199,905	\$ (272,880)	\$ (77,903)
Cash and investments - restricted				
Governmental reserve	55,629	46,222	101,851	50,688
Capital reserve	269,719	446,280	715,999	681,445
Cash and investments held with trustee	93,325	-	93,325	5,646,103
Accounts receivable - service fees	136,584	163,505	300,089	304,685
Other receivables	347,742	-	347,742	375,170
Property taxes receivable	911,470	119,605	1,031,075	999,677
Other current assets	<u>15,134</u>	<u>112,839</u>	<u>127,973</u>	<u>25,385</u>
<b>Total current assets</b>	<u>1,356,818</u>	<u>1,088,356</u>	<u>2,445,174</u>	<u>8,005,250</u>
<b>Capital assets not being depreciated</b>	<u>147,563</u>	<u>-</u>	<u>147,563</u>	<u>7,216,633</u>
<b>Capital assets being depreciated, net</b>	<u>19,665,085</u>	<u>3,477,356</u>	<u>23,142,441</u>	<u>12,617,949</u>
<b>TOTAL ASSETS</b>	<u>\$ 21,169,466</u>	<u>\$ 4,565,712</u>	<u>\$ 25,735,178</u>	<u>\$ 27,839,832</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 230,368	\$ 12,305	\$ 242,673	\$ 1,399,431
Other current liabilities	3,920	3,965	7,885	4,075
Current portion of long-term obligations	747,131	25,136	772,267	876,559
Accrued interest payable	73,904	1,453	75,357	78,103
Accrued salaries and benefits	<u>20,035</u>	<u>17,028</u>	<u>37,063</u>	<u>26,928</u>
<b>Total current liabilities</b>	<u>1,075,358</u>	<u>59,887</u>	<u>1,135,245</u>	<u>2,385,096</u>
<b>Long-term liabilities</b>				
Long-term obligations	12,912,581	441,190	13,353,771	14,126,589
Compensated absences	<u>67,375</u>	<u>67,375</u>	<u>134,750</u>	<u>119,020</u>
<b>Total long-term liabilities</b>	<u>12,979,956</u>	<u>508,565</u>	<u>13,488,521</u>	<u>14,245,609</u>
<b>TOTAL LIABILITIES</b>	<u>14,055,314</u>	<u>568,452</u>	<u>14,623,766</u>	<u>16,630,705</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred property tax revenue	<u>904,882</u>	<u>118,873</u>	<u>1,023,755</u>	<u>992,650</u>
<b>Total deferred inflows of resources</b>	<u>904,882</u>	<u>118,873</u>	<u>1,023,755</u>	<u>992,650</u>
<b>NET POSITION</b>				
Net invested in capital assets	6,246,261	3,011,030	9,257,291	10,477,537
Restricted				
Governmental reserve	55,629	46,222	101,851	50,688
Capital replacements	269,719	446,280	715,999	681,445
Loan operating reserve	260,725	-	260,725	264,700
Emergency reserve	30,018	6,713	36,731	33,003
Unrestricted	<u>(653,082)</u>	<u>368,142</u>	<u>(284,940)</u>	<u>(1,290,896)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 6,209,270</u>	<u>\$ 3,878,387</u>	<u>\$ 10,087,657</u>	<u>\$ 10,216,477</u>

*The accompanying Notes to Financial Statements are an integral part of these statements.*

**Genesee Water and Sanitation District**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**For the Years Ended December 31, 2017 and 2016**

	<u>Water</u>	<u>Sanitation</u>	<u>Totals</u>	
			<u>2017</u>	<u>2016</u>
<b>OPERATING REVENUE</b>				
Service fees	\$ 761,443	\$ 812,757	\$ 1,574,200	\$ 1,605,802
<b>OPERATING EXPENSES</b>				
Auto and travel	10,151	10,142	20,293	25,408
Chemicals and supplies	36,392	41,249	77,641	82,519
Depreciation	901,542	360,387	1,261,929	1,092,303
Directors' fees	2,900	2,900	5,800	5,500
Ditch assessments	4,303	-	4,303	4,559
Dues and publications	1,509	12,924	14,433	14,075
Elections	64	64	128	104
Insurance	27,210	22,582	49,792	44,172
Legal fees	6,082	1,825	7,907	14,050
Miscellaneous	1,691	4,016	5,707	6,594
Office supplies and expenses	17,745	16,985	34,730	33,415
Professional fees	19,174	4,015	23,189	7,938
Repairs and maintenance	52,440	97,077	149,517	122,544
Salaries and benefits	481,457	505,126	986,583	989,461
Small tools and equipment	13,297	3,432	16,729	20,098
Telephone and communications	14,842	10,411	25,253	25,412
Testing and analysis	18,073	9,455	27,528	20,926
Utilities	202,512	86,912	289,424	240,244
<b>Total operating expenses</b>	<u>1,811,384</u>	<u>1,189,502</u>	<u>3,000,886</u>	<u>2,749,322</u>
<b>(LOSS) FROM OPERATIONS</b>	<u>(1,049,941)</u>	<u>(376,745)</u>	<u>(1,426,686)</u>	<u>(1,143,520)</u>
<b>NONOPERATING REVENUE AND (EXPENSES)</b>				
Property taxes	878,122	107,636	985,758	1,018,330
Specific ownership taxes	87,281	9,698	96,979	74,722
Capital replacement fee	212,723	127,604	340,327	340,232
Tap and water resource fees	-	-	-	60,000
Interest income	-	-	-	46
Gain on sale of assets	700	700	1,400	-
Other revenue	35,219	106,440	141,659	7,033
Bond issue costs	-	-	-	(45,855)
Interest expense	(234,083)	(19,391)	(253,474)	(253,739)
Treasurer and debt servicing fees	(13,129)	(1,654)	(14,783)	(15,169)
<b>Total nonoperating revenue</b>	<u>966,833</u>	<u>331,033</u>	<u>1,297,866</u>	<u>1,185,600</u>
<b>CHANGE IN NET POSITION</b>	(83,108)	(45,712)	(128,820)	42,080
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>6,292,378</u>	<u>3,924,099</u>	<u>10,216,477</u>	<u>10,174,397</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 6,209,270</u>	<u>\$ 3,878,387</u>	<u>\$ 10,087,657</u>	<u>\$ 10,216,477</u>

*The accompanying Notes to Financial Statements are an integral part of these statements.*

**Genesee Water and Sanitation District**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2017 and 2016**

	<u>Water</u>	<u>Sanitation</u>	<u>Totals</u>	
			<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 766,805	\$ 811,991	\$ 1,578,796	\$ 1,572,047
Cash payments to employees for services	(468,436)	(493,592)	(962,028)	(969,572)
Cash payments to suppliers for goods and services	(1,578,561)	(321,653)	(1,900,214)	(1,104,549)
<b>Net cash provided (used) by operating activities</b>	<u>(1,280,192)</u>	<u>(3,254)</u>	<u>(1,283,446)</u>	<u>(502,074)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Net property and specific ownership taxes received	952,274	115,680	1,067,954	1,077,883
Capital replacement fees received	212,723	127,604	340,327	340,232
Tap and water resource fees received	-	-	-	60,000
Loan proceeds	5,613,124	-	5,613,124	5,044,220
Acquisition of fixed assets	(4,669,318)	(48,032)	(4,717,350)	(4,413,559)
Cash received from sale of assets	700	700	1,400	-
Principal paid on general obligation debt	(767,052)	(110,059)	(877,111)	(859,897)
Interest paid on general obligation debt	(236,216)	(20,004)	(256,220)	(256,527)
Other revenue	2,034	28	2,062	7,033
<b>Net cash provided (used) by capital and related financing activities</b>	<u>1,108,269</u>	<u>65,917</u>	<u>1,174,186</u>	<u>999,385</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment earnings received	-	-	-	46
<b>Net cash provided by investing activities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(171,923)	62,663	(109,260)	497,357
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>24,486</u>	<u>629,744</u>	<u>654,230</u>	<u>156,873</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ (147,437)</u>	<u>\$ 692,407</u>	<u>\$ 544,970</u>	<u>\$ 654,230</u>

*The accompanying Notes to Financial Statements are an integral part of these statements.*  
(continued)

**Genesee Water and Sanitation District**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2017 and 2016**  
**(continued)**

	<u>Water</u>	<u>Sanitation</u>	<u>Totals</u>	
			<u>2017</u>	<u>2016</u>
<b>RECONCILIATION OF OPERATING (LOSS)</b>				
<b>TO NET CASH PROVIDED/(USED) BY OPERATING</b>				
<b>ACTIVITIES</b>				
Operating (loss)	\$ (1,049,941)	\$ (376,745)	\$ (1,426,686)	\$ (1,143,520)
Adjustments to reconcile operating (loss) to cash flows provided (used) by operating activities				
Depreciation	901,542	360,387	1,261,929	1,092,303
(Increase) decrease in:				
Receivables	5,362	(766)	4,596	(33,755)
Other current assets	(292)	4,090	3,798	7,203
Increase (decrease) in:				
Accounts payable for operations	(1,152,369)	(4,389)	(1,156,758)	(445,504)
Payroll liabilities	13,021	11,534	24,555	19,889
Other current liabilities	2,485	2,635	5,120	1,310
<b>Net cash provided (used) by operating activities</b>	<u>\$ (1,280,192)</u>	<u>\$ (3,254)</u>	<u>\$ (1,283,446)</u>	<u>\$ (502,074)</u>

*The accompanying Notes to Financial Statements are an integral part of these statements.*

## Genesee Water and Sanitation District

### NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

#### Note 1 – Definition of reporting entity

The District, a quasi-municipal corporation and political subdivision of the State of Colorado, is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in Jefferson County, Colorado. The District was established to provide water and sewage treatment services to the properties within its service area.

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. Based on this definition, the District has determined that the Genesee Water and Sanitation Building Authority, a nonprofit corporation organized and existing under the laws of the State of Colorado, is a component unit of the District and has blended the financial information of the Corporation into the District's financial statements.

The District established an Enterprise of the Genesee Water and Sanitation District (the "Enterprise") by Resolution of the Board of Directors of the District in 1993. The Enterprise was organized as a "Water Activity Enterprise" within the meaning of Title 37, Article 45.1, Part 1, C.R.S. and has been established as and constitutes an enterprise within the meaning of Article X, Section 20 of the Colorado Constitution (see Note 10). The District's Board of Directors serves as the Board of Directors for the Enterprise. The Enterprise is considered a component unit of the District and blended in the District's financial statements. Separate financial statements of the Enterprise are not issued.

The District is not a component unit of any other primary governmental entity.

#### Note 2 – Summary of significant accounting policies

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

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

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.

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2017 and 2016**

**Basis of accounting**

The District's financial statements are reported using the accrual basis of accounting. Revenue is recognized when earned, and expenses are recognized when the liability is incurred, regardless of the timing of related cash flows. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets; and payments on long-term obligations are recorded as reductions in liabilities. Tap fees are recorded as capital contribution revenue when received.

**Operating revenues and expenses**

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

**Cash equivalents**

For purposes of the Statements of Cash Flows, the District considers cash deposits and highly liquid investments with original maturities of three months or less from the date of acquisition, to be cash equivalents.

**Investments**

Investments for the District are reported at fair value.

**Accounts receivable, allowance for doubtful accounts**

User fees and tap fees constitute a perpetual lien on or against property served until paid. Such liens may be foreclosed upon as provided by the State of Colorado. Therefore, no provision for uncollectible receivables has been made in the financial statements.

**Property taxes**

Property taxes are levied by the District Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2017 and 2016**

the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June.

Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

**Capital assets**

Capital assets include water and sanitation operating systems and equipment and vehicles. Capital assets are defined by the District as those assets with an initial, individual cost of \$1,000 or greater. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation or at the developer's cost.

The District believes it has substantial value in the form of currently unused capital assets, including water rights, water and wastewater treatment plant capacities, and water and sewer main lines (taps) and stations. 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.

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

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Operating systems	5 to 49 years
Equipment and vehicles	2 to 10 years

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2017 and 2016**

**Compensated absences**

District employees earn a general leave benefit at the rate of 30 to 42 days per year based on length of service which is to be used for vacations, medical leave and holidays. Employees are generally allowed to accrue up to 70 days of unused general leave days each at the end of each calendar year. Compensated absences are recognized as current salary cost when earned.

**Contributed capital**

Tap fees and water resource fees are generally recorded as capital contribution revenue when received. Lines contributed to the District by developers are recorded as capital contributions and additions to the systems at the developer's cost.

**Budgets**

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

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2017 and 2016**

**Note 3 – Cash and investments**

Cash and investments are reflected on the December 31, 2017 and 2016 Statements of Net Position as follows:

	<u>Water</u>	<u>Sanitation</u>	<u>2017</u>	<u>2016</u>
Cash and investments	\$ (472,785)	\$ 199,905	\$ (272,880)	\$ (77,903)
Cash and investments - restricted:				
Governmental reserve	55,629	46,222	101,851	50,688
Capital reserve	269,719	446,280	715,999	681,445
Total cash and investments	<u>\$ (147,437)</u>	<u>\$ 692,407</u>	<u>\$ 544,970</u>	<u>\$ 654,230</u>

Cash and investments as of December 31, 2017 and 2016 consist of the following:

Deposits with financial institutions	\$ 544,375	\$ 653,642
Investments	595	588
Total cash and investments	<u>\$ 544,970</u>	<u>\$ 654,230</u>

At December 31, 2017 and 2016, the District's cash deposits had bank balances of \$ 567,496 and \$681,666 respectively, and carrying balances of \$ 544,375 and \$653,642 respectively.

**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. As of December 31, 2017 and 2016, the federal insurance limits were \$250,000. 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 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.

**Custodial credit risk – deposits**

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 cash deposit and investment policy adopts state statutes regarding custodial credit risk for deposits. As of December 31, 2017 and 2016, none of the District's bank balances were exposed to custodial credit risk.

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2017 and 2016**

**Investments**

The District's investment policy adopts state statutes regarding investments.

The District primarily limits its investments to local government investments pools, 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 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 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 U.S. government agency securities
- . Certain international agency securities
- . General obligation and revenue bonds of U.S. local government entities
- . 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 and 2016, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>2017</u>	<u>2016</u>
Colorado Liquid Asset Trust (Colostrust)	Weighted average under 60 days	<u>\$ 595</u>	<u>\$ 588</u>

**COLOTRUST**

The District invests in the Colorado Local Government Liquid Asset Trust (Colostrust) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State Statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2017 and 2016**

agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS-24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. Colotrust is rated AAAM by Standard and Poor's. Colotrust records its investments at fair value and the District records its investment in Colotrust using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**Restricted cash and investments**

The District levied 3 mills for property taxes to be collected in 2017 and 2016. All revenue generated from the 3 mills and transfers from the General Government are restricted to fund future capital replacements and general reserves. Restricted cash and investments represent funds available as follows:

	2017	2016
General Government reserve	\$ 101,851	\$ 50,688
Capital reserve	715,999	681,445
Restricted cash and investments	<u>\$ 817,850</u>	<u>\$ 732,133</u>

**Genesee Water and Sanitation District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2017 and 2016**

**Note 4 – Capital assets**

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

	Balance at December 31, 2016	Increases	Decreases	Balance at December 31, 2017
<b><u>Water</u></b>				
Capital assets, not being depreciated				
Water rights	\$ 147,563	\$ -	\$ -	\$ 147,563
Construction in progress	7,069,070	4,550,800	11,619,870	-
Total capital assets not being depreciated	<u>7,216,633</u>	<u>4,550,800</u>	<u>11,619,870</u>	<u>147,563</u>
Capital assets being depreciated				
Operating system and building	20,470,118	11,726,375	-	32,196,493
Equipment and vehicles	435,314	12,013	-	447,327
Total capital assets being depreciated	<u>20,905,432</u>	<u>11,738,388</u>	<u>-</u>	<u>32,643,820</u>
Less accumulated depreciation for				
Operating system and building	11,668,311	889,320	-	12,557,631
Equipment and vehicles	408,883	12,221	-	421,104
Total accumulated depreciation	<u>12,077,194</u>	<u>901,541</u>	<u>-</u>	<u>12,978,735</u>
Total capital assets being depreciated, net	<u>8,828,238</u>	<u>10,836,847</u>	<u>-</u>	<u>19,665,085</u>
Capital assets, net	<u>\$ 16,044,871</u>	<u>\$ 15,387,647</u>	<u>\$ 11,619,870</u>	<u>\$ 19,812,648</u>
<b><u>Sanitation</u></b>				
Capital assets being depreciated				
Operating system and building	\$ 12,464,075	\$ 36,019	\$ -	\$ 12,500,094
Equipment and vehicles	461,765	12,013	-	473,778
Total capital assets being depreciated	<u>12,925,840</u>	<u>48,032</u>	<u>-</u>	<u>12,973,872</u>
Less accumulated depreciation for				
Operating system and building	8,711,165	351,054	-	9,062,219
Equipment and vehicles	424,964	9,333	-	434,297
Total accumulated depreciation	<u>9,136,129</u>	<u>360,387</u>	<u>-</u>	<u>9,496,516</u>
Total capital assets being depreciated, net	<u>3,789,711</u>	<u>(312,355)</u>	<u>-</u>	<u>3,477,356</u>
Capital assets, net	<u>\$ 3,789,711</u>	<u>\$ (312,355)</u>	<u>\$ -</u>	<u>\$ 3,477,356</u>

**Genesee Water and Sanitation District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2017 and 2016**

Capital asset activity for the year ended December 31, 2016 was as follows:

	Balance at December 31, 2015	Increases	Decreases	Balance at December 31, 2016
<b><u>Water</u></b>				
Capital assets, not being depreciated				
Water rights	\$ 147,563	\$ -	\$ -	\$ 147,563
Construction in progress	1,735,058	5,334,012	-	7,069,070
Total capital assets not being depreciated	<u>1,882,621</u>	<u>5,334,012</u>	<u>-</u>	<u>7,216,633</u>
Capital assets being depreciated				
Operating system and building	20,066,772	403,346	-	20,470,118
Equipment and vehicles	419,482	15,832	-	435,314
Total capital assets being depreciated	<u>20,486,254</u>	<u>419,178</u>	<u>-</u>	<u>20,905,432</u>
Less accumulated depreciation for				
Operating system and building	10,960,662	707,649	-	11,668,311
Equipment and vehicles	393,620	15,263	-	408,883
Total accumulated depreciation	<u>11,354,282</u>	<u>722,912</u>	<u>-</u>	<u>12,077,194</u>
Total capital assets being depreciated, net	<u>9,131,972</u>	<u>(303,734)</u>	<u>-</u>	<u>8,828,238</u>
Capital assets, net	<u>\$ 11,014,593</u>	<u>\$ 5,030,278</u>	<u>\$ -</u>	<u>\$ 16,044,871</u>
<b><u>Sanitation</u></b>				
Capital assets being depreciated				
Operating system	\$ 12,446,807	\$ 17,268	\$ -	\$ 12,464,075
Equipment and vehicles	445,933	15,832	-	461,765
Total capital assets being depreciated	<u>12,892,740</u>	<u>33,100</u>	<u>-</u>	<u>12,925,840</u>
Less accumulated depreciation for				
Operating system	8,354,818	356,347	-	8,711,165
Equipment and vehicles	411,921	13,043	-	424,964
Total accumulated depreciation	<u>8,766,739</u>	<u>369,390</u>	<u>-</u>	<u>9,136,129</u>
Total capital assets being depreciated, net	<u>4,126,001</u>	<u>(336,290)</u>	<u>-</u>	<u>3,789,711</u>
Capital assets, net	<u>\$ 4,126,001</u>	<u>\$ (336,290)</u>	<u>\$ -</u>	<u>\$ 3,789,711</u>

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2017 and 2016**

Depreciation expense for the years ended December 31, 2017 and 2016 was charged to the following operations:

	<u>2017</u>	<u>2016</u>
Water fund	\$ 901,541	\$ 722,912
Sanitation fund	360,387	369,391
	<u>\$ 1,261,928</u>	<u>\$ 1,092,303</u>

**Note 5 – Long-term obligations**

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

	Balance at December 31, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance at December 31, <u>2017</u>	Due Within <u>One Year</u>
Series 2014 GO Loan	\$ 2,132,000	\$ -	\$ 246,000	\$ 1,886,000	\$ 252,000
2015 GO Loan - CWRPDA	9,341,248	-	313,813	9,027,435	315,045
2015 Revenue Loan - CWRPDA	2,375,000	-	125,000	2,250,000	125,000
Capital lease - sewer	85,550	-	85,550	-	-
Capital lease - water	87,682	-	57,730	29,952	29,952
Capital lease - building	981,668	-	49,017	932,651	50,270
Total long-term obligations	<u>\$ 15,003,148</u>	<u>\$ -</u>	<u>\$ 877,110</u>	<u>\$ 14,126,038</u>	<u>\$ 772,267</u>

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

	Balance at December 31, <u>2015 (restated)</u>	<u>Additions</u>	<u>Reductions</u>	Balance at December 31, <u>2016</u>	Due Within <u>One Year</u>
Series 2014 GO Loan	\$ 2,373,000	\$ -	\$ 241,000	\$ 2,132,000	\$ 246,000
2015 GO Loan - CWRPDA	9,648,862	-	307,614	9,341,248	313,813
2015 Revenue Loan - CWRPDA	2,500,000	-	125,000	2,375,000	125,000
Capital lease - sewer	168,613	-	83,063	85,550	85,550
Capital lease - water	143,636	-	55,954	87,682	57,730
Capital lease - building	1,028,934	-	47,266	981,668	48,466
Total long-term obligations	<u>\$ 15,863,045</u>	<u>\$ -</u>	<u>\$ 859,897</u>	<u>\$ 15,003,148</u>	<u>\$ 876,559</u>

**Genesee Water and Sanitation District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2017 and 2016**

**Loans payable**

**\$2,988,000 General Obligation Refunding and Improvement Loan, Series 2014**

The loan with a major bank, in the original amount of \$2,988,000, has a fixed interest rate of 2.25%. Interest is payable each June 1 and December 1 each year beginning June 1, 2015. Principal payments are due each December 1, beginning December 31, 2015 and maturing December 1, 2024.

**April 1, 2015 General Obligation Loan Agreement, \$9,790,312 – Colorado Water Resources and Power Development Authority**

The loan agreement, for a total principal amount of \$9,790,312, between the District and Colorado Water Resources and Power Development Authority (CWRPDA) was entered into for the purpose of constructing and equipping a new water treatment plant (the Project), having a total estimated cost of \$12,800,000. The District must expend 85% of the total loan by April 1, 2018. The Project was completed in 2017. The Trustee (Wells Fargo Bank, N.A), as the agent of the Authority, will disburse the amounts on deposit in the Project Loan Subaccount to the District upon receipt of a requisition executed by an authorized officer of the District and approved by the Authority. During 2017 and 2016, the District expended \$3,191,958 and \$5,419,390 respectively in eligible reimbursable amounts. Payments of principal and interest, in the amount of 2.17%, are due February 1 and August 1 each year through 2034. In addition to principal and interest, the District will pay administrative loan servicing fees totaling \$1,395,113 over the term of the loan. Annual payment amounts for principal, interest, and administrative fees vary from \$477,124 to \$776,640 over the term of the loan. Prepayments of amounts owing is allowable, subject to various conditions as set forth in the loan agreement.

Pursuant to the loan agreement, the District is required to maintain an Operation Maintenance Reserve (the reserve) in an amount equal to three months of operating expenses of the District's water system, excluding depreciation, as set forth in the District's annual budget for the current fiscal year, but not greater than \$1,250,000. If the reserve falls below the required amount, the shortfall is payable in 24 equal monthly installments. As of December 31, 2017 and 2016, the required operating reserve was \$260,725 and \$264,700, respectively.

**December 11, 2015 Loan Agreement, \$2,500,000 – Colorado Water Resources and Power Development Authority**

The loan agreement, for a total principal amount of \$2,500,000, between the District and Colorado Water Resources and Power Development Authority (CWRPDA) was entered into for the purpose of additional financing of the construction and equipping of the new water treatment plant (the Project). The Project was completed in 2017. The Trustee (Wells Fargo Bank, N.A), as the agent of the Authority, will disburse the amounts on deposit in the Project Loan Subaccount to the District upon receipt of a requisition executed by an authorized officer of the

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2017 and 2016**

District and approved by the Authority. During 2017 and 2016, the District expended \$2,360,820 and \$0 respectively in eligible reimbursable amounts. Payments of principal (0% interest), are due May 1 and November 1 each year through 2035. Annual payment amounts for principal are \$125,000 over the term of the loan. Prepayments of amounts owing is allowable, subject to various conditions as set forth in the loan agreement.

Pursuant to the loan agreement, the District is required to establish rates, fees, and charges that pay the sum of; (a) amounts required to pay operation and maintenance expenses, (b) 110 % of the debt service due on any obligations secured by a lien on pledged revenues and District water system capital improvements, (c) amounts paid during the year into any debt service reserve account, on parity or subordinate to the loan agreement, (d) amounts necessary to pay and discharge all charges and liens or other indebtedness that is payable out of gross revenues.

**Debt maturities**

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

Year Ended December 31,	Principal	Interest	Total
2018	\$ 772,267	\$ 241,206	\$ 1,013,473
2019	752,497	230,688	983,185
2020	761,566	220,928	982,494
2021	771,775	211,216	982,991
2022	781,828	201,875	983,703
thereafter	10,286,105	1,376,797	11,662,902
	<u>\$ 14,126,038</u>	<u>\$ 2,482,710</u>	<u>\$ 16,608,748</u>

**Capital Leases**

The District entered into a Municipal Lease Purchase Agreement with Bank of the West on October 15, 2010 for the purpose of financing the acquisition of certain sanitary sewer equipment. The lease is payable in semi-annual installments on each April and October 15<sup>th</sup> commencing on April 15, 2013 and ending on October 15, 2017. The lease bears interest at 2.972%. The District may draw up to \$550,000 under the terms of the lease. As of December 31, 2016 and 2017, the District had drawn \$477,411. The lease may be prepaid in full with the following prepayment premiums added to the lease balance:

Months 1-12	not allowed
Months 13-36	3%
Months 37-60	2%
Months 61-84	0%

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2017 and 2016**

The District entered into a Municipal Lease Purchase Agreement with Bank of the West on August 10, 2012 for the purpose of financing the acquisition of certain equipment for the water treatment plant and the replacement of a pressure reducing station. The lease is payable in semi-annual installments on each April and October 15<sup>th</sup> commencing on October 15, 2013 and ending on April 15, 2018. The lease bears interest at 3.18%. The District may draw up to \$380,000 under the terms of the lease. As of December 31, 2016 and 2017, the District had drawn \$350,301. The lease may be prepaid in full with the following prepayment premiums added to the lease balance:

Months 1-12	not allowed
Months 13-36	3%
Months 37-60	2%
Months 61-84	0%

The District entered into a Lease Purchase Agreement with Genesee Water and Sanitation Building Authority (the Authority) on April 1, 2012 for the purpose of financing the construction of a new garage, maintenance, and office facility. The District has issued a Direct Purchase Lease Revenue Bond to a bank, and from the proceeds made a construction loan to the Authority, to a maximum of \$1,200,000, as part of the lease agreement. The lease is payable in monthly installments of \$6,971, after all construction loan draws are executed, through December 1, 2027, at which time a final payment of \$391,882 is due to the bank. The lease bears interest at 3.61%. The Authority has agreed to use the proceeds from the lease to repay the bond principal and interest to the bank. As of December 31, 2016 and 2017, the District had drawn, and lent to the Authority, \$1,200,000. The lease may be prepaid in full with the following prepayment premiums added to the lease balance:

Months 1-12	3%
Months 13-24	2%
Months 25-36	1%
Month 37 to maturity	0%

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2017 and 2016**

The future minimum lease obligations and the net present value of the above minimum lease payments as of December 31, 2017 are as follows:

<u>Year Ending December 31,</u>	
2018	\$ 114,080
2019	83,651
2020	83,651
2021	83,651
2022	83,651
Thereafter	746,307
Total minimum lease payments	<u>1,194,991</u>
Less: amount representing interest	<u>(232,388)</u>
Present value of minimum lease payments	962,603
Current portion	<u>(80,222)</u>
Long-term portion, including future draws	<u><u>\$ 882,381</u></u>

**Debt authorization**

At December 31, 2017, the District had no authorized but unissued indebtedness.

**Note 6 – Net Position**

The District has Net Position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, loans, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2017 and 2016, the District had invested in capital assets, net of related debt as follows:

	<u>2017</u>	<u>2016</u>
Capital assets, net	\$ 23,290,004	\$ 19,834,582
Current portion of long-term obligations	(772,267)	(876,559)
Long-term obligations	(13,353,771)	(14,126,589)
Unspent portion of loan proceeds	93,325	5,646,103
Net investment in capital assets	<u><u>\$ 9,257,291</u></u>	<u><u>\$ 10,477,537</u></u>

Restricted assets include Net Position that is restricted for use either externally imposed by creditors, net grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The purposes for the restrictions

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2017 and 2016**

of Net Position are described in Note 3. As of December 31, 2017 and 2016, the District had restricted Net Position as follows:

	2017	2016
Capital reserve	\$ 715,999	\$ 681,445
General reserve	101,851	50,688
Loan reserve	260,725	264,700
Emergency reserve	36,731	33,003
Restricted net position	\$ 1,115,306	\$ 1,029,836

As of December 31, 2017 and 2016, the District had unrestricted Net Position (deficit) of \$(284,940) and \$(1,290,896), respectively.

**Note 7 – District employees’ retirement plan**

The District participates in the Colorado County Officials and Employees Retirement Association Defined Contribution Plan (CCOERA). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees become participants immediately upon employment. Under this plan, ten percent of the employees’ compensation is withheld and remitted to the CCOERA along with a matching payment of ten percent from the District. The District’s contributions, plus earnings, related to employees of the District in place as of April 28, 2009, are 100% vested. As to employees hired after April 28, 2009, the District’s contributions, plus earnings, vest according to the following schedule:

By the end of the 1 <sup>st</sup> year:	0%
By the end of the 2 <sup>nd</sup> year:	25%
By the end of the 3 <sup>rd</sup> year:	50%
By the end of the 4 <sup>th</sup> year:	75%
By the end of the 5 <sup>th</sup> year:	100%

Plan provisions and contribution requirements are established and may be amended by CCOERA and would have to be approved by the District’s Board of Directors.

There is no liability for benefits under the plan beyond the District’s matching payments. Both the District and the participating employees made the required ten percent contributions for 2017 and 2016, amounting to \$84,344 (of which \$8,396 was from forfeitures) and \$75,808, respectively.

**Note 8 – Deferred compensation plan**

The District has two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The District contributes 2% of eligible employees’ salaries to the plan of

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2017 and 2016**

each employee's choice. One plan is sponsored by CCOERA and the other is sponsored by Nationwide Retirement Solutions. Participation in the plans is optional for all employees. The plans allow the employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergencies. The contributions totaled \$16,869 and \$15,161 for 2017 and 2016, respectively.

**Note 9 – Risk management**

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God. During 2017, The District maintained commercial insurance for all risks of loss.

During 2017, the District purchased an insurance policy with Plus Water Insurance Program. The District paid annual premiums for property, commercial crime, commercial general liability, public officials and management liability, business auto commercial excess liability and privacy 101. During 2017, the District was a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation coverage to its members. The District paid annual premiums to the Pool for workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula. Settled claims have not exceeded these coverages in any of the past three fiscal years.

**Note 10 - Tax, spending and debt limitations**

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

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's Board of Directors has adopted a resolution establishing an enterprise to operate its water and sanitation activities. The District's management believes its water and sanitation operations qualify for this exclusion.

TABOR requires local governments (not including enterprises) to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). The District established an emergency reserve of \$36,731 and \$33,003 as of December 31, 2017 and 2016, respectively.

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2017 and 2016**

The District's management believes, after consultation with legal counsel, it is in compliance with the provisions of TABOR. However, TABOR is complex and has been, and will continue to be, 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 further judicial interpretation.

**SUPPLEMENTAL INFORMATION**

**Genesee Water and Sanitation District**  
**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**

**For the Year Ended December 31, 2017**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>ENTERPRISE:</b>			
<b>REVENUE</b>			
Service fees	\$ 1,590,040	\$ 1,574,200	\$ (15,840)
Tap, water resource fees, inspection	500	-	(500)
Miscellaneous	-	141,659	141,659
Proceeds from sale of assets	-	1,400	1,400
<b>Total enterprise revenue</b>	<b>1,590,540</b>	<b>1,717,259</b>	<b>126,719</b>
<b>EXPENDITURES</b>			
Auto and travel	30,000	20,293	9,707
Chemicals and supplies	96,500	77,641	18,859
Contingency and miscellaneous	52,500	361	52,139
Director's fees	7,102	5,800	1,302
Ditch assessments	4,558	4,303	255
Dues and publications	14,780	14,433	347
Election expense	-	128	(128)
Insurance	46,000	49,792	(3,792)
Permits	6,730	5,346	1,384
Office supplies and expense	47,950	34,730	13,220
Professional fees	47,500	31,096	16,404
Rent	83,652	83,652	-
Repairs and maintenance	153,930	149,517	4,413
Salaries and benefits	1,036,473	977,563	58,910
Small tools and equipment	25,470	16,729	8,741
Telephone and communication	29,236	25,253	3,983
Testing and analysis	24,300	27,528	(3,228)
Transfer from government for administrative	(92,000)	(96,979)	4,979
Utilities	292,977	289,424	3,553
<b>Total enterprise expenditures</b>	<b>1,907,658</b>	<b>1,716,610</b>	<b>191,048</b>
<b>EXCESS (DEFICIT) OF ENTERPRISE REVENUE OVER (UNDER) ENTERPRISE EXPENDITURES</b>	<b>(317,118)</b>	<b>649</b>	<b>317,767</b>
<b>FUNDS AVAILABLE - BEGINNING OF YEAR - ENTERPRISE</b>	<b>207,442</b>	<b>358,861</b>	<b>151,419</b>
<b>FUNDS AVAILABLE - END OF YEAR - ENTERPRISE</b>	<b>\$ (109,676)</b>	<b>\$ 359,510</b>	<b>\$ 469,186</b>

(continued)

**Genesee Water and Sanitation District**  
**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**

(continued)

For the Year Ended December 31, 2017

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>ENTERPRISE CAPITAL OUTLAY RESERVE:</b>			
<b>REVENUE</b>			
Capital replacement fee	\$ 343,200	\$ 340,327	\$ (2,873)
Loan proceeds	1,978,447	1,440,800	(537,647)
Investment revenue	60	-	(60)
<b>Total enterprise capital outlay reserve revenue</b>	<u>2,321,707</u>	<u>1,781,127</u>	<u>(540,580)</u>
<b>EXPENDITURES</b>			
Capital outlay:			
Wastewater system	137,000	35,027	101,973
Water system	2,299,500	390,378	1,909,122
Vehicles and equipment	26,400	24,026	2,374
In house labor - capital projects	43,050	95,595	(52,545)
Treasurer's fees	3,333	3,308	25
Loan principal	125,000	125,000	-
<b>Total enterprise capital outlay reserve expenditures</b>	<u>2,634,283</u>	<u>673,334</u>	<u>1,960,949</u>
<b>EXCESS (DEFICIT) OF ENTERPRISE CAPITAL OUTLAY RESERVE REVENUE OVER (UNDER) ENTERPRISE CAPITAL OUTLAY RESERVE EXPENDITURES</b>			
	<u>(312,576)</u>	<u>1,107,793</u>	<u>1,420,369</u>
<b>FUNDS AVAILABLE - BEGINNING OF YEAR ENTERPRISE CAPITAL OUTLAY RESERVE</b>			
	<u>436,994</u>	<u>421,319</u>	<u>(15,675)</u>
<b>FUNDS AVAILABLE - END OF YEAR - ENTERPRISE CAPITAL OUTLAY RESERVE</b>			
	<u>\$ 124,418</u>	<u>\$ 1,529,112</u>	<u>\$ 1,404,694</u>

(continued)

**Genesee Water and Sanitation District**  
**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
(continued)  
**For the Year Ended December 31, 2017**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>GENERAL GOVERNMENT:</b>			
<b>REVENUE</b>			
Property Taxes Series 2015 State Revolving Fund Loan CWRPDA	\$ 475,375	\$ 475,375	\$ -
Property Taxes - Series 2014 GO Refunding and Improvement Loan	295,111	295,111	-
Property taxes - capital replacements	222,186	215,272	(6,914)
Series 2015 State Revolving Fund loan proceeds	4,824,303	4,172,323	(651,980)
Specific ownership taxes	92,000	96,979	4,979
<b>Total general government revenue</b>	<b>5,908,975</b>	<b>5,255,060</b>	<b>(653,915)</b>
<b>EXPENDITURES</b>			
Principal and interest on notes and capital leases	923,122	921,933	1,189
Capital construction	4,794,815	4,172,323	622,492
Loan servicing and fees	11,634	11,475	159
General administration	92,000	96,979	(4,979)
<b>Total general government expenditures</b>	<b>5,821,571</b>	<b>5,202,710</b>	<b>618,861</b>
<b>EXCESS (DEFICIT) OF GENERAL GOVERNMENT REVENUE OVER (UNDER) GENERAL GOVERNMENT EXPENDITURES (1)</b>			
	87,404	52,350	(35,054)
<b>FUNDS AVAILABLE - BEGINNING OF YEAR - GENERAL GOVERNMENT</b>			
	143,023	78,582	(64,441)
<b>FUNDS AVAILABLE - END OF YEAR - GENERAL GOVERNMENT</b>			
	\$ 230,427	\$ 130,932	\$ (99,495)
<b>BUILDING AUTHORITY:</b>			
<b>REVENUE</b>			
Rental income	\$ 83,652	\$ 83,652	\$ -
<b>Total building authority revenue</b>	83,652	83,652	-
<b>EXPENDITURES</b>			
Loan repayment to District	83,652	83,652	-
<b>Total building authority expenditures</b>	83,652	83,652	-
<b>EXCESS (DEFICIT) OF BUILDING AUTHORITY REVENUE OVER (UNDER) BUILDING AUTHORITY EXPENDITURES</b>			
	-	-	-
<b>FUNDS AVAILABLE - BEGINNING OF YEAR - BUILDING AUTHORITY</b>			
	-	-	-
<b>FUNDS AVAILABLE - END OF YEAR - BUILDING AUTHORITY</b>			
	\$ -	\$ -	\$ -
<b>TOTAL DISTRICT REVENUE</b>			
		8,837,098	
Less Interdistrict revenue		(83,652)	
<b>District revenue</b>	9,904,874	8,753,446	(1,151,428)
<b>TOTAL DISTRICT EXPENDITURES</b>			
		7,676,306	
Less Interdistrict expenses		(83,652)	
<b>District expenses</b>	10,447,164	7,592,654	2,854,510
<b>FUNDS AVAILABLE - BEGINNING OF YEAR</b>			
	787,459	858,762	71,303
<b>FUNDS AVAILABLE - END OF YEAR</b>			
	\$ 245,169	\$ 2,019,554	\$ 1,774,385

(1) The Excess of General Government revenue over expenditures resulted from tax collected for capital replacement projects and is carried over as a capital reserve.

**Genesee Water and Sanitation District**  
**RECONCILIATION OF ACTUAL (BUDGETARY BASIS) TO STATEMENT**  
**OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Year Ended December 31, 2017**

<b>REVENUE (BUDGETARY BASIS)</b>	\$ 8,753,446
Less:	
Loan proceeds	(5,613,124)
	<u>3,140,322</u>
 <b>EXPENDITURES (BUDGETARY BASIS)</b>	 7,592,654
Add:	
Depreciation	1,261,929
General leave	9,020
Less:	
Bond principal	(684,813)
Capital lease principal	(192,298)
Capital outlay	(4,717,350)
	<u>3,269,142</u>
 <b>CHANGE IN NET POSITION PER STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION</b>	 \$ (128,820)

**Genesee Water and Sanitation District**  
**FIVE-YEAR SUMMARY OF ASSESSED VALUATION, MILL LEVY**  
**AND PROPERTY TAXES COLLECTED**

**December 31, 2017**

<b>Year Ended December 31,</b>	<b>for Current Year Property Tax Levy</b>	<b>Mills Levied</b>	<b>Property Taxes</b>		<b>Percent Collected to Levied</b>
			<b>Levied</b>	<b>Collected</b>	
2013	69,086,297	17.808	1,230,282	1,220,165	99.2%
2014	65,725,355	18.597	1,222,300	1,224,850	100.2%
2015	66,031,379	16.563	1,093,708	1,083,501	99.1%
2016	74,411,768	13.706	1,019,888	1,018,330	99.8%
2017	74,050,796	13.405	992,650	985,758	99.3%

Estimated for the  
year ending  
December 31, 2018      \$ 79,248,787      12.918      \$ 1,023,735

**NOTE:**

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.

**GENESEE WATER & SANITATION DISTRICT  
JEFFERSON COUNTY, COLORADO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Colorado Water Resources & Power Development Authority Drinking Water Revolving Fund	66.468	N/A	\$1,420,331

**GENESEE WATER & SANITATION DISTRICT  
JEFFERSON COUNTY, COLORADO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Genesee Water & Sanitation District under programs of the federal government for the year ended December 31, 2017. The information in the Schedule is presented in accordance with the requirements of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200 (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Genesee Water & Sanitation District, it is not intended to and does not present the financial position, changes in net position or cash flows of Genesee Water & Sanitation District.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Rewards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.



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

To the Board of Directors  
Genesee Water and Sanitation District  
Jefferson County, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Genesee Water and Sanitation District, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 2, 2018.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Fiscal Focus Partners, LLC*

Lakewood, Colorado  
July 2, 2018



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors  
Genesee Water and Sanitation District  
Jefferson County, Colorado

**Report on Compliance for Each Major Federal Program**

We have audited the Genesee Water and Sanitation District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, the Genesee Water and Sanitation District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

**Report on Internal Control over Compliance**

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

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

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

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

*Fiscal Focus Partners, LLC*

Lakewood, Colorado  
July 2, 2018

**Genesee Water and Sanitation District**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2017**

**Section I - Summary of Auditor's Results**

Financial Statements

1. An unqualified opinion was issued on District's basic financial statements.
2. Internal control over financial reporting
  - a) Material weaknesses identified?                     Yes      No
  - b) Significant deficiencies identified?                 Yes      No
3. Noncompliance material to financial statements noted?                     Yes      No

Federal Awards

1. Internal control over major programs:
  - a) Material weaknesses identified?                     Yes      No
  - b) Significant deficiencies identified that are not considered to be material weaknesses?                 Yes      No
2. An unqualified opinion was issued on compliance for the major federal award programs for District.
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?                     Yes      No
4. Identification of Major programs:
  - a) CFDA 66.468            EPA-Capitalization Grants for Drinking Water State Revolving Funds
5. Dollar threshold used to distinguish between type A and type B programs: \$750,000
  - a) Does the Auditee qualify as a low risk auditee?                     Yes      No