

PLEASANT VIEW WATER AND SANITATION DISTRICT
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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July 10, 2018

**PLEASANT VIEW WATER AND SANITATION DISTRICT
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Pleasant View Water and Sanitation District
Jefferson County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Pleasant View Water and Sanitation District, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

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

Other Information

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

The accompanying 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Greenwood Village, Colorado
June 7, 2018

BASIC FINANCIAL STATEMENTS

**PLEASANT VIEW WATER AND SANITATION DISTRICT
BALANCE SHEETS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents - Unrestricted	\$ 2,963,954	\$ 2,248,309
Investments - Unrestricted	400,000	600,018
Investments - Restricted	149,000	149,000
Receivables:		
Property Taxes	133,693	113,233
Service	601,335	656,881
Prepaid Insurance	11,541	11,541
Total Current Assets	<u>4,259,523</u>	<u>3,778,982</u>
CAPITAL ASSETS		
Land	76,200	76,200
Water Wells	152,120	152,120
Sewer System	4,777,534	4,764,506
Building and Improvements	234,622	234,622
Vehicles and Equipment	74,199	74,199
	<u>5,314,675</u>	<u>5,301,647</u>
Less Accumulated Depreciation	2,159,866	2,057,508
Total Capital Assets	<u>3,154,809</u>	<u>3,244,139</u>
OTHER ASSETS		
Investment in Consolidated Mutual Water Company	5,980,205	5,958,705
Total Other Assets	<u>5,980,205</u>	<u>5,958,705</u>
 Total Assets	 <u><u>\$ 13,394,537</u></u>	 <u><u>\$ 12,981,826</u></u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	\$ 183,703	\$ 175,175
Accrued Interest Payable	1,600	1,913
Current Portion of Long-Term Debt	155,556	156,642
Total Current Liabilities	<u>340,859</u>	<u>333,730</u>
LONG-TERM LIABILITIES		
Bonds Payable	498,638	654,194
Total Liabilities	<u>839,497</u>	<u>987,924</u>
DEFERRED INFLOWS OF RESOURCES		
Property Tax Revenue	133,693	113,233
NET POSITION		
Net Investment in Capital Assets	2,500,615	2,433,303
Restricted:		
Debt Service	149,000	149,000
Unrestricted	9,771,732	9,298,366
Total Net Position	<u><u>12,421,347</u></u>	<u><u>11,880,669</u></u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>\$ 13,394,537</u></u>	<u><u>\$ 12,981,826</u></u>

See accompanying Notes to Financial Statements.

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

	2017	2016
INCOME FROM OPERATIONS		
Water Operations:		
Service Fees and Surcharge	\$ 1,224,907	\$ 1,269,723
Direct Water Expenses:		
Water Purchased	1,210,057	1,250,567
Water Association Dues	2,218	3,093
	<u>1,212,275</u>	<u>1,253,660</u>
Gross Income from Water Operations	12,632	16,063
Sewer Operations:		
Service Fees	<u>1,633,060</u>	<u>1,614,374</u>
Direct Sewer Expenses:		
Sewage Treatment Fees	783,351	972,409
Repair and Maintenance	58,291	69,766
Depreciation	89,389	90,685
	<u>931,031</u>	<u>1,132,860</u>
Gross Income from Sewer Operations	<u>702,029</u>	<u>481,514</u>
GROSS INCOME FROM OPERATIONS	<u>714,661</u>	<u>497,577</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting and Audit	17,595	16,428
Legal	8,353	5,963
Directors' Fees	5,900	5,300
Utilities	1,750	1,993
Administration Building Operations	50,787	28,360
Depreciation	12,969	14,891
Engineering	-	488
Repair and Maintenance	380	1,549
Salaries and Benefits	215,595	244,240
Seminars and Meetings	4,296	3,484
Office	16,949	14,197
Insurance	12,494	16,619
Miscellaneous	25,464	19,104
Total General and Administrative Expenses	<u>372,532</u>	<u>372,616</u>
NET INCOME (LOSS) FROM OPERATIONS	<u>342,129</u>	<u>124,961</u>
NONOPERATING REVENUE AND (EXPENSE)		
Net Investment Income	10,453	6,044
Property Taxes	113,198	112,056
Specific Ownership Taxes	10,980	9,107
Miscellaneous Income	19,065	12,184
Interest Expense	(15,995)	(18,661)
Total Nonoperating Revenue	<u>137,701</u>	<u>120,730</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	<u>479,830</u>	<u>245,691</u>
CAPITAL CONTRIBUTIONS		
Tap Fees	47,820	84,400
Contributed Lines	13,028	-
Total Capital Contributions	<u>60,848</u>	<u>84,400</u>
CHANGE IN NET POSITION	<u>540,678</u>	<u>330,091</u>
Net Position - Beginning of Year	11,880,669	11,550,578
NET POSITION - END OF YEAR	<u><u>\$ 12,421,347</u></u>	<u><u>\$ 11,880,669</u></u>

See accompanying Notes to Financial Statements.

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

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 2,913,513	\$ 2,787,108
Cash Paid to Employees	(215,595)	(244,240)
Cash Payments to Suppliers for Goods and Services	(2,189,357)	(2,421,018)
Net Cash Provided by Operating Activities	<u>508,561</u>	<u>121,850</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property and Specific Ownership Taxes Received	124,178	121,163
Miscellaneous Income	19,065	12,184
Net Cash Provided by Noncapital Financing Activities	<u>143,243</u>	<u>133,347</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Paid on Revenue Bonds	(150,000)	(150,000)
Interest Paid on Revenue Bonds	(22,950)	(26,700)
Contributed Capital - Tap Fees	47,820	84,400
Increase in Investment in Consolidated Mutual Water Company	(21,500)	(64,500)
Net Cash Used by Capital and Related Financing Activities	<u>(146,630)</u>	<u>(156,800)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(400,000)	(600,018)
Sales of Investments	600,018	600,018
Net Investment Income Received	10,453	6,044
Net Cash Provided by Investing Activities	<u>210,471</u>	<u>6,044</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	715,645	104,441
Cash and Cash Equivalents - Beginning of Year	<u>2,248,309</u>	<u>2,143,868</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 2,963,954</u></u>	<u><u>\$ 2,248,309</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Income from Operations	\$ 342,129	\$ 124,961
Adjustments to Reconcile Income from Operations to Net Cash Provided by Operating Activities:		
Depreciation	102,358	105,576
Effect of Changes in Operating Assets and Liabilities:		
Service Receivables	55,546	(96,989)
Accounts Payable	8,528	(11,698)
Net Cash Provided by Operating Activities	<u><u>\$ 508,561</u></u>	<u><u>\$ 121,850</u></u>

See accompanying Notes to Financial Statements.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Definition of Reporting Entity

Pleasant View Water and Sanitation District (District), a quasi-municipal corporation is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Jefferson County, Colorado. The District was established to provide water and sewer service to property 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.

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

Accounting Policies

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

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

Basis of Accounting

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

Operating Revenues and Expenses

The District distinguishes between operating revenues and expenses and nonoperating items in the statements of revenues, expenses, and changes in fund 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 sewer services to its customers.

Operating revenues consist of charges to customers for service provided. Operating expenses include the cost of service, administrative expenses and depreciation of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 notice. The total appropriation can only be amended upon completion of notification and publication requirements.

Capital Assets

Capital assets include land, water wells, sewer system, buildings and improvements as well as vehicles and equipment. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost value at the date of donation.

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 capital assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Sewer System	50 Years
Buildings and Improvements	10 – 40 Years
Vehicles and Equipment	5 – 7 Years

Capitalized Interest

Interest incurred on outstanding bonds during construction is reflected in the capitalized value of the asset constructed, net of investment earnings on invested bond proceeds.

Property Taxes

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

An employee earns vacation based on the number of years worked for the District. The District's vacation policy permits the carryover of 160 hours of vacation time from one year to the next. The District's sick leave policy permits the employee to accumulate one hour of sick leave for every 20 hours worked. The District's sick leave policy permits the carry over of 192 hours maximum in a two-year period. Vacation amounts carried over are not material. Employees are not paid for unused sick days upon termination of employment.

Cash Equivalents

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Contributions

Lines

Lines contributed to the District by developers are recorded as capital contributions and an addition to the sewer system at the developer's cost, which is equivalent to acquisition cost value.

Tap Fees

Tap fees are recorded as capital contributions when the permit is sold.

NOTE 2 CASH AND INVESTMENTS

Cash and investments are reflected on the balance sheets as follows at December 31:

	2017	2016
Cash and Cash Equivalents - Unrestricted	\$ 2,963,954	\$ 2,248,309
Investments - Unrestricted	400,000	600,018
Investments - Restricted	149,000	149,000
Total Investments	<u>549,000</u>	<u>749,018</u>
Total Cash and Investments	<u>\$ 3,512,954</u>	<u>\$ 2,997,327</u>

The District's cash and investments consisted of the following at December 31:

	2017	2017
Cash on Hand	\$ 200	\$ 200
Deposits with Financial Institutions	2,857,159	2,946,594
Investments	655,595	50,533
Total Cash and Investments	<u>\$ 3,512,954</u>	<u>\$ 2,997,327</u>

Deposits

The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized.

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

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Deposits (Continued)

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

The State Regulatory 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.

At December 31, 2017 and 2016, the District's cash deposits had a carrying balance of \$2,857,159 and \$2,946,594, respectively, including \$549,000 and \$749,018 of certificates of deposits, respectively.

Investments

Credit Risk

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

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

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

The District generally limits its concentration of investments to local government investment 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 investment custodial credit risk disclosure for these investments.

The local government investment pools, which include Colorado Surplus Asset Fund Trust (CSAFE) and Colorado Local Government Liquid Asset Trust (COLOTRUST) are rated AAAM by Standard & Poor's.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the board of directors. Corporate and bank securities and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

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

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

Interest Rate Risk (Continued)

The District owned the following investments as of December 31:

<u>Type of Investment</u>	<u>Remaining Maturity</u>	<u>2017</u>	<u>2016</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Less than One Year	\$ 328,250	\$ 25,377
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Less than One Year	327,345	25,156
Total		<u>\$ 655,595</u>	<u>\$ 50,533</u>

CSAFE

At December 31, 2017 and 2016, the District had \$328,250 and \$25,377, respectively, invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by State statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing CSAFE. CSAFE is similar to a money market fund, with each share valued at \$1.00. CSAFE records its investments at amortized cost and the District records its investment in CSAFE using the amortized cost method.

COLOTRUST

At December 31, 2017 and 2016 the District had invested \$327,345 and \$25,156, respectively, in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities 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 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 C.R.S. 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. The Trust records its investments at fair value and the District records its investment in the Trust 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

Bond Reserves

The bond indenture relating to the Enterprise Revenue Refunding Bonds, Series 2012 requires the District to maintain a reserve account in an amount as defined in the bond indenture. The amount reserved as of December 31, 2017 and 2016 was \$149,000.

PLEASANT VIEW WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 3 CAPITAL ASSETS

Capital asset activity was as follows for the years ended December 31:

	Balance January 1, 2017	Additions	Retirements	Balance December 31, 2017
Capital Assets, Not Being Depreciated				
Land	\$ 76,200	\$ -	\$ -	\$ 76,200
Water Wells	152,120	-	-	152,120
Total Capital Assets, Not Being Depreciated	228,320	-	-	228,320
Capital Assets, Being Depreciated				
Sewer System	4,764,506	13,028	-	4,777,534
Buildings and Improvements	234,622	-	-	234,622
Vehicles and Equipment	74,199	-	-	74,199
Total Capital Assets, Being Depreciated	5,073,327	13,028	-	5,086,355
Less Accumulated Depreciation for:				
Sewer System	1,915,793	89,389	-	2,005,182
Buildings and Improvements	78,223	5,784	-	84,007
Vehicles and Equipment	63,492	7,185	-	70,677
Total Accumulated Depreciation	2,057,508	102,358	-	2,159,866
Total Capital Assets, Being Depreciated, Net	3,015,819	(89,330)	-	2,926,489
Total Capital Assets, Net	<u>\$ 3,244,139</u>	<u>\$ (89,330)</u>	<u>\$ -</u>	<u>\$ 3,154,809</u>
	Balance January 1, 2016	Additions	Retirements	Balance December 31, 2016
Capital Assets, Not Being Depreciated				
Land	\$ 76,200	\$ -	\$ -	\$ 76,200
Water Wells	152,120	-	-	152,120
Total Capital Assets, Not Being Depreciated	228,320	-	-	228,320
Capital Assets, Being Depreciated				
Sewer System	4,764,506	-	-	4,764,506
Buildings and Improvements	234,622	-	-	234,622
Vehicles and Equipment	74,199	-	-	74,199
Total Capital Assets, Being Depreciated	5,073,327	-	-	5,073,327
Less Accumulated Depreciation for:				
Sewer System	1,825,108	90,685	-	1,915,793
Buildings and Improvements	72,439	5,784	-	78,223
Vehicles and Equipment	54,385	9,107	-	63,492
Total Accumulated Depreciation	1,951,932	105,576	-	2,057,508
Total Capital Assets, Being Depreciated, Net	3,121,395	(105,576)	-	3,015,819
Total Capital Assets, Net	<u>\$ 3,349,715</u>	<u>\$ (105,576)</u>	<u>\$ -</u>	<u>\$ 3,244,139</u>

Depreciation expense was charged to the following operations for the years ended December 31:

	2017	2016
Sewer Operations	\$ 89,389	\$ 90,685
General and Administrative	12,969	14,891
Total	<u>\$ 102,358</u>	<u>\$ 105,576</u>

PLEASANT VIEW WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 4 LONG-TERM OBLIGATIONS

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

	Balance at January 1, 2017	New Issues	Refunding/ Retirements	Balance at December 31, 2017	Due Within One Year
Enterprise Revenue Bonds, Series 2012	\$ 790,000	\$ -	\$ (150,000)	\$ 640,000	\$ 150,000
Bond Premium	20,836	-	(6,642)	14,194	5,556
Total Long-Term Debt	810,836	<u>\$ -</u>	<u>\$ (156,642)</u>	654,194	155,556
Less Current Portion	156,642			155,556	-
Long-Term Portion	<u>\$ 654,194</u>			<u>\$ 498,638</u>	<u>\$ 155,556</u>

	Balance at January 1, 2016	New Issues	Refunding/ Retirements	Balance at December 31, 2016	Due Within One Year
Enterprise Revenue Bonds, Series 2012	\$ 940,000	\$ -	\$ (150,000)	\$ 790,000	\$ 150,000
Bond Premium	28,563	-	(7,727)	20,836	6,642
Total Long-Term Debt	968,563	<u>\$ -</u>	<u>\$ (157,727)</u>	810,836	156,642
Less Current Portion	157,727			156,642	-
Long-Term Portion	<u>\$ 810,836</u>			<u>\$ 654,194</u>	<u>\$ 156,642</u>

The details of the District's long-term obligations are as follows:

\$1,490,000 Enterprise Revenue Refunding Bonds, Series 2012, dated June 28, 2012, with interest of 2.00% to 3.00%, consisting of serial bonds due annually through 2021. The bonds are not subject to redemption prior to maturity. The bond resolutions contain various restrictive covenants, including restricted cash and rate covenants. The District has established the required reserves in accordance with the bond resolutions (see Note 2). At December 31, 2017 and 2016, management believes the District was in compliance with these covenants.

The District's long-term obligations will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 150,000	\$ 19,200	\$ 169,200
2019	155,000	14,700	169,700
2020	165,000	10,050	175,050
2021	170,000	5,100	175,100
Total	<u>\$ 640,000</u>	<u>\$ 49,050</u>	<u>\$ 689,050</u>

PLEASANT VIEW WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 5 RISK MANAGEMENT

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

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

The District pays annual premiums to the Pool for liability, property, workers compensation and public official's liability. 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.

NOTE 6 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 after one year of employment. Under this plan, 5% of the employees' compensation is withheld and remitted to the CCOERA along with a matching payment of 5% from the District. The District's contributions, plus earnings, become vested at a rate of 20% for each year of participation in the plan. Nonvested District contributions for employees who leave employment before five years of participation are used to reduce the District's current period contribution requirement. 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 5% contributions for 2017 and 2016. The District's and employees contributions to the plan for the years ended December 31, 2017 and 2016 were as follows:

<u>Year Ending December 31,</u>	<u>District</u>	<u>Employees</u>
2016	\$ 8,921	\$ 8,921
2017	8,068	8,068

NOTE 7 DEFERRED COMPENSATION PLAN

The District has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is also administered by CCOERA. Participation in the plan is optional for all employees. The plan allows the employees to defer a portion of their salary until future years.

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

NOTE 8 CONSOLIDATED MUTUAL WATER COMPANY AGREEMENT

On December 16, 1986, the District entered into a water service agreement with the Consolidated Mutual Water Company (Company), a mutual corporation. Under the terms of the agreement, the District was required to purchase shares of the Company's stock by paying cash to the Company and by transferring title to all of the District's water assets, including certain required improvements to the water system, to the Company. In return, the Company is required to provide sufficient and dependable water supply and service to the District's service area until such time as the agreement is terminated by mutual agreement of the District and the Company. The District pays the Company for water used at the Company's regular rates, which totaled \$1,210,057 and \$1,250,567 during 2017 and 2016, respectively. The District bills the customers for water used. The District has no responsibility for maintenance or replacement costs under the agreement.

As of December 31, 2017, the District owns 8,755 shares of the Company's outstanding stock, which is approximately 5.99% of the total shares outstanding. The investment has been recorded using the cost method.

A summary of the most recent available audited financial information for the Company as of and for the year ended January 31, 2018 is as follows:

Assets	<u>\$ 191,922,872</u>
Stockholders' Equity	\$ 138,201,576
Contributions in Aid of Construction	48,063,587
Liabilities	<u>5,657,709</u>
	<u>\$ 191,922,872</u>
Operating Revenue	\$ 22,552,376
Operating Costs	<u>(23,032,591)</u>
Income from Operations	(480,215)
Other Income	<u>236,297</u>
Net Income	(243,918)
Other Comprehensive Income	<u>336,812</u>
Comprehensive Income	<u>\$ 92,894</u>

NOTE 9 SEWER SERVICE CONTRACT

The District has an agreement with Metropolitan Wastewater Reclamation District (Metro) for sewage treatment and disposal. The District pays Metro for sewage treatment fees and the District bills the users for sewer service. The District is responsible for the maintenance and future construction costs of all sewer lines and retains title to all sewer lines in the District. The standard service agreement with Metro provides for annual charges to be assessed by formula against the District on an estimated basis. Adjustments to the estimated charge for metered flows and actual costs are billed and payable or credited during the two succeeding years. Metro assesses tap fees against the District for connections to the system.

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

NOTE 9 SEWER SERVICE CONTRACT (CONTINUED)

The composition of the charges for 2017 and 2016 are as follows:

	2017	2016
Estimate for Current Year	\$ 888,658	\$ 937,297
Adjustment of Second Preceding Year Estimate to Actual Finding	(51,999)	42,728
Preliminary Adjustment of Preceding Year Estimate	(53,308)	(7,616)
Total Annual Charges	<u>\$ 783,351</u>	<u>\$ 972,409</u>

The 2018 sewer treatment estimate is \$935,352. The total annual charge is expected to be \$970,162, which includes an unfavorable 2017 preliminary final adjustment of \$24,533 and an unfavorable 2016 adjustment of \$10,277.

NOTE 10 TAX, SPENDING, AND DEBT LIMITATIONS

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

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

Spending and revenue limits are determined based on the prior year's 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. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

On May 2, 2000, a majority of the District's voters authorized the District to collect, retain and spend all revenue from all sources, including property taxes collected from the District's existing property tax rate of .552 mills, commencing January 1, 2000 and continuing thereafter, without regard to any limitations under TABOR or the limitation on property taxes under Section 29-1-301, C.R.S.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualification as an Enterprise will require judicial interpretation.

PLEASANT VIEW WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 11 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 and loans that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2017 and 2016, the District had net investment in capital assets, calculated as follows:

	<u>2017</u>	<u>2016</u>
Invested in Capital Assets, Net of Related Debt:		
Capital Assets - Net of Accumulated Depreciation	\$ 3,154,809	\$ 3,244,139
Current Portion of Long-Term Obligations	(155,556)	(156,642)
Bonds Payable	(498,638)	(654,194)
Total	<u>\$ 2,500,615</u>	<u>\$ 2,433,303</u>

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

	<u>2017</u>	<u>2016</u>
Restricted:		
Debt Service	<u>\$ 149,000</u>	<u>\$ 149,000</u>

Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted.

NOTE 12 SUBSEQUENT EVENTS

During 2017 the District Board exercised its option to transfer all stock in Consolidated Mutual Water Company (Company) back to the Company. The purpose of this transfer was related to Colorado Revised Statute (C.R.S) 11.39 which requires public water utilities to perform enhanced backflow prevention and cross-connection control compliance testing and reporting. The District did not believe it possessed the capabilities to comply with CRS 11.39 and therefore the transfer of these requirements to the Company was necessary.

The District completed the transfer of all stock to the Company during February 2018 with the exception of 100 shares. The District's final water billing occurred during February 2018.

The effect on the District's financial statements will be a reduction in other assets of \$5,973,205 as well as a related reduction in net position of the same amount. In addition, there will be a reduction in income and related expenses from water operations starting in 2018. The District will no longer receive tap fees related to water taps purchased and will no longer purchase stock in the Company.

SUPPLEMENTARY INFORMATION

PLEASANT VIEW WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2017

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUE			
Property Taxes	\$ 113,100	\$ 113,198	\$ 98
Specific Ownership Taxes	8,800	10,980	2,180
Net Investment Income	6,200	10,453	4,253
Miscellaneous	5,000	6,422	1,422
Water Service Charges	880,000	900,199	20,199
Water Delivery Charges	324,000	324,708	708
Fire Lines	11,500	12,643	1,143
Water Taps	14,000	1,000	(13,000)
Consolidated Mutual Water Company Stock	301,000	21,500	(279,500)
Sewer Service Charges	1,578,000	1,633,060	55,060
Metro Denver Sewage Tap Surcharge	67,520	33,760	(33,760)
Sewer Taps	67,520	25,320	(42,200)
Total Revenues	<u>3,376,640</u>	<u>3,093,243</u>	<u>(283,397)</u>
EXPENDITURES	<u>3,134,000</u>	<u>2,641,377</u>	<u>492,623</u>
REVENUES OVER (UNDER) EXPENDITURES	242,640	451,866	209,226
Funds Available - Beginning of Year	<u>3,441,822</u>	<u>3,488,661</u>	<u>46,839</u>
FUNDS AVAILABLE - END OF YEAR	<u><u>\$ 3,684,462</u></u>	<u><u>\$ 3,940,527</u></u>	<u><u>\$ 256,065</u></u>
Funds Available at December 31, 2017 is Computed as Follows:			
Current Assets		\$ 4,259,523	
Current Liabilities and Deferred Inflows		(474,552)	
Current Portion of Long-Term Obligations		155,556	
Total		<u><u>\$ 3,940,527</u></u>	

**PLEASANT VIEW WATER AND SANITATION DISTRICT
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
(BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2017**

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
County Treasurer's Collection Fees	\$ 1,700	\$ 1,698	\$ 2
Accounting and Audit	18,000	17,595	405
Directors' Fees	7,000	5,900	1,100
Seminars and Meetings	6,000	4,296	1,704
Legal	26,000	8,339	17,661
Legal Publications and Election	-	14	(14)
Office	12,000	13,526	(1,526)
Fire Lines	11,500	12,740	(1,240)
Miscellaneous	5,000	3,868	1,132
Auto and Truck Expense	7,000	5,412	1,588
Dues	4,000	2,218	1,782
Telephone	2,800	1,750	1,050
Salaries	176,000	161,370	14,630
Health Insurance	50,000	32,969	17,031
Unemployment Insurance	1,100	867	233
Payroll Taxes	13,464	12,321	1,143
Retirement Plan	8,800	8,068	732
Insurance	17,000	12,494	4,506
Computer Expenses	3,000	1,471	1,529
Engineering	10,000	-	10,000
Repairs and Maintenance - Sewer	175,000	58,291	116,709
Repairs and Maintenance - Other	-	380	(380)
Administration Building Operations	40,000	50,787	(10,787)
Water Purchased	1,180,000	1,210,057	(30,057)
Sewage Treatment Fees	783,351	783,351	-
Metro Denver Sewage Tap Surcharge	67,520	33,760	33,760
Consolidated Mutual Water Company Stock	301,000	21,500	279,500
Capital Outlay - Sewer	10,000	-	10,000
Interest Expense	22,638	22,637	1
Bond Principal	150,000	150,000	-
Paying Agent Fee	275	275	-
Bank Charges	3,000	3,423	(423)
Contingency	20,852	-	20,852
Total Expenditures (Page 19)	<u>\$ 3,134,000</u>	<u>\$ 2,641,377</u>	<u>\$ 492,623</u>

**PLEASANT VIEW WATER AND SANITATION DISTRICT
RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO STATEMENT OF
REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEAR ENDED DECEMBER 31, 2017**

Revenue (Budgetary Basis)	\$ 3,093,243
Contributed Lines	13,028
Metro Denver Sewage Tap Surcharge	<u>(33,760)</u>
Total Revenue Per Statement of Revenues,	
Expenses and Changes in Fund Net Position	3,072,511
 Expenditures (Budgetary Basis)	 2,641,377
Depreciation	102,358
Bond Principal	(150,000)
Amortization of Bond Premium	(6,642)
Metro Denver Sewage Tap Surcharge	(33,760)
Consolidated Mutual Water Company Stock	<u>(21,500)</u>
Total Expenses Per Statement of Revenues,	
Expenses and Changes in Fund Net Position	<u>2,531,833</u>
 Change in Net Position Per Statement of Revenues,	
Expenses and Changes in Fund Net Position	<u><u>\$ 540,678</u></u>

**PLEASANT VIEW WATER AND SANITATION DISTRICT
FIVE YEAR SUMMARY OF ASSESSED VALUATION, MILL LEVY,
AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2017**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Total Mills Levied	Total Property Tax		Percent Collected to Levied
			Levied	Collected	
2013	\$ 177,712,387	0.552	\$ 98,097	\$ 97,595	99.49%
2014	184,350,093	0.552	101,761	101,662	99.90%
2015	186,231,552	0.552	102,800	102,545	99.75%
2016	206,531,542	0.552	114,005	112,259	98.47%
2017	205,132,808	0.552	113,233	113,198	99.97%
Estimated for Year Ending December 31, 2018	\$ 242,196,574	0.552	133,693		

NOTE:

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