

**ROXBOROUGH WATER AND
SANITATION DISTRICT
FINANCIAL STATEMENTS
December 31, 2017**

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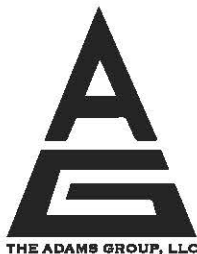
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July 20, 2018

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Roxborough Water and Sanitation District
Littleton, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Roxborough Water and Sanitation District (District), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Roxborough Water and Sanitation 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Roxborough Water and Sanitation District, as of December 31, 2017, and the respective changes in financial position and, where applicable, 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 and budgetary comparison information on pages iii through ix and 24 to 26 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 individual major fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual major fund schedules 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Adorno Group, LLC

June 13, 2018
Denver, Colorado

Management's Discussion and Analysis

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

Financial Highlights

- Assets exceeded liabilities by \$92,767,721 at the close of the fiscal year.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$5,652,906.
- Total net position increased by \$7,240,313.
- Total cash and investments decreased by \$7,050,620 as compared to the prior year.
- General fund expenditures increase by \$ 106,868 as compared to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$754,364 or 178.13% of total general fund expenditures.
- The district repaid \$3,761,405 of long term debt during the year ended 12/31/17. The district anticipates repayment of an additional \$1,164,438 of long term debt in 2018.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the District that are principally to be supported by ad valorem taxes (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include the financing, construction of, and maintenance of public infrastructure improvements constructed or acquired by the District. The business-type activities of the District include water and sewer facilities construction, maintenance and operations.

The government-wide financial statements can be found on pages 1-3 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories – Governmental Funds and Proprietary Funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The governmental funds use the modified accrual basis of accounting.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for each of the funds - general fund, debt service fund, capital projects fund, and plum valley heights fund - all of which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 4-6 of this report.

Proprietary Funds. The District maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses enterprise funds to account for its water and sewer operations. These services are reported as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations, which are considered to be major funds of the District.

The proprietary fund financial statements can be found on pages 8-11 of this report.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 12-24 of this report.

Required Supplementary Information. The District adopts an annual appropriated budget for its general fund and the plum valley heights special revenue fund. The budgetary comparison statements for these funds have been provided as required supplementary information to

demonstrate compliance with these budgets. The budget statements and notes are found on pages 25-27 of this report.

Other information. The report includes individual fund schedules. The budgetary comparison statement has been provided in this section for the debt service fund, the capital projects fund, the water fund, and the sewer fund to demonstrate compliance with these budgets. The budget statements are found on pages 28-33 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's assets exceeded liabilities by \$92,767,721 at the close of the most recent fiscal year.

Statement of Net Assets

	2017			2016		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current Assets	\$ 9,625,488	\$ 15,856,025	\$ 25,481,513	\$ 19,764,160	\$ 16,661,384	\$ 36,425,544
Capital Assets, net	6,734,662	99,030,703	105,765,365	3,211,449	87,417,178	90,628,627
Total Assets	16,360,150	114,886,728	131,246,878	22,975,609	104,078,562	127,054,171
Current Liabilities	2,897,611	3,758,528	6,656,139	5,981,558	131,004	6,112,562
Long-Term Obligations	29,287,878	84,023	29,371,901	33,100,215	90,697	33,190,912
Total Liabilities	32,185,489	3,842,551	36,028,040	39,081,773	221,701	39,303,474
Deferred Inflows of Resources						
Unavailable revenue - property taxes	2,451,117	0	2,451,117	2,223,249	0	2,223,249
Net Investment in Capital Assets	6,734,662	99,030,703	105,765,365	3,211,449	87,417,178	90,628,627
Restricted Net Position	5,398,347	0	5,398,347	8,570,106	0	8,570,106
Unrestricted Net Position	(30,409,465)	12,013,474	(18,395,991)	(30,111,008)	16,439,683	(13,671,325)
Total Net Position	\$ (18,276,456)	\$ 111,044,177	\$ 92,767,721	\$ (18,329,453)	\$ 103,856,861	\$ 85,527,408

Statements of Activities

	2017			2016		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenue						
Program Revenue						
Charges for Services	\$ 0	\$ 5,558,141	\$ 5,558,141	\$ -	\$ 5,595,046	\$ 5,595,046
Operating Grants and Contributions	0	133,165	133,165	0	132,107	132,107
Capital Grants and Contributions	5,031,604	-	5,031,604	9,277,599	2,277,038	11,554,637
Gain on Sale of Equipment	0	(2,825,039)	(2,825,039)	0	3,271,186	\$ 3,271,186
General Revenue						
Property Taxes	2,237,512	0	2,237,512	2,196,628	0	2,196,628
Specific Ownership Taxes	239,913	0	239,913	194,457	0	194,457
Investment Income	40,304	117,203	157,507	214,510	61,562	276,072
Other	687,132	0	687,132	409,196	0	409,196
Total Revenue	8,236,465	2,983,470	11,219,935	12,292,390	11,336,939	23,629,329
Expenses						
General Government	7,693,302	0	7,693,302	4,007,271	0	4,007,271
Interest on Long-Term Debt	865,943	0	865,943	849,995	0	849,995
Water/Sewer Facilities	0	7,863,324	7,863,324	0	6,515,915	6,515,915
Total Expenses	8,559,245	7,863,324	16,422,569	4,857,266	6,515,915	11,373,181
Total Primary Government Transfers	(322,780)	(4,879,854)	(5,202,634)	7,435,124	4,821,024	12,256,148
	375,777	12,067,170	12,442,947	(20,927,123)	20,927,123	0
Change in Net Position	52,997	7,187,316	7,240,313	(13,491,999)	25,748,147	12,256,148
Net Assets - Beginning	(18,329,453)	103,856,861	85,527,408	(4,837,454)	78,108,714	73,271,260
Net Assets - Ending	\$ (18,276,456)	\$ 111,044,177	\$ 92,767,721	\$ (18,329,453)	\$ 103,856,861	\$ 85,527,408

Governmental activities. Governmental activities increased the District's net position by \$52,997, several highlights are as follows:

- Property taxes increased by \$40,884 (1.86%) over the prior year.
- Specific ownership taxes increased by \$45,456 (23.38%).

Business-type activities. Business-type activities increased the District's net position by \$7,187,316. Some of the key elements of the change in net position are as follows:

- Service charges increased from \$4,876,961 to \$5,086,898, an increase of \$209,937 or 4.30%.
- Total operating expenses are increased \$1,347,409 or 20.67% mainly due to increased expenses related to the start up of the new water treatment plant.
- The district also recognized a loss on disposition of equipment related to the transfer of the sewer transmission line to the City of Littleton. This transfer allows Littleton to own, maintain, and repair the pipeline transferring waste water to the Littleton Treatment Plant.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$5,652,906 of which \$667,365 constitutes unassigned fund balance, which is available for spending at the government's discretion within the parameters established for each fund.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$754,364 out of a total fund balance of \$667,365. In compliance with an amendment to the State Constitution, Article X, Section 20, the district has established an emergency reserve representing 3% of qualifying expenditures. At December 31, 2017, the emergency reserve was \$226,369.

The debt service fund has a total fund balance of \$4,617,950 all of which is restricted for the repayment of long-term indebtedness. The long-term loans payable as of December 31, 2017 is \$29,287,879.

The capital projects fund has a total balance of (\$86,999) consisting of total assets in the amount of \$1,201,162 less total liabilities of \$1,288,161.

The Plum Valley Heights Fund has a total balance of \$336,886 of which \$141,222 is restricted to construction of annexed properties and \$195,664 is restricted for emergencies.

On November 1, 2011 the district voted in favor of Ballot Issue 5A. This positive vote authorized the district debt to be increased by a total of \$ 6,500,000 for the purpose of repayment of loans

advanced from the district's water fund to the district's sewer fund to finance a portion of the costs of improvements to the district's sanitary sewer collection system. This debt was repaid from the district's current property tax fund balance established by the district pursuant to voter authorization obtained at the November 2002 election and without future increases in the annual taxes authorized by the November 2002 election.

Proprietary funds. The District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the proprietary fund at the end of the year amounted to \$12,013,474. The total net position of the District's proprietary funds as of December 31, 2017 are \$111,044,177. Other factors concerning the finances of this fund have already been addressed in the discussion of the District's business-type activities.

General Fund Budgetary Highlights

The District's total expenditures and transfers for 2017 did not exceed the final budgeted appropriation. The difference between the original and final budgeted revenue of \$1,035,427 and the actual revenue of \$1,104,196 was \$68,769. The difference between the final budgeted expenditures and transfers of \$1,060,500 and the actual expenditures of \$1,023,488 was \$37,012.

Capital Assets

The District has invested \$105,765,365 in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of the year ended December 31, 2017. This investment in capital assets includes water and sewer facilities, water rights and vehicles and equipment.

The capital assets are recorded at cost less estimated accumulated depreciation on the financial statement. The district believes the book value of these capital assets is substantially less than the actual replacement costs of these assets. The district uses an estimated replacement cost when calculating and setting their customer billing rates in an effort to provide reserves for future asset replacements. The district maintains a responsibility to provide water and sewer services to their customers and these reserves are necessary to be able to repair and replace these capital assets as needed. The District's engineering consultants estimate the replacement costs for the water system currently would be approximately \$285,000,000 and the estimated replacement costs for the sewer system currently would be \$275,000,000. Should these reserves be insufficient to provide these repairs or replacements, additional rate increases or borrowings would be required by the district.

Additional information on the District's capital assets can be found in note 4 beginning on page 18 of this report.

Long-Term Debt

At the end of the current fiscal year, the District had total outstanding governmental long-term debt of \$30,454,440 as follows:

1. \$17,379,256 was related to the Water Enterprise Fund acquisition of a permanent water supply from the City of Aurora. This loan is through the Colorado Water Conservation Board.
2. \$5,055,608 is related to the District's 2005 Clean Water Revenue Bonds through the Colorado Water Resources and Power Development Authority (2005 CWRPDA) which

are due annually through 2026 and pay interest rates of 3.35% semi-annually on February 1 and August 1.

3. Accrued compensated absences accounts for \$12,739 of this amount.
4. \$4,742,183 was related to the 2015 CWRPDA Loan.
5. \$1,016,394 was related to the construction of a distribution for the Plum Valley Heights Subdistrict.
6. \$2,248,260 was related to the purchase of Raw Water from CWCB.

The Business Type activities had long-term debt of \$100,828 related to compensated absences.

Additional information on the District's long-term debt can be found in note 5 beginning on page 19 of this report.

Next Year's Budgets and Rates

Government funds. The 2018 budget reflects an increase in property tax revenue. The total assessed value for 2018 is \$193,420,439 up from \$158,251,762 in 2017. The total mill levy in 2017 was 11.028 mills. General fund expenditures are expected to increase due to natural growth of the District. The District did include a Capital Projects fund budget for 2018 of \$2,173,295, representing expenses related to the construction of additional planned facility upgrades.

Proprietary funds. Water and sewer sales are expected to increase slightly over 2017 as a result of some growth and the approved rate increase. Expenditures are expected to increase slightly also. The District is anticipating an additional rate increase from the City of Aurora, which is the District's water source, and also from the City of Littleton, which is the District's wastewater treatment provider.

Capital Projects

Replacement Water Treatment Plant:

The District began the design of the replacement Water Treatment Plant in 2013. This is the beginning of an estimated 4 year project. Design is complete with construction beginning in 2015 and completion in 2018.

Plum Valley Heights

The Subdistrict obtained financing for their water supply and transmission project. Construction began in 2016 with substantial completion in 2017. The District paid \$3,499,910 for construction costs related to the infrastructure to connect the annexed properties. The District also paid \$3,001,457 for debt service during the year.

Requests for Information

This financial report is designed to provide a general overview of the Roxborough Water & Sanitation District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Roxborough Water & Sanitation District, 6222 N. Roxborough Park Road, Littleton, CO 80125.

BASIC FINANCIAL STATEMENTS

ROXBOROUGH WATER AND SANITATION DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Totals</u>	
			<u>2017</u>	<u>2016</u>
<u>Assets</u>				
Cash and investments	\$ 6,423,296	\$ 15,034,907	\$ 21,458,203	\$ 28,508,823
Restricted cash	554,028	0	554,028	4,194,264
Accounts receivable	13,029	821,118	834,147	684,726
Due from Other Governments	184,018	0	184,018	755,156
Property taxes receivable	2,451,117	0	2,451,117	2,223,249
Prepaid expenses	0	0	0	59,326
Capital assets, not being				
Depreciated	6,698,234	33,709,504	40,407,738	64,945,899
Capital assets, net of accumulated depreciation	<u>36,428</u>	<u>65,321,199</u>	<u>65,357,627</u>	<u>25,682,728</u>
 Total Assets	 <u>16,360,150</u>	 <u>114,886,728</u>	 <u>131,246,878</u>	 <u>127,054,171</u>
<u>Liabilities</u>				
Accounts payable	739,480	282,342	1,021,822	1,867,083
Unearned revenue	781,985	3,231,064	4,013,049	1,550,677
Accrued interest payable	209,585	0	209,585	174,049
Retainage payable	0	228,317	228,317	1,409,284
Non current liabilities				
Due within one year	1,166,561	16,805	1,183,366	1,111,509
Due in more than one year	<u>29,287,878</u>	<u>84,023</u>	<u>29,371,901</u>	<u>33,190,912</u>
 Total Liabilities	 <u>32,185,489</u>	 <u>3,842,551</u>	 <u>36,028,040</u>	 <u>39,303,514</u>
<u>Deferred Inflows of Resources</u>				
Unavailable revenue-property taxes	<u>2,451,117</u>	<u>0</u>	<u>2,451,117</u>	<u>2,223,249</u>
<u>Net Position</u>				
Net investment in capital assets	6,734,662	99,030,703	105,765,365	90,628,627
Restricted for debt service	4,617,950	0	4,617,950	4,144,908
Restricted for capital projects	554,028	0	554,028	4,194,264
Restricted for emergencies	226,369	0	226,369	230,934
Unrestricted	<u>(30,409,465)</u>	<u>12,013,474</u>	<u>(18,395,991)</u>	<u>(13,671,325)</u>
 Total Net Position	 <u>\$ (18,276,456)</u>	 <u>\$111,044,177</u>	 <u>\$ 92,767,721</u>	 <u>\$ 85,527,408</u>

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

ROXBOROUGH WATER AND SANITATION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<u>Function/Programs</u>				
Governmental Activities				
General government	\$ 431,816	\$ 0	\$ 0	\$ 5,031,604
Interest on long-term debt	878,346	0	0	0
Total Governmental Activities	1,310,162	0	0	5,031,604
Business-Type Activities				
Water	5,269,591	3,608,038	96,861	4,850,226
Sewer	5,418,772	1,950,103	36,304	343,637
Total Business-Type Activities	10,688,363	5,558,141	133,165	5,193,863
Total Primary Government	\$ 11,998,525	\$ 5,558,141	\$ 133,165	\$ 10,225,467
General Revenues				
Property taxes				
Specific ownership taxes				
Investment income				
Miscellaneous				
Sale of fixed assets				
Transfers				
Total General Revenues and Transfers				
Change in net position				
Net Position, Beginning				
Net Position, Ending				

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

Net (Expense) Revenues and Changes in Net Position

Primary Government

<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Totals</u>	
		<u>2017</u>	<u>2016</u>
\$ 4,599,788	\$ 0	\$ 4,599,788	\$ 5,270,328
<u>(878,346)</u>	<u>0</u>	<u>(878,346)</u>	<u>(849,995)</u>
<u>3,721,442</u>	<u>0</u>	<u>3,721,442</u>	<u>4,420,333</u>
0	3,285,534	3,285,534	1,256,312
<u>0</u>	<u>(3,088,728)</u>	<u>(3,088,728)</u>	<u>231,964</u>
<u>0</u>	<u>196,806</u>	<u>196,806</u>	<u>1,488,276</u>
<u>3,721,442</u>	<u>196,806</u>	<u>3,918,248</u>	<u>5,908,609</u>
2,237,512	0	2,237,512	2,196,628
239,913	0	239,913	194,457
40,304	117,203	157,507	276,072
687,133	0	687,133	409,196
0	0	0	3,271,186
<u>(6,873,307)</u>	<u>6,873,307</u>	<u>0</u>	<u>0</u>
<u>(3,668,445)</u>	<u>6,990,510</u>	<u>3,322,065</u>	<u>6,347,539</u>
52,997	7,187,316	7,240,313	12,256,148
<u>(18,329,453)</u>	<u>103,856,861</u>	<u>85,527,408</u>	<u>73,271,260</u>
<u>\$ (18,276,456)</u>	<u>\$111,044,177</u>	<u>\$ 92,767,721</u>	<u>\$ 85,527,408</u>

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

ROXBOROUGH WATER AND SANITATION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Plum Valley Heights</u>	<u>Total Governmental Funds</u>	
					<u>2017</u>	<u>2016</u>
<u>Assets</u>						
Cash and investments	\$ 794,014	\$ 1,017,144	\$ 4,612,138	\$ 0	\$ 6,423,296	\$ 12,568,095
Restricted cash	0	0	0	554,028	554,028	4,194,264
Accounts receivable	7,217	0	5,812	0	13,029	13,266
Property taxes receivable	1,099,412	0	885,481	466,224	2,451,117	2,223,249
Due from other governments	0	184,018	0	0	184,018	755,156
Due from other funds	0	0	0	0	0	2,214,788
Prepaid items	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,130</u>
Total Assets	<u>1,900,643</u>	<u>1,201,162</u>	<u>5,503,431</u>	<u>1,020,252</u>	<u>9,625,488</u>	<u>21,978,948</u>
<u>Liabilities and Fund Balances</u>						
Accounts payable	16,162	506,176	0	217,142	739,480	1,793,151
Retainage payable	0	0	0	0	0	1,409,284
Due to other funds	0	0	0	0	0	2,214,788
Unearned dominion revenue	<u>0</u>	<u>781,985</u>	<u>0</u>	<u>0</u>	<u>781,985</u>	<u>1,511,744</u>
Total Liabilities	<u>16,162</u>	<u>1,288,161</u>	<u>0</u>	<u>217,142</u>	<u>1,521,465</u>	<u>6,928,967</u>
<u>Deferred Inflows of Resources</u>						
Unavailable revenue property taxes	<u>1,099,412</u>	<u>0</u>	<u>885,481</u>	<u>466,224</u>	<u>2,451,117</u>	<u>2,223,249</u>
<u>Fund Balances</u>						
Nonspendable						
Prepaid items	0	0	0	0	0	10,130
Restricted for:						
Emergencies	30,705	0	0	195,664	226,369	230,934
Debt service	0	0	4,617,950	0	4,617,950	4,144,908
Construction for annexed properties	0	0	0	141,222	141,222	5,443,253
Committed to:						
Construction of water treatment plant	0	0	0	0	0	2,330,774
Unassigned	<u>754,364</u>	<u>(86,999)</u>	<u>0</u>	<u>0</u>	<u>667,365</u>	<u>666,733</u>
Total Fund Balances	<u>785,069</u>	<u>(86,999)</u>	<u>4,617,950</u>	<u>336,886</u>	<u>5,652,906</u>	<u>12,826,732</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,900,643</u>	<u>\$ 1,201,162</u>	<u>\$ 5,503,431</u>	<u>\$ 1,020,252</u>	<u>\$ 9,625,488</u>	<u>\$ 21,978,948</u>

(Continued)

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

ROXBOROUGH WATER AND SANITATION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances of governmental funds	\$ 5,652,906	\$ 12,826,732
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. This amount is net of accumulated depreciation of \$82,357	6,734,662	3,211,449
Accrued interest payable	(209,585)	(174,049)
Long-term liabilities, including related items, including loans payable (\$30,256,093), loan premium (\$185,608) and accrued compensated absences (\$12,738), are not due and payable in the current year and, therefore, are not reported in the funds.	<u>(30,454,439)</u>	<u>(34,193,585)</u>
Total Net Position of Governmental Activities	<u>\$ (18,276,456)</u>	<u>\$ (18,329,453)</u>

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

ROXBOROUGH WATER AND SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Plum Valley Heights</u>	<u>Total Governmental Funds</u>	
					<u>2017</u>	<u>2016</u>
<u>Revenues</u>						
Property taxes	\$ 989,763	\$ 0	\$ 797,166	\$ 450,583	\$ 2,237,512	\$ 2,196,628
Specific ownership taxes	106,610	0	83,808	49,495	239,913	194,457
Investment income	7,767	10	32,096	431	40,304	214,510
Intergovernmental revenues	0	5,029,104	0	2,500	5,031,604	9,277,599
Miscellaneous revenues	<u>56</u>	<u>0</u>	<u>0</u>	<u>687,076</u>	<u>687,132</u>	<u>409,196</u>
Total Revenues	<u>1,104,196</u>	<u>5,029,114</u>	<u>913,070</u>	<u>1,190,085</u>	<u>8,236,465</u>	<u>12,292,390</u>
<u>Expenditures</u>						
General government	392,414	0	12,767	20,781	425,962	4,001,045
Capital outlay	31,074	0	0	3,499,910	3,530,984	24,325,019
Debt service						
Principal	0	0	863,855	2,872,501	3,736,356	1,060,434
Interest and fiscal charges	<u>0</u>	<u>0</u>	<u>736,987</u>	<u>128,956</u>	<u>865,943</u>	<u>880,721</u>
Total Expenditures	<u>423,488</u>	<u>0</u>	<u>1,613,609</u>	<u>6,522,148</u>	<u>8,559,245</u>	<u>30,267,219</u>
Excess of Revenues Over (Under) Expenditures	<u>680,708</u>	<u>5,029,114</u>	<u>(700,539)</u>	<u>(5,332,063)</u>	<u>(322,780)</u>	<u>(17,974,829)</u>
<u>Other Financing Sources (Uses)</u>						
Proceeds from loans	0	0	0	22,260	22,260	2,226,000
Transfers in	0	2,882,955	1,173,581	0	4,056,536	1,190,951
Transfers out	<u>(600,000)</u>	<u>(10,329,842)</u>	<u>0</u>	<u>0</u>	<u>(10,929,842)</u>	<u>(600,000)</u>
Total Other Financing Sources (Uses)	<u>(600,000)</u>	<u>(7,446,887)</u>	<u>1,173,581</u>	<u>22,260</u>	<u>(6,851,046)</u>	<u>2,816,951</u>
Net change in fund balances	80,708	(2,417,773)	473,042	(5,309,803)	(7,173,826)	(15,157,878)
Fund balances, beginning	<u>704,361</u>	<u>2,330,774</u>	<u>4,144,908</u>	<u>5,646,689</u>	<u>12,826,732</u>	<u>27,984,610</u>
Fund balances, ending	<u>\$ 785,069</u>	<u>\$ (86,999)</u>	<u>\$ 4,617,950</u>	<u>\$ 336,886</u>	<u>\$ 5,652,906</u>	<u>\$ 12,826,732</u>

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

ROXBOROUGH WATER AND SANITATION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Amounts reported for governmental activities in the statements of activities are different because:

	<u>2017</u>	<u>2016</u>
Net change in fund balances, total governmental funds	\$ (7,173,826)	\$ (15,157,878)
Capital outlays to purchase or build capital position are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This amount represents capital outlay in excess of depreciation expense in the current year.	3,523,213	2,799,296
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. This amount is the net effect of these differences in the treatment of long-term debt and related items: issuances of new debt (\$22,260), amortization of loan premium \$23,133, and change in accrued interest payable \$(35,536).	(34,663)	(2,195,274)
Loan payments \$3,736,356 and changes in compensated absences \$1,917 are expenditures in the governmental funds, but they change long-term liabilities in the statement of net position and do not affect the statement of activities.	<u>3,738,273</u>	<u>1,061,857</u>
Change in Net Position of Governmental Activities	<u>\$ 52,997</u>	<u>\$ (13,491,999)</u>

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

ROXBOROUGH WATER AND SANITATION DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
			<u>2017</u>	<u>2016</u>
<u>Assets</u>				
Current Assets				
Cash and cash equivalents	\$ 7,345,925	\$ 7,688,982	\$ 15,034,907	\$ 15,940,728
Accounts receivable	595,917	225,201	821,118	671,460
Prepaid expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>49,196</u>
Total Current Assets	<u>7,941,842</u>	<u>7,914,183</u>	<u>15,856,025</u>	<u>16,661,384</u>
Noncurrent Assets				
Capital assets not being depreciated	28,471,367	5,238,137	33,709,504	61,747,575
Capital assets, net of accumulated depreciation	<u>52,166,287</u>	<u>13,154,912</u>	<u>65,321,199</u>	<u>25,669,603</u>
Total Noncurrent Assets	<u>80,637,654</u>	<u>18,393,049</u>	<u>99,030,703</u>	<u>87,417,178</u>
Total Assets	<u>88,579,496</u>	<u>26,307,232</u>	<u>114,886,728</u>	<u>104,078,562</u>
<u>Liabilities</u>				
Current liabilities				
Accounts payable	221,937	60,405	282,342	73,932
Unearned revenues	3,231,064	0	3,231,064	38,933
Retainage payable	<u>217,295</u>	<u>11,022</u>	<u>228,317</u>	<u>0</u>
Total Current Liabilities	<u>3,670,296</u>	<u>71,427</u>	<u>3,741,723</u>	<u>112,865</u>
Noncurrent Liabilities				
Accrued compensated absences	<u>50,414</u>	<u>50,414</u>	<u>100,828</u>	<u>108,836</u>
Total Noncurrent Assets	<u>50,414</u>	<u>50,414</u>	<u>100,828</u>	<u>108,836</u>
Total Liabilities	<u>3,720,710</u>	<u>121,841</u>	<u>3,842,551</u>	<u>221,701</u>
<u>Net Position</u>				
Net investment in capital assets	80,637,654	18,393,049	99,030,703	87,417,178
Unrestricted	<u>4,221,132</u>	<u>7,792,342</u>	<u>12,013,474</u>	<u>16,439,683</u>
Total Net Position	<u>\$ 84,858,786</u>	<u>\$ 26,185,391</u>	<u>\$111,044,177</u>	<u>\$103,856,861</u>

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

ROXBOROUGH WATER AND SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
			<u>2017</u>	<u>2016</u>
Operating Revenues				
Charges for services	\$ 3,145,896	\$ 1,611,105	\$ 4,757,001	\$ 4,465,258
Charges for services Lockheed Martin Agreement	0	329,897	329,897	411,703
Permit fees	100	4,050	4,150	41,964
Other water sales	222,179	0	222,179	0
Outside treatment	0	0	0	326,911
Inclusion fees	133,985	0	133,985	181,564
Miscellaneous	<u>105,878</u>	<u>5,051</u>	<u>110,929</u>	<u>167,646</u>
Total Operating Revenues	<u>3,608,038</u>	<u>1,950,103</u>	<u>5,558,141</u>	<u>5,595,046</u>
Operating Expenses				
Personnel services	806,628	291,623	1,098,251	912,720
Operations	2,589,077	1,466,625	4,055,702	4,081,291
Depreciation	<u>1,873,886</u>	<u>835,485</u>	<u>2,709,371</u>	<u>1,521,904</u>
Total Operating Expenses	<u>5,269,591</u>	<u>2,593,733</u>	<u>7,863,324</u>	<u>6,515,915</u>
Operating Loss	<u>(1,661,553)</u>	<u>(643,630)</u>	<u>(2,305,183)</u>	<u>(920,869)</u>
Non-Operating Revenues and Expenses				
Investment income	49,476	67,727	117,203	61,562
Gain/(Loss) on sale of Equipment	0	(2,825,039)	(2,825,039)	3,271,186
Availability charges	<u>96,861</u>	<u>36,304</u>	<u>133,165</u>	<u>132,107</u>
Total Non-Operating Revenue	<u>146,337</u>	<u>(2,721,008)</u>	<u>(2,574,671)</u>	<u>3,464,855</u>
Net Loss Before Transfers, Capital Contributions and Extraordinary item	(1,515,216)	(3,364,638)	(4,879,854)	2,543,986
Transfer in	10,729,42	200,000	10,929,842	600,000
Transfer out	(4,020,231)	(36,304)	(4,056,535)	(1,190,951)
Capital contributions	<u>4,850,226</u>	<u>343,637</u>	<u>5,193,863</u>	<u>23,795,112</u>
Change in net position	10,044,621	(2,857,305)	7,187,316	25,748,147
Net position, beginning	<u>74,814,165</u>	<u>29,042,696</u>	<u>103,856,861</u>	<u>78,108,714</u>
Net position, ending	<u>\$ 84,858,786</u>	<u>\$ 26,185,391</u>	<u>\$111,044,177</u>	<u>\$103,856,861</u>

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

ROXBOROUGH WATER AND SANITATION DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
			<u>2017</u>	<u>2016</u>
<u>Cash Flows from Operating Activities</u>				
Cash received from customers	\$ 6,598,977	\$ 2,023,873	\$ 8,622,850	\$ 4,479,806
Cash payments to suppliers	(2,405,834)	(1,392,262)	(3,798,096)	(4,302,303)
Cash payments to employees	(810,632)	(295,627)	(1,106,259)	(926,375)
Other cash received	<u>105,878</u>	<u>5,051</u>	<u>110,929</u>	<u>167,646</u>
Net Cash Provided by (Used for) Operating Activities	<u>3,488,389</u>	<u>341,035</u>	<u>3,829,424</u>	<u>(581,226)</u>
<u>Cash Flows from Noncapital Financing Activities</u>				
Transfers from other funds	7,846,887	200,000	8,046,887	600,000
Transfers to other funds	<u>(1,137,276)</u>	<u>(36,304)</u>	<u>(1,173,580)</u>	<u>(1,190,952)</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>6,709,611</u>	<u>163,696</u>	<u>6,873,307</u>	<u>(590,952)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>				
Acquisition and construction of capital assets	(16,180,959)	(518,038)	(16,698,997)	(589,923)
Escrow deposit paid	0	0	0	(2,203,900)
Sale of capital assets	0	0	0	4,000,000
Capital charges received	<u>4,629,605</u>	<u>343,637</u>	<u>4,973,242</u>	<u>2,277,039</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(11,551,354)</u>	<u>(174,401)</u>	<u>(11,725,755)</u>	<u>3,483,216</u>
<u>Cash Flows from Investing Activities</u>				
Investment income	<u>49,476</u>	<u>67,727</u>	<u>117,203</u>	<u>61,562</u>
Net Cash Provided by Investing Activities	<u>49,476</u>	<u>67,727</u>	<u>117,203</u>	<u>61,562</u>
Net increase (decrease) in cash and cash equivalents	(1,303,878)	398,057	(905,821)	2,372,600
Cash and cash equivalents, beginning	<u>8,649,803</u>	<u>7,290,925</u>	<u>15,940,728</u>	<u>13,568,128</u>
Cash and cash equivalents, ending	<u>\$ 7,345,925</u>	<u>\$ 7,688,982</u>	<u>\$15,034,907</u>	<u>\$15,940,728</u>

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

ROXBOROUGH WATER AND SANITATION DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
			<u>2017</u>	<u>2016</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities				
Operating loss	\$ (1,661,553)	\$ (643,630)	\$ (2,305,183)	\$ (920,869)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation	1,873,886	835,485	2,709,371	1,521,904
Receipt of system availability charges	96,861	36,304	133,165	132,107
Changes in assets and liabilities:				
Accounts receivable	(192,175)	42,517	(149,658)	(74,833)
Prepaid expenses	35,238	13,958	49,196	(2,438)
Accounts payable	148,005	60,405	208,410	(218,574)
Unearned revenues	3,192,131	0	3,192,131	(1,004,868)
Accrued compensated absences	<u>(4,004)</u>	<u>(4,004)</u>	<u>(8,008)</u>	<u>(13,655)</u>
Net Cash Provided by Operating Activities	<u>\$ 3,488,389</u>	<u>\$ 341,035</u>	<u>\$ 3,829,424</u>	<u>\$ (581,226)</u>
Non Cash Transactions				
Contributed Assets from other funds	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$21,982,973</u>

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

ROXBOROUGH WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Roxborough Water and Sanitation District (“the District”), previously the Roxborough Park Metropolitan District, was formed on January 12, 1972, to provide water, sewer and fire protection services within its boundaries. Effective July 1, 1999, the District’s fire protection services were merged into the West Metro Fire Protection District (the “WMFP”). By intergovernmental agreement, the District conveyed ownership of the fire station and all fire equipment to the WMFP, along with property tax revenues related to these services. The District is governed by a five-member Board of Directors elected by the residents.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

Reporting Entity

The financial reporting entity consists of the District and organizations for which the District is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are reported as part of the District. In addition, any legally separate organizations for which the District is financially accountable are considered part of the reporting entity. Financial accountability exists if the District appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the District. Blended component units are, in substance, part of the primary government’s operations, even though they are legally separate entities. Thus blended component units are appropriately presented as funds of the District.

Based upon the application of this criteria, the District reports Plum Valley Heights as a blended component unit. Colorado State Statutes allow for the formation of subdistricts. Under the statute, subdistricts are independent quasi-municipal corporations, for whom the District’s Board of Directors constitutes the Plum Valley Heights Board of Directors. In addition, management of the District is also management of the subdistrict. Plum Valley Heights does not prepare separate financial statements.

As a result of an election in November 2016, the water and sewer activities of the Ravenna Metropolitan District will be absorbed by the District. This will result in an additional 69 properties receiving services. This number may grow to 229 properties once the development is completed.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues*

ROXBOROUGH WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and Fund Financial Statements (Continued)

include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported instead as *general revenues*. Internally dedicated resources are reported as general revenues rather than as program revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Separate financial statements are provided for governmental and proprietary funds. Major individual funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

Property taxes, specific ownership taxes, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

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

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

In the fund financial statements, the District reports the following major governmental funds.

ROXBOROUGH WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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

The *Capital Projects Fund* accounts for the acquisition and construction of the government's major capital facilities, other than those financed by proprietary funds.

The *Debt Service Fund* accounts for resources accumulated for, and payments made on, long-term obligations of the District.

The *Plum Valley Heights Fund* accounts for the activity in the subdistrict of Plum Valley Heights. This fund is reported as a special revenue fund, as the revenues derived from this subdistrict are used to support its operations.

Additionally, the District reports the following major proprietary funds.

The *Water Fund* accounts for the activities associated with the provision of water services.

The *Sewer Fund* accounts for the activities associated with the provision of sewer services.

Assets, Liabilities and Net Position/Fund Balances

Cash and Cash Equivalents – For purposes of the statement of cash flows, cash and cash equivalents are defined as investments with original maturities of three months or less. Pooled cash and investments are categorized as cash equivalents.

Investments – Investments are stated at fair value.

Receivables – All receivables are reported at their gross values and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At December 31, 2017, the District expects to collect all accounts receivable balances.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and for the proprietary funds in the fund financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives.

Collection and Distribution Systems	30-50 years
Vehicles and Equipment	3-10 years

ROXBOROUGH WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Fund Balances (Continued)

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

Accordingly, the item, *unavailable revenue*, is reported for property taxes levied in the current year but collected for use in the next fiscal period.

Compensated Absences – Employees of the District are allowed to accumulate unused vacation and sick time. Upon termination of employment from the District, an employee will be compensated for all accrued vacation time, and for all accrued sick time at a rate of one day for every two days accumulated. A liability for these compensated absences is accrued when incurred in the government-wide and proprietary fund financial statements. A liability is reported in the governmental funds only when due.

Long-Term Debt – In the government-wide financial statements, and for the proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Premiums and discounts are deferred and amortized over the life of the debt using the straight-line method.

In the fund financial statements, governmental funds recognize debt premiums and discounts during the current year. The face amount of debt issued is reported as other financing sources.

Fund Balance

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable – Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes, determined by a formal action of the Board of Directors. The Board of Directors is the highest level of decision making body for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the Board of Directors may assign fund balances for specific purposes.

Unassigned – All other spendable amounts.

ROXBOROUGH WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balance is available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District has provided otherwise in its commitment or assignment actions.

Net Position

Net position in the government-wide Statement of Net Position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulators of other governments. At December 31, 2017, the net position of the governmental activities is a negative \$18,276,456. This is the result of the governmental funds purchasing or constructing capital assets which are then transferred to the enterprise funds. As revenues are collected for debt service payments management believes the net position will become positive.

Property Taxes

Property taxes attach as an enforceable lien on property on January 1 and are levied the following January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's office collects property taxes and remits them to the District on a monthly basis.

Comparative Information

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read. Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 2 - CASH AND INVESTMENTS

At December 31, 2017, cash and investments consisted of the following:

Deposits	\$ 8,150,694
Restricted cash	554,028
Investments	<u>13,307,509</u>
Total	<u>\$ 22,012,231</u>

Restricted cash is comprised of unexpended loan proceeds which are held by the lender.

Deposits

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

ROXBOROUGH WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Deposits (Continued)

At December 31, 2017, the District had bank deposits, with a book balance of \$8,150,694, comprised of \$500,000 which was covered by FDIC insurance, \$6,748,211 which was collateralized with securities held by the financial institution's agent but not in the District's name, and \$1,718,535 was uninsured and uncollateralized.

Investments

The District is required to comply with State statutes which specify instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest. State statutes do not address custodial risk.

The District's investment policy follows State statutes, and allows the following investments.

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

Interest Rate Risk – State statutes limit investments in U.S. Agency securities to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years.

The District has interest rate risk related only to the investment in COLOTRUST and CSAFE. At December 31, 2017, COLOTRUST'S Plus+ portfolio had a weighted average maturity of 34 days to reset and 94 days to maturity.

Credit Risk – State statutes limit investments in U.S. Agency securities to the highest rating issued by two or more nationally recognized statistical rating organizations (NRSROs). State statutes also limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by a NRSRO.

Concentration of Credit Risk – State statutes do not limit the amount the District may invest in one issuer.

Local Government Investment Pools – At December 31, 2017, the District had \$13,307,509 invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST), investment vehicle established by State statute for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces the requirements of creating and operating COLOTRUST. COLOTRUST operate similarly to a money market fund and each share is equal in value to \$1.00. Investments of COLOTRUST are limited to those allowed by State

ROXBOROUGH WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments. COLOTRUST are rated AAAM by Standard and Poor's.

NOTE 3 - INTERFUND BALANCES AND TRANSACTIONS

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Sewer Fund	General Fund	\$ 200,000
Water Fund	General Fund	400,000
Water Fund	Plum Valley	7,446,887
Debt Service Fund	Water Fund	1,137,276
Debt Service Fund	General Fund	133,166
Debt Service Fund	Sewer Fund	36,304

Availability charges collected by the Water and Sewer Funds are required by State statute to be used for debt service and are transferred to the Debt Service Fund. The transfers from the General Fund to the Water and Sewer Funds were determined during the budget process. Transfers from the Water Fund to the Debt Service Fund included a transfer for \$1,040,415 which was for capital surcharges assessed to pay the debt service for the City of Aurora water supply purchase.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, is summarized below:

	<u>Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u>
	<u>12/31/16</u>	<u></u>	<u></u>	<u>12/31/17</u>
<u>Governmental Activities</u>				
Capital assets, not being depreciated				
Construction in progress	\$ 3,179,884	\$ 3,499,910	\$ 0	\$ 6,679,794
Easements	<u>18,440</u>	<u>0</u>	<u>0</u>	<u>18,440</u>
Total Capital Assets, not being				
Depreciated	<u>3,198,324</u>	<u>3,499,910</u>	<u>0</u>	<u>6,698,234</u>
Capital assets, being depreciated				
Furniture and equipment	<u>87,712</u>	<u>31,074</u>	<u>0</u>	<u>118,786</u>
Less accumulated depreciation				
Furniture and equipment	<u>(74,587)</u>	<u>(7,771)</u>	<u>0</u>	<u>(82,358)</u>
Total Capital Assets, Being				
Depreciated, Net	<u>13,125</u>	<u>23,303</u>	<u>0</u>	<u>36,428</u>
Governmental Activities Capital				
Assets	<u>\$ 3,211,449</u>	<u>\$ 3,523,213</u>	<u>\$ 0</u>	<u>\$ 6,734,662</u>

ROXBOROUGH WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	<u>Balances</u> <u>12/31/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/17</u>
<u>Business-Type Activities</u>				
Capital assets, not being depreciated				
Land	\$ 204,511	\$ 0	\$ 0	\$ 204,511
Tap fees	27,584,561	1,668,072	0	29,252,633
Water rights	738,280	3,514,080	0	4,252,360
Construction in progress	<u>33,220,223</u>	<u>10,306,100</u>	<u>43,526,323</u>	<u>0</u>
Total Capital Assets, Not Being Depreciated	<u>61,747,575</u>	<u>15,488,252</u>	<u>43,526,323</u>	<u>33,709,504</u>
Capital assets, being depreciated				
Land improvements	5,514	0	0	5,514
Collection and distribution	45,803,122	45,055,658	4,185,243	86,673,537
Vehicles and equipment	<u>434,944</u>	<u>130,351</u>	<u>0</u>	<u>565,295</u>
Total Capital Assets, Being Depreciated	<u>46,243,580</u>	<u>45,186,009</u>	<u>4,185,243</u>	<u>87,244,346</u>
Less Accumulated Depreciation				
Land improvements	(5,514)	0	0	(5,514)
Collection and distribution	(20,191,119)	(2,674,283)	(1,360,204)	(21,505,198)
Vehicles and equipment	<u>(377,344)</u>	<u>(35,088)</u>	<u>0</u>	<u>(412,432)</u>
Total Accumulated Depreciation	<u>(20,573,977)</u>	<u>(2,709,371)</u>	<u>(1,360,204)</u>	<u>(21,923,144)</u>
Total Capital Assets, Being Depreciated, Net	<u>25,669,603</u>	<u>42,476,638</u>	<u>2,825,039</u>	<u>65,321,202</u>
Business-Type Activities Capital Assets, Net	<u>\$ 87,417,178</u>	<u>\$57,964,890</u>	<u>\$46,351,362</u>	<u>\$ 99,030,706</u>

The impairment loss is more fully discussed in Note 11. In addition, all water rights of the District remain for sale at December 31, 2017.

Depreciated expense was charged to programs of the District as follows:

Governmental activities	
General Government	<u>\$ 7,771</u>
Business-type activities	
Water	\$ 1,873,886
Sewer	835,485
Total	<u>\$ 2,709,371</u>

NOTE 5 - LONG-TERM DEBT

Governmental Activities

Following is a summary of long-term debt transactions of the governmental activities for the year ended December 31, 2017:

ROXBOROUGH WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM DEBT (CONTINUED)

	<u>Balance</u> <u>12/31/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/17</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
Accrued Compensated					
Absences	\$ 14,656	\$ 0	\$ 1,917	\$ 12,739	\$ 2,213
2005 CWRPDA Loan	5,335,000	0	465,000	4,870,000	480,000
Loan premium	208,741	0	23,133	185,608	0
CWCB Loan	17,778,110	0	398,854	17,379,256	411,817
PVH-Douglas County	3,661,822	0	2,645,428	1,016,394	0
CWCB-Raw Water	2,226,000	22,260	0	2,248,260	225,746
2015 CWRPDA Loan	<u>4,969,256</u>	<u>0</u>	<u>227,073</u>	<u>4,742,183</u>	<u>46,875</u>
 Total	 <u>\$34,193,585</u>	 <u>\$ 22,260</u>	 <u>\$ 3,761,405</u>	 <u>\$30,454,440</u>	 <u>\$ 1,166,561</u>

Compensated absences are expected to be liquidated primarily with revenues of the General Fund.

2005 Clean Water Revenue Bonds were issued by the Colorado Water Resources and Power Development Authority and proceeds were loaned to the District to finance a sewer pipeline and two pump stations. Principal and interest payments are due semi-annually on February 1 and August 1, through 2026. Interest accrues at the rate of 3.35% per annum.

2014 Colorado Water Conservation Board Note was entered into in November 2014. The loan proceeds were used to purchase a permanent water supply from the City of Aurora by the enterprise funds. Principal and interest payments are due annually on December 1 through 2044. Interest accrues at the rate of 3.25% per annum.

During 2014, the Subdistrict's voters approved the annexation of three new developments to the District. These developments were Titan Road Industrial Park, Chatfield East and Chatfield Acres. The District then entered into an agreement with Douglas County, Colorado (The County) to design, install and construct water infrastructure to these developments. As part of the agreement, the County provided \$4,820,822 to the District. Of this amount, the District will repay to the County \$3,631,822 from system development charges on properties in the annexation area.

The District's water system development charge for each equivalent residential unit within the Subdistrict is estimated to be \$13,350, of which approximately \$2,000 will be applied to repay the advances made by the County.

2015 Clean Water Revenue Bonds were issued by the Colorado Water Resources and Power Development Authority and proceeds were loaned to the District to finance the Plum Valley Heights water pipeline. Principal and interest payments are due semi-annually on February 1 and August 1, through 2036. Interest accrues at the rate of 3.35% per annum.

During 2015, the District entered into a loan agreement with the Colorado Water Conservation Board for the Raw Water Supply Project to obtain a renewable water supply and allow customers to discontinue their current use of private wells and non-renewable water. The total loan amount is \$2,248,260 payable over 30 years at an interest rate of 3.05%. Interest and loan fees are due when the project is completed. The funds are not considered outstanding until the funds are drawn down as the project costs

ROXBOROUGH WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM DEBT (CONTINUED)

are incurred. As of December 31, 2017, the outstanding balance is \$2,248,260.

Future payments for the outstanding debt, which has a maturity schedule, are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest and Admin. Fees</u>	<u>Total</u>
2018	\$ 1,164,438	\$ 1,123,216	\$ 2,287,654
2019	1,192,191	1,079,184	2,271,375
2020	1,225,421	1,041,445	2,266,866
2021	1,253,411	994,993	2,248,404
2022	1,286,912	947,260	2,234,172
2023-2027	6,394,916	3,867,650	10,262,566
2028-2032	4,625,202	2,364,252	6,989,454
2033-2037	5,087,091	1,594,575	6,681,666
2038-2042	4,620,130	840,319	5,460,449
2043-2047	2,389,987	245,512	2,635,499
Total	<u>\$ 29,239,699</u>	<u>\$ 14,098,406</u>	<u>\$ 43,338,105</u>

Business-Type Activities

Following are the long-term debt transactions of the business-type activities for the year ended December 31, 2017:

	<u>Balance 12/31/16</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 12/31/17</u>	<u>Due Within One Year</u>
Business-Type Activities					
Accrued compensated absences	\$ 108,835	\$ 0	\$ 8,007	\$ 100,828	\$ 16,805

NOTE 6 - PUBLIC ENTITY RISK POOL

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For these risks of loss, with the exception of workers' compensation, the District carries commercial insurance.

For workers' compensation, the District participates in the Colorado Special Districts Property and Liability Pool, a separate and independent governmental and legal entity formed by intergovernmental agreement.

The purposes of the Pool are to provide members defined liability, property, and workers compensation coverages and to assist members in preventing and reducing losses and injuries to property and to persons or property which might result in claims being made against members of the Pool, their employees and officers.

ROXBOROUGH WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PUBLIC ENTITY RISK POOL (CONTINUED)

It is the intent of the members of the Pool to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of the Pool against stated liability of loss, to the limit of the financial resources of the Pool.

It is also the intent of the members to have the Pool provide continuing stability and availability of needed coverages at reasonable costs. All income and assets of the Pool shall be at all times dedicated to the exclusive benefit of its members. The Pool is a separate legal entity and the District does not approve budgets nor does it have the ability to significantly affect the operations of the Pool. A member of management is on the Board of Directors for the Pool.

NOTE 7 - RETIREMENT COMMITMENTS

Profit Sharing Plan

The District has established a profit sharing pension plan on behalf of all District employees. The contribution requirements of plan participants and the District are established and may be amended by the Board of Directors. All employees are eligible to participate in the plan upon employment, and become fully vested after five years of service. Forfeitures are used to offset current contributions. There were no forfeitures during 2017.

The District may contribute up to 15% of each participating employee's compensation. During the year ended December 31, 2017, the District contributed \$92,896 to the Plan, representing 10.07% of employee compensation. All contributions are deposited to the individual employee's self-directed accounts and the District has no further fiduciary responsibility for the plan assets.

Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all District employees and permits them to defer a portion of their salary until future years. All plan investments are held in trust for the exclusive benefit of the employees. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

NOTE 8 - CONCENTRATIONS

One company was responsible for 20.7% of the property tax collected.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Tabor Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (the "Amendment") which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the Amendment.

ROXBOROUGH WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

In November 2001, the District electors allowed the District to spend the full proceeds of any taxes, fees, charges, grants, rates, tolls or any other revenues collected in fiscal year 2000 and in all subsequent fiscal years without regard to any limitation contained in the Amendment. In November 2014, the Subdistrict electors also allowed Plum Valley Heights to spend the full proceeds of any taxes, fees, charges, grants, rates, tolls or any other revenues collected in fiscal year 2014 and in all subsequent fiscal years without regard to any limitation contained in the Amendment.

The District has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2017, the emergency reserve of \$226,369 was reported as a restriction of fund balances and in the government wide statements.

Other Commitments and Contingencies

The District has entered into a contract to purchase sewer treatment services from the City of Littleton, Colorado. This City is treating all wastewater of the District. The contract is irrevocable by the District as long as bonds to finance the City's treatment plant are still outstanding.

The District has entered into an agreement to purchase its water from the City of Aurora, Colorado. This agreement terminates in 2015 and then automatically and continuously renews for another ninety years. During 2014, another agreement was signed with the City to supply up to an additional 150 acre-feet of raw water. As part of the agreement, when the District wants to begin to take raw water deliveries, the District will pay the City development and connection fee of \$9,855 per customer. The total estimated amount due at that time is \$3,114,180. As more fully described in Note 5 the District has received a portion of these funds from Douglas County.

During the 1970's the District presold approximately 2,500 taps. For the year ended December 31, 2017 each prepaid tap had a credit value of ranging from \$4,919 to \$6,204 against the total tap cost of approximately \$37,125. At December 31, 2017, 38 presold taps remained.

During 2016, the District included Ravenna, which amounted to 243 taps at December 31, 2017. In lieu of initial tap fees the District will charge \$100 per month for each tap.

NOTE 10 - SUBSEQUENT EVENTS

In April 2017, the District entered into an amended and restated IGA with the City of Aurora. Under this IGA the District combined two previous agreements. Due to their water conservation efforts, the District was able to change their EQR calculation from .4737 to .44 EQR's per household. This allows the District to service additional customers with the same allocation of water. The District also agreed to pay the remaining \$3,514,080 of development and connection fees related to the previous agreement.

ROXBOROUGH WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - SUBSEQUENT EVENTS (CONTINUED)

Village Circle West water line replacement, Phase2 will begin during 2018. The contract amount is \$1,767,034.

NOTE 11 - EXTRAORDINARY ITEMS

Impairment of Capital Asset

The District's assets include water rights at the Lambert Reservoir. A portion of the reservoir was damaged in a snowstorm in May, 2015. As a result, the reservoir's capacity has gone from 24 acre feet of water to 10 to 12 acre feet of water. The loss of storage capacity results in the loss of usable water to the District. As a result, the District recognized an impairment loss relative to the reservoir of \$400,959 and the value of the reservoir was reduced to \$453,449. The damages are expected to be repaired beginning in 2018 and will take several years to complete. These repair costs will be capitalized as part of the reservoir.

REQUIRED SUPPLEMENTARY INFORMATION

ROXBOROUGH WATER AND SANITATION DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Revenues</u>				
Property taxes	\$ 982,427	\$ 982,427	\$ 989,763	\$ 7,336
Specific ownership taxes	50,000	50,000	106,610	56,610
Investment income	2,000	2,000	7,767	5,767
Miscellaneous revenues	<u>1,000</u>	<u>1,000</u>	<u>56</u>	<u>(944)</u>
Total Revenues	<u>1,035,427</u>	<u>1,035,427</u>	<u>1,104,196</u>	<u>68,769</u>
<u>Expenditures</u>				
Salaries and benefits	\$ 158,000	158,000	129,769	28,231
Accounting and audit	32,000	32,000	48,921	(16,921)
Contract labor	10,000	10,000	0	10,000
Director fees	7,000	7,000	0	7,000
Education	10,000	10,000	18,125	(8,125)
Engineering	15,000	15,000	26,894	(11,894)
Insurance	11,500	11,500	20,099	(8,599)
Legal fees	25,000	25,000	33,759	(8,759)
Miscellaneous	10,000	10,000	(637)	10,637
Office expense	20,000	20,000	38,557	(18,557)
Permits, dues and subscriptions	6,000	6,000	6,280	(280)
Rent	20,000	20,000	2,694	17,306
Repairs and maintenance	45,000	45,000	48,781	(3,781)
Treasurer fees	15,000	15,000	15,851	(851)
Utilities	5,000	5,000	2,162	2,838
Vehicle expense	4,000	4,000	1,159	2,841
Capital outlay	<u>12,000</u>	<u>12,000</u>	<u>31,074</u>	<u>(19,074)</u>
Total Expenditures	<u>405,500</u>	<u>405,500</u>	<u>423,488</u>	<u>(17,988)</u>
Excess of Revenues Over Expenditures	629,927	629,927	680,708	50,781
<u>Other Financing Sources (Uses)</u>				
Transfers out	<u>(655,000)</u>	<u>(655,000)</u>	<u>(600,000)</u>	<u>55,000</u>
Net change in fund balances	<u>\$ (25,073)</u>	<u>\$ (25,073)</u>	80,708	<u>\$ 105,781</u>
Fund balances, beginning			<u>704,361</u>	
Fund balances, ending			<u>\$ 785,069</u>	

See the accompanying Independent Auditors' Report.

ROXBOROUGH WATER AND SANITATION DISTRICT
BUDGETARY COMPARISON SCHEDULE
PLUM VALLEY HEIGHTS
YEAR ENDED DECEMBER 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Revenues</u>				
Property taxes	\$ 450,000	\$ 450,000	\$ 450,583	\$ 583,000
Specific ownership taxes	0	0	49,495	49,495
Intergovernmental revenue	55,000	55,000	2,500	(52,500)
Capital surcharges	37,650	37,650	0	(37,650)
Miscellaneous revenues	0	0	687,076	687,076
Investment income	<u>400</u>	<u>400</u>	<u>431</u>	<u>31</u>
Total Revenues	<u>543,050</u>	<u>543,050</u>	<u>1,190,085</u>	<u>647,035</u>
<u>Expenditures</u>				
Accounting and audit	16,000	16,000	12,000	4,000
Education	20,000	20,000	0	20,000
Engineering	100,000	100,000	0	100,000
Legal fees	30,000	30,000	0	30,000
Admin	79,000	79,000	8,781	70,219
Financing	0	0	128,956	(128,956)
Capital Outlay	2,000,000	7,000,000	3,499,910	3,500,090
Debt Service	<u>422,406</u>	<u>422,406</u>	<u>2,872,501</u>	<u>(2,450,095)</u>
Total Expenditures	<u>2,667,406</u>	<u>7,667,406</u>	<u>6,522,148</u>	<u>1,145,258</u>
Excess of Revenues Over (Under) Expenditures	(2,124,356)	(7,124,356)	(5,332,063)	1,792,293
<u>Other Financing Sources (Uses)</u>				
Transfers in	225,900	225,900	0	(225,900)
Transfers out	(225,900)	(225,900)	0	225,900
Proceeds from loans	<u>0</u>	<u>0</u>	<u>22,260</u>	<u>22,260</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>22,260</u>	<u>22,260</u>
Net change in in fund balances	<u>\$ (2,124,356)</u>	<u>\$ (7,124,356)</u>	(5,309,803)	<u>\$ 1,814,553</u>
Fund balances, beginning			<u>5,646,689</u>	
Fund balances, ending			<u>\$ 336,886</u>	

See the accompanying Independent Auditors' Report.

ROXBOROUGH WATER AND SANITATION DISTRICT6
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017

NOTE 1 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets

Budgets are legally adopted for all funds of the District. Budgets for the General and Debt Service Funds, Capital Projects, and Plum Valley Heights are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgetary comparisons for the proprietary funds are presented on a non-GAAP budgetary basis. Capital outlay and debt principal are budgeted as expenditures, and depreciation is not budgeted.

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

- In September, District management submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- District management is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- All appropriations lapse at year end. Colorado governments may not exceed budgeted appropriations at the fund level.

INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

ROXBOROUGH WATER AND SANITATION DISTRICT
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
YEAR ENDED DECEMBER 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Revenues</u>				
Intergovernmental revenue	\$ 3,750,000	\$ 3,750,000	\$ 5,029,104	\$ 1,279,104
Investment income	<u>35,000</u>	<u>35,000</u>	<u>10</u>	<u>(34,990)</u>
Total Revenues	<u>3,785,000</u>	<u>543,050</u>	<u>5,029,114</u>	<u>1,244,114</u>
<u>Expenditures</u>				
General Government				
Capital outlay	<u>7,500,000</u>	<u>11,000,000</u>	<u>0</u>	<u>10,000,000</u>
Total Expenditures	<u>7,500,000</u>	<u>11,000,000</u>	<u>0</u>	<u>10,000,000</u>
Excess of Revenues Over (Under) Expenditures	(3,715,000)	(7,215,000)	5,029,114	12,244,114
<u>Other Financing Sources (Uses)</u>				
Transfers in	0	5,000,000	2,882,955	(2,117,045)
Transfers out	<u>0</u>	<u>0</u>	<u>(10,329,842)</u>	<u>(10,329,842)</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>5,000,000</u>	<u>(7,446,887)</u>	<u>(12,446,887)</u>
Net change in in fund balances	<u>\$ (3,715,000)</u>	<u>\$ (2,215,000)</u>	(2,417,773)	<u>\$ (202,773)</u>
Fund balances, beginning			<u>2,330,774</u>	
Fund balances, ending			<u>\$ (86,999)</u>	

See the accompanying Independent Auditors' Report.

ROXBOROUGH WATER AND SANITATION DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2017

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Revenues</u>			
Property taxes	\$ 791,259	\$ 797,166	\$ 5,907
Specific ownership taxes	80,000	83,808	3,808
Investment income	<u>10,000</u>	<u>32,096</u>	<u>22,096</u>
Total Revenues	<u>881,259</u>	<u>913,070</u>	<u>31,811</u>
<u>Expenditures</u>			
General government	15,000	12,767	2,233
Water supply debt	976,643	398,855	577,788
Principal	465,000	465,000	0
Interest	<u>220,352</u>	<u>736,987</u>	<u>(516,635)</u>
Total Expenditures	<u>1,676,995</u>	<u>1,613,609</u>	<u>63,386</u>
Excess of Revenues Over (Under) Expenditures	(795,736)	(700,539)	95,197
<u>Other Financing Sources (Uses)</u>			
Transfers in	<u>1,222,000</u>	<u>1,173,581</u>	<u>(48,419)</u>
Net change in fund balances	<u>\$ 426,264</u>	473,042	<u>\$ 46,778</u>
Fund balances, beginning		<u>4,144,908</u>	
Fund balances, ending		<u>\$ 4,617,950</u>	

See the accompanying Independent Auditors' Report.

ROXBOROUGH WATER AND SANITATION DISTRICT
BUDGETARY COMPARISON SCHEDULE NON GAAP BASIS
WATER FUND
YEAR ENDED DECEMBER 31, 2017

	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<u>Revenues</u>			
Charges for services	\$ 2,720,000	\$ 3,145,896	\$ 425,896
Permit fees	6,600	100	(6,500)
Other water sales	138,000	222,179	84,179
Miscellaneous	77,200	105,878	28,678
Investment income	2,500	49,476	76,388
Availability charges	90,000	96,861	6,861
Capital charges	1,120,000	1,196,388	76,388
Contributed capital	0	531,250	531,250
Inclusion fees	0	133,985	133,985
Dominion reimbursements	85,000	220,621	135,621
System development charges	44,000	2,901,967	2,857,967
Transfers in	<u>400,000</u>	<u>400,000</u>	<u>0</u>
 Total Revenues	 <u>4,683,300</u>	 <u>9,004,601</u>	 <u>4,321,301</u>
<u>Expenditures</u>			
Accounting and audit	30,000	57,224	(27,224)
Permits, dues and subscriptions	4,000	2,652	1,348
Contract labor	40,000	30,589	9,411
Education	35,000	38,353	(3,353)
Engineering	100,000	194,156	(94,156)
GPS/GIS	30,000	26,664	3,336
Insurance	40,000	65,452	(25,452)
Lab and test fees	12,000	22,938	(10,938)
Legal fees	40,000	67,080	(27,080)
Meter expense	0	116,339	(116,339)
Miscellaneous	13,000	11,214	1,786
Office expense	20,000	25,604	(5,604)
Operating supplies	103,500	95,366	8,134
Payroll, taxes and benefits	855,000	806,628	48,372
Repairs and maintenance	50,000	139,201	(89,201)
Utilities	90,000	199,294	(109,294)
Vehicle expense	30,000	16,184	13,816
Dominion	20,000	178,708	(158,708)
Water cost	1,500,000	1,277,366	222,634
Capital outlay	8,820,000	5,851,117	2,968,883
Conservation rebates	0	2,650	(2,650)
Water rights capital	40,000	22,043	17,957
Impairment loss	691,000	0	691,000
Transfers out	<u>1,090,000</u>	<u>4,020,231</u>	<u>(2,930,231)</u>
 Total Expenditures	 <u>13,653,500</u>	 <u>13,267,053</u>	 <u>386,447</u>
 Change in net position, budgetary basis	 <u>\$ (8,970,200)</u>	 <u>\$ (4,262,452)</u>	 <u>\$ 3,934,854</u>

See the accompanying Independent Auditors' Report.

ROXBOROUGH WATER AND SANITATION DISTRICT
BUDGETARY COMPARISON SCHEDULE NON GAAP BASIS
WATER FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Reconciliation to GAAP Basis			
Capital outlay		\$ 16,180,959	
Depreciation		<u>(1,873,886)</u>	
Change in net position, GAAP Basis		10,044,621	
Net position, beginning		<u>74,814,165</u>	
Net position, ending		<u>\$ 84,858,786</u>	

See the accompanying Independent Auditors' Report.

ROXBOROUGH WATER AND SANITATION DISTRICT
BUDGETARY COMPARISON SCHEDULE NON GAAP BASIS
SEWER FUND
YEAR ENDED DECEMBER 31, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Revenues</u>			
Charges for services	\$ 1,535,000	\$ 1,611,105	\$ 76,105
Charges for services – Lockheed Martin Agreement	350,000	329,897	(20,103)
Permit fees	12,000	4,050	(7,950)
Miscellaneous	1,030,000	5,051	(1,024,949)
Investment income	15,000	67,727	52,727
Dominion reimbursements	150,000	152,357	2,357
Availability charges	40,000	36,304	(3,696)
System development charges	170,000	191,280	21,280
Loss on sale of asset	0	(2,825,039)	(2,825,039)
Transfer in	<u>200,000</u>	<u>200,000</u>	<u>0</u>
 Total Revenues	 <u>3,502,000</u>	 <u>(227,268)</u>	 <u>(3,729,268)</u>
<u>Expenditures</u>			
Accounting and audit	22,000	28,612	(6,612)
Contract labor	30,000	30,589	(589)
Dominion expense	100,000	35,700	64,300
Education	10,000	16,057	(6,057)
Engineering	50,000	35,914	14,086
GPS/GIS	30,000	25,547	4,453
Insurance	13,000	27,651	(14,651)
Lab and test fees	500	870	(370)
Legal fees	45,000	23,346	21,654
Littleton service fees	875,000	4,487	3,513
Miscellaneous	8,000	921,344	(46,344)
Office expense	25,000	16,749	8,251
Operating supplies	48,000	67,867	(19,867)
Permits, dues and subscriptions	3,500	2,630	870
Payroll, taxes and benefits	312,000	291,623	20,377
Repairs and maintenance	250,000	141,031	108,969
Utilities	130,000	79,678	50,322
Vehicle expense	15,000	8,553	6,447
Capital outlay	500,000	518,038	(18,038)
Transfer out	<u>40,000</u>	<u>36,304</u>	<u>3,696</u>
 Total Expenditures	 <u>2,507,000</u>	 <u>2,312,590</u>	 <u>194,410</u>
 Change in net position, budgetary basis	 <u>\$ 995,000</u>	 <u>\$ (2,539,858)</u>	 <u>\$ (3,534,858)</u>

See the accompanying Independent Auditors' Report.

ROXBOROUGH WATER AND SANITATION DISTRICT
BUDGETARY COMPARISON SCHEDULE NON GAAP BASIS
SEWER FUND CONTINUED
YEAR ENDED DECEMBER 31, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Reconciliation to GAAP Basis			
Capital outlay		\$ 518,038	
Depreciation		<u>(835,485)</u>	
Change in net position, GAAP basis		(2,857,305)	
Net position, beginning		<u>29,042,696</u>	
Net position, ending		<u>\$ 26,185,391</u>	

See the accompanying Independent Auditors' Report.