

**BOXELDER BASIN
REGIONAL STORMWATER AUTHORITY**

FINANCIAL STATEMENTS

December 31, 2017

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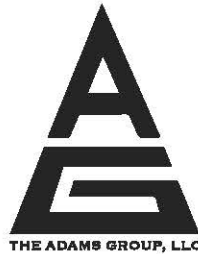
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August 23 , 2018

TABLE OF C O N T E N T S

Independent Auditors' Report	<i>i-ii</i>
MANAGEMENT'S DISCUSSION AND ANALYSIS	<i>iii-v</i>
BASIC FINANCIAL STATEMENTS	
Governmental Fund Balance Sheet/Statement of Net Position	1
Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance/Statement of Activities	2
Notes to Financial Statements	3-10
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual – General Fund	11
INDIVIDUAL FUND FINANCIAL STATEMENT AND SCHEDULES	
Schedule of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual – Capital Projects Fund	12
Schedule of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual – Debt Service Fund	13



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Boxelder Basin Regional Stormwater Authority
Fort Collins, Colorado

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Boxelder Basin Regional Stormwater Authority (the Authority), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Boxelder Basin Regional Stormwater Authority'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 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 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 and each major fund, of the Boxelder Basin Regional Stormwater Authority, as of December 31, 2017, and the respective changes in financial position 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 v and 11 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 Authority'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 Adams Group, LLC

June 4, 2018
Denver, Colorado

Management's Discussion and Analysis

As management of the Boxelder Basin Regional Stormwater Authority (the "Authority"), we offer the following overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2017.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of three components: 1) Authority 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.

Financial Statements. The Authority financial statements are designed to provide readers with a broad overview of the Authority's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the Authority'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 Authority is improving or deteriorating.

The statement of activities presents information showing how the Authority'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 Authority financial statements distinguish functions of the Authority that are principally supported by service fees from other functions that are intended to recover all or a significant portion of the Authority's capital investment through system development fees. The governmental activities of the Authority include the financing, construction of, and maintenance of public infrastructure improvements constructed or acquired by the Authority. The Authority financial statements can be found on pages 1-2 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 Authority, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority has three funds – an operations fund, a capital projects fund and a debt service fund.

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 the operations fund, the capital projects fund and the debt service fund.

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 3-10 of this report.

Required Supplementary Information. The Authority adopts an annual appropriated budget for its general fund. A budgetary comparison statement for this fund has been provided as required supplementary information to demonstrate compliance with this budget. The general fund budget statement is found on page 11 of this report.

Other Information. The report includes individual fund schedules. A budgetary comparison statement has been provided in this section for the debt services and capital projects funds to demonstrate compliance with this budget. The budget statements are found on pages 12-13 of this report.

Financial Highlights

- Assets exceeded liabilities by \$6,806,886 as of December 31, 2017.
- As of December 31, 2017, the Authority’s governmental funds reported combined ending fund balances of \$315,549. This combined fund balance includes \$238,788 of General Fund balance and \$76,671 of the Debt Service Fund balance.
- Total net position increased by \$1,412,789 during the calendar year 2017. A significant portion of this increase is attributable to capitalized project costs.
- Total cash and investments decreased by \$309,872 as compared to the prior year. This is primarily a result of the Authority meeting certain debt service obligations in 2017.
- Operations fund expenditures totaled \$238,271 during the calendar year 2017. The operations expenditures are those costs incurred to provide administration of the Authority and include accounting, legal, management, insurance, and other costs.
- At the end of 2017, ending fund balance for capital projects was \$0.

Government-wide Financial Analysis. The following table provides a summary of the Authority’s net position as of December 31, 2017. As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. The Authority’s assets exceeded liabilities by \$6,806,886 as of December 31, 2017.

Boxelder Basin Regional Stormwater Authority’s Net Position

	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 1,527,719	\$ 1,774,699
Capital Assets, net of accumulated depreciation	14,591,277	14,728,105
Total assets	<u>\$ 16,118,996</u>	<u>\$ 16,502,804</u>
Long-term liabilities outstanding	\$ 9,174,205	\$ 10,897,961
Other liabilities	137,905	210,746
Total liabilities	<u>\$ 9,312,110</u>	<u>\$ 11,108,707</u>
Net Position		
Net investment in capital assets	\$ 5,767,072	\$ 4,815,628
Restricted	76,671	-
Unrestricted	963,143	578,469
Net Position	<u>\$ 6,806,886</u>	<u>\$ 5,394,097</u>

Governmental Activities. Governmental activities increased the Authorities net position by \$1,412,789. Key elements of this increase are as follows:

Boxelder Basin Regional Stormwater Authority's Changes in Net Position

	2017	2016
Revenues:		
Program revenues		
Charges for services	\$ 1,532,162	\$ 2,886,239
General revenues	5,298	5,878
Special Revenue Item - Forgiveness of Debt	985,484	-
Total revenues	\$ 2,522,944	\$ 2,892,117
Expenses:		
Current		
Authority management and administration	\$ 116,849	\$ 136,235
General government	993,306	467,073
Total expenses	\$ 1,110,155	\$ 603,308
Increase in net position	1,412,789	2,288,809
Net position, beginning	5,394,097	3,105,288
Net position, ending	\$ 6,806,886	\$ 5,394,097

Financial Analysis of the Authority's Funds

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

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

Long-Term Debt

At the end of the current fiscal year, the Authority had total outstanding long-term debt of \$9,174,205. During 2017, the members waived the repayment obligation of the Authority for its initial matching grants in the amount of \$985,484. Additional information on the Authority's long-term debt can be found in note 5 beginning on page 7 of this report.

Next Year's Budgets and Rates

Stormwater fees are expected to increase over 2017 as a result of growth within the Service Area and the addition of approved and increased rates.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to: Boxelder Basin Regional Stormwater Authority, c/o Pinnacle Consulting Group, Inc., 550 W. Eisenhower Blvd., Loveland, CO 80537.

BASIC FINANCIAL STATEMENTS

BOXELDER BASIN REGIONAL STORMWATER AUTHORITY
GOVERNMENTAL FUND BALANCE SHEET/
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<u>Assets</u>					
Cash and investments	\$ 252,323	\$ 2,838	\$ 0	\$ 0	\$ 255,161
Restricted cash	0	0	76,671	0	76,671
Receivables					
Service fees	1,192,752	1,638	0	0	1,194,390
Prepaid expenses	1,497	0	0	0	1,497
Capital assets, not being depreciated	0	0	0	3,103,195	3,103,195
Capital assets net of accumulated depreciated	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,488,082</u>	<u>11,488,082</u>
Total Assets	<u>\$ 1,446,572</u>	<u>\$ 4,476</u>	<u>\$ 76,671</u>	<u>14,591,277</u>	<u>16,118,996</u>
<u>Liabilities and Fund Balance/Net Assets</u>					
<u>Liabilities</u>					
Accounts payable	15,032	4,476	0	0	19,508
Accrued interest payable	0	0	0	118,397	118,397
Noncurrent liabilities					
Due within one year	0	0	0	646,085	646,085
Due in more than one year	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,528,120</u>	<u>8,528,120</u>
Total liabilities	<u>15,032</u>	<u>4,476</u>	<u>0</u>	<u>9,292,602</u>	<u>9,312,110</u>
<u>Deferred Inflows of Resources</u>					
Unearned revenue-fees	<u>1,192,752</u>	<u>0</u>	<u>0</u>	<u>(1,192,752)</u>	<u>0</u>
Total deferred inflows of resources	<u>1,192,752</u>	<u>0</u>	<u>0</u>	<u>(1,192,752)</u>	<u>0</u>
<u>Fund Balance</u>					
Fund balance					
Nonspendable	1,497	0	0	(1,497)	0
Restricted	0	0	76,671	(76,671)	0
Unassigned	<u>237,291</u>	<u>0</u>	<u>0</u>	<u>(237,291)</u>	<u>0</u>
Total fund balance	<u>238,788</u>	<u>0</u>	<u>76,671</u>	<u>(315,459)</u>	<u>0</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,446,572</u>	<u>\$ 4,476</u>	<u>\$ 76,671</u>		
<u>Net Position</u>					
Net investment in capital assets				5,767,072	5,767,072
Restricted				76,671	76,671
Unrestricted				<u>963,143</u>	<u>963,143</u>
Total Net Position				<u>\$ 6,806,886</u>	<u>\$ 6,806,886</u>

The accompanying notes are an integral part of these financial statements

BOXELDER BASIN REGIONAL STORMWATER AUTHORITY
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Adjustment</u>	<u>Statement of Activities</u>
Revenues					
Fees					
Service	\$ 848,542	\$ 0	\$ 0	\$ 220,593	\$ 1,069,135
System development	283,830	0	0	(205,044)	78,786
Participation by the Timnath Development Authority					
	0	304,918	79,323	0	384,241
Interest income	4,396	0	0	0	4,396
Other	300	193	409	0	902
Special item – forgiveness of debt	<u>0</u>	<u>0</u>	<u>0</u>	<u>985,484</u>	<u>985,484</u>
Total revenues	<u>1,137,068</u>	<u>305,111</u>	<u>79,732</u>	<u>1,001,033</u>	<u>2,522,944</u>
Expenditures/Expenses					
Current					
District management and administration	116,849	0	0	0	116,849
Service billing	30,378	0	0	0	30,378
Insurance	2,988	0	0	0	2,988
Office expense	1,084	0	0	0	1,084
Wetland monitoring	4,732	0	0	0	4,732
Drainage monitoring	16,963	0	0	0	16,963
Website	300	0	0	0	300
Professional fees	44,067	56,068	0	0	100,135
Maintenance, site repairs and other project costs					
	20,910	130	0	0	21,040
Loan fees	0	3,592	0	0	3,592
Surface water costs	0	0	0	350,000	350,000
Debt Service					
Principal	0	1,088,272	0	(1,088,272)	0
Interest	0	17,135	240,619	0	257,754
Depreciation	0	0	0	204,340	204,340
Capital outlay					
Engineering, construction, right of way	<u>0</u>	<u>67,512</u>	<u>0</u>	<u>(67,512)</u>	<u>0</u>
Total expenditures/expenses	<u>238,271</u>	<u>1,232,709</u>	<u>240,619</u>	<u>(601,444)</u>	<u>1,110,155</u>
Excess of revenues over (under) expenditures	898,797	(927,598)	(160,887)	1,602,477	1,412,789
Other financing sources/uses					
Transfers - internal activities	<u>(1,099,429)</u>	<u>861,871</u>	<u>237,558</u>	<u>0</u>	<u>0</u>
Total other financing sources	<u>(1,099,429)</u>	<u>861,871</u>	<u>237,558</u>	<u>0</u>	<u>0</u>
Excess of revenues and other financing sources over expenditures and other financing uses	(200,632)	(65,727)	76,671	189,688	0
Changes in net assets	0	0	0	1,412,789	1,412,789
Fund balance/net position, January 1, 2017	<u>439,420</u>	<u>65,727</u>	<u>0</u>	<u>0</u>	<u>5,394,097</u>
Fund balance/net position, December 31, 2017	<u>\$ 238,788</u>	<u>\$ 0</u>	<u>\$ 76,671</u>	<u>\$ 0</u>	<u>\$ 6,806,886</u>

The accompanying notes are an integral part of these financial statements

BOXELDER BASIN REGIONAL STORMWATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Boxelder Basin Regional Stormwater Authority (Authority) was created in accordance with Colorado Revised Statute 29-1-203 through an intergovernmental agreement between Larimer County (County), the City of Fort Collins (City) and the Town of Wellington (Town). The Timnath Development Authority (TDA) has also contributed funds and agreed to participate in certain projects of the Authority. During 2017, a new intergovernmental agreement was signed. The agreement calls for the Authority to accumulate operations and maintenance funds for the Coal Creek/Clark Reservoir, in the amount of \$1,000,000 and for the East Side Detention Facility, in the amount of \$1,200,000. Once the Authority has paid the CWCB debt, and funded the operations and maintenance funds, the Authority will cease operations. As part of this termination the Authority will transfer the Coal Creek Agreement and the East Side Detention Facility capital assets to the County along with the operating and maintenance funds. Finally, the agreement also sets a ceiling on amounts that participants will pay of certain debt service, reserve funds and operating costs. Upon termination Equalization Payments will be made to members to reconcile amounts paid to the ceiling amounts in the agreement.

The Authority is governed by a five member board of directors (Board). One director is appointed by the County, the City and Town. Two members represent the public at large and are each selected by the City and the County, and the Town and the County.

The Authority has no employees and all operations and administrative functions are contracted.

The accounting policies of the Authority 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 Authority and organizations for which the Authority is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Authority. In addition, any legally separate organizations for which the Authority is financially accountable are considered part of the reporting entity. Financial accountability exists if the Authority 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 Authority.

Based upon the application of these criteria, the Authority does not report additional organizations within its reporting entity.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The statement of net position column on the governmental fund balance sheet/statement of net position and the statement of activities column on the statement of governmental fund revenues, expenditures, and changes in fund balance/statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Any fiduciary activities of the Authority are not included in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

BOXELDER BASIN REGIONAL STORMWATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Interfund activity has been eliminated from the statement of net position column on the governmental fund balance sheet/statement of net position and the statement of activities column on the statement of governmental fund revenues, expenditures, and changes in fund balance/statement of activities.

The governmental funds columns on the governmental fund balance sheet/statement of net position and the statement of governmental revenues, expenditures, and changes in fund balance/statement of activities 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose, the Authority considers most revenues to be available if they are collected within 60 days of the end of the current fiscal period. Service fees and system development fees are considered to be available only when received. Member governments generally remit the prior year fees in the following year. Interest associated with the current year is considered to be susceptible to accrual and so has been recognized as revenues of the current year. All other revenues are considered measurable and available only when cash is received by the Authority.

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

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

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

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

The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

The *Debt Service Fund* is used to account for financial resources accumulated and payments made for principal and interest on long-term debt.

Assets, Liabilities and Net Position/Fund Balances

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 Authority considers all accounts receivable to be collectible.

BOXELDER BASIN REGIONAL STORMWATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position/Fund Balances (Continued)

Capital assets – General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The Authority maintains a capitalization threshold of \$5,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. Depreciation of all exhaustible capital assets is charged as an expense against their operations. Depreciation is provided over the estimated useful lives using the straight-line method.

Deferred Outflows/Inflows of Resources – In addition to liabilities, 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, *unearned revenue*, is reported for fees levied in the current year but collected or remitted to the Authority in the next fiscal period.

Long-Term Debt – In the statement of net position column on the governmental fund balance sheet/statement of net position long-term debt and other long-term obligations are reported as liabilities in the statement of net position column.

The governmental funds column on the statement of governmental revenues, expenditures, and changes in fund balance/statement of activities recognize debt transactions as revenues and expenditures during the current year. The face amount of debt issued is reported as other financing sources.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The amounts to ultimately be collected from long term receivables and the cost of the surface water augmentation are significant estimates. Actual results may differ from those estimates.

Budgets

In accordance with the State Budget Law, the Authority's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditure level and lapses at year end. The Authority's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise noted. For the year ended December 31, 2017, the Authority approved supplemental appropriations for the General and Capital Projects Funds totaling \$392,646 and \$1,332,911, respectively.

BOXELDER BASIN REGIONAL STORMWATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - CASH AND INVESTMENTS

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 insurance levels must be collateralized by eligible collateral as determined by the PDPA. The 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. At December 31, 2017, the carrying amount of the Authority's deposits was \$7,735 and bank balances of the Authority's deposits were \$7,735. All of the bank balances were covered by FDIC insurance.

Investments

The Authority 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 Authority has no investment policy but follows State statutes which allow 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

The Authority invests funds in COLOTRUST. COLOTRUST is routinely monitored by the Colorado Division of Securities with regard to operations and investments, which are also subject to the provisions of the Colorado Revised States (24-75-601). Authorized securities include U.S. Treasuries, U.S. Agencies, commercial paper (rated A1 to better) and bank deposits (collateralized through PDPA). The pool operates similar to a 2a-7-like money market fund with a share value equal to \$1.00. This fund is rated AAAM by the Standard and Poor's Corporation. The Authority has interest rate risk related only to the investment in COLOTRUST. At December 31, 2017, COLOTRUST Plus +'s portfolio had a weighted average maturity of 34 days to reset and 94 days to maturity. At December 31, 2017, the Authority has invested \$324,097 in COLOTRUST. COLOTRUST does not have any unfunded commitments, redemption restrictions or redemption notice periods.

Fair Value Hierarchy. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. None of the Authorities investments require reporting under the fair value hierarchy defined in Governmental Accounting Standards Board Statement Number 72 *Fair Value Measurement and Application*.

The Authority has restricted cash related to the three Colorado Water Conservation Board (CWCB) loans which are described in Note 5. In accordance with the Authority's CWCB Debt Covenants, loans the amount of the required and funded reserves is \$76,671 at December 31, 2017.

BOXELDER BASIN REGIONAL STORMWATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - INTERFUND TRANSACTIONS

The transfer from the General Fund to the Capital Projects Fund is to fund capital costs not paid with service fee revenue. The General Fund also transferred funds to the Debt Service Fund to make the interest payment on the loans.

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Projects Fund	General Fund	\$ 861,871
Debt Service Fund	General Fund	237,558

NOTE 4 - CAPITAL ASSETS

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

	<u>Balances</u> <u>12/31/16</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u> <u>12/31/17</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 0	\$ 51,734	\$ 0	\$ 51,734
Land and Easements	<u>3,051,461</u>	<u>0</u>	<u>0</u>	<u>3,051,461</u>
Total capital assets not being				
Depreciated	<u>3,051,461</u>	<u>51,734</u>	<u>0</u>	<u>3,103,195</u>
Capital assets, being depreciated:				
Drainage Improvements	11,825,413	15,778	0	11,841,191
Less accumulated depreciation for:				
Drainage Improvements	<u>(148,769)</u>	<u>(204,340)</u>	<u>0</u>	<u>(353,109)</u>
Total capital assets being				
depreciated	<u>11,676,644</u>	<u>(188,562)</u>	<u>0</u>	<u>11,488,082</u>
Capital assets, net	<u>\$ 14,728,105</u>	<u>\$ (136,828)</u>	<u>\$ 0</u>	<u>\$ 14,591,277</u>

NOTE 5 - LONG-TERM DEBT

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

	<u>Balance</u> <u>12/31/16</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/17</u>	<u>Due within</u> <u>One Year</u>
Governmental Activities:					
Amounts owed to Members					
City of Fort Collins	\$ 193,497	\$ 0	\$ (193,497)	\$ 0	\$ 0
Larimer County	489,742	0	(489,742)	0	0
Town of Wellington	<u>302,245</u>	<u>0</u>	<u>(302,245)</u>	<u>0</u>	<u>0</u>
Subtotal amounts					
owed to members	<u>985,484</u>	<u>0</u>	<u>(985,484)</u>	<u>0</u>	<u>0</u>
CWCB-Amounts drawn					
Note payable-LWCCS	835,105	0	0	835,105	49,709
Note payable-ESDF	7,171,000	0	0	7,171,000	426,851
Note payable-CR52	<u>818,100</u>	<u>0</u>	<u>0</u>	<u>818,100</u>	<u>49,525</u>
Subtotal amounts					
drawn	<u>8,824,205</u>	<u>0</u>	<u>0</u>	<u>8,824,205</u>	<u>526,085</u>
Day Property Settlement	1,088,272		(1,088,272)	0	0
Surface Water Augmentation					
Program	<u>0</u>	<u>350,000</u>	<u>0</u>	<u>350,000</u>	<u>120,000</u>
Total	<u>\$ 10,897,961</u>	<u>\$ 350,000</u>	<u>\$ 2,073,756</u>	<u>\$ 9,174,205</u>	<u>\$ 646,085</u>

BOXELDER BASIN REGIONAL STORMWATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Amounts Owed to Members - The County was the recipient of certain federal grant funds to build storm drainage projects within the Authority. That federal grant had a local matching requirement. The City and the Town advanced cash funds to the Authority and the County constructed a bridge to satisfy the match requirement. In the original intergovernmental agreement, the Authority agreed to repay the matching funds without interest at an unspecified future date. As more fully described in Note 1 the members entered into a new agreement during 2017. One of the provisions of the agreement is that the repayment of these amounts would be waived.

CWCB - On June 17, 2014, the Authority entered into three loans with the CWCB. During 2017 the Authority renegotiated the loan terms and interest only payments were due for 2017 without an increase in the term of the loan. The first loan is for \$1,010,000 requiring annual payments of \$83,082 which includes principal and interest at a rate of 2.5%. This loan is for the Larimer-Weld Canal (LWCCS). At the completion of the project the loan was reduced to \$835,105. The renegotiated annual debt service payments are \$72,674. The second loan is for \$7,171,000 requiring renegotiated annual payments of \$624,054 which includes principal and interest at a rate of 2.75%. This loan is for the East Side Detention Facility Project (ESDF). The final loan is for \$818,100 requiring renegotiated annual payments of \$69,977 which includes principal and interest at a rate of 2.75%. This loan is for County Road 52 Improvements (CR52). All loans are for a term of 15 years. These loans will require a reserve fund of 1/10th of the annual payments to be funded each year for 10 years. That fund is required to be funded with the first annual payment which occurred during 2017. Payments are made from the Debt Service Fund. In addition, essentially all revenues of the Authority are pledged to this debt.

Annual debt service requirements at December 31, 2017 are as follows.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 526,084	\$ 240,621	\$ 766,705
2019	540,428	226,277	766,705
2020	555,163	211,542	766,705
2021	570,300	196,405	766,705
2022	585,850	180,855	766,705
2023-2027	3,177,761	655,765	3,833,526
2028-2031	<u>2,868,619</u>	<u>198,203</u>	<u>3,066,822</u>
Total	<u>\$ 8,824,205</u>	<u>\$ 1,909,668</u>	<u>\$ 10,733,873</u>

John W. Day Family Partnership Property Settlement (Day Property Settlement) - In 2015, as part of a condemnation hearing to acquire certain real property related to the ESDF project, the Authority deposited \$586,728 with the District Court. During February 2017, the Authority agreed to pay an additional \$1,088,272, as a final settlement for this property. The amount of \$500,000 was paid on April 2, 2017 and the remaining balances were paid before the calendar year-end with accrued interest.

Surface Water Augmentation Program - Based on Open Water Surveys at ESDF, the Authority has determined, in order to be in compliance with State of Colorado regulatory authorities, it will be required to either annually purchase water to augment the open water or make certain improvements to Area 2 of the facility. The Board has opted to make the changes and estimates the cost of the project will be \$350,000 to be expended over the next three years. During this time, the Authority will continue to purchase water at an estimated cost of \$32,000 per year.

BOXELDER BASIN REGIONAL STORMWATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 - NET POSITION

Net position presents the difference between assets and liabilities in the statement of net position. Net position invested in capital assets is reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by Authority legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

NOTE 7 - FUND BALANCE

The Authority has adopted GASB Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Based on that statement fund balances of the governmental funds are classified 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. At December 31, 2017, nonspendable funds relate to prepaid expenses.

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 Authority's Board. The Board is the highest level of decision-making body for the Authority. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. At December 31, 2017, the Authority has no committed fund balances.

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 may assign fund balances for specific purposes.

Unassigned – All other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds to have been spent first.

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

BOXELDER BASIN REGIONAL STORMWATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 - RELATED PARTY TRANSACTIONS

The member governments collected and remitted service and system development fees to the Authority. For the year ended December 31, 2017, the County, the City, and Town remitted revenues totaling \$346,729, \$303,608 and \$482,035, respectively, to the Authority. Fund receivables of \$353,303, \$338,896 and \$467,592, respectively, are due from the County, the City and the Town. These amounts represent the amount billed by the member governments, anticipated to be remitted to the Authority during 2018. As described in Note 5 to the financial statements, the members waived repayment of their long term debt.

NOTE 9 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. For these risks of loss, the Authority carries commercial insurance. There were no claims which exceeded insurance coverage for each of the past three years.

NOTE 10 - 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. Due to the nature of its formation, the Authority does not believe it is subject to the provisions of this amendment.

REQUIRED SUPPLEMENTARY INFORMATION

BOXELDER BASIN REGIONAL STORMWATER AUTHORITY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
<u>Fees</u>				
Service	\$ 859,920	\$ 896,286	\$ 848,542	\$ (47,744)
System development	150,000	238,174	283,830	45,656
Interest income	4,978	5,000	4,396	(604)
Other	<u>0</u>	<u>0</u>	<u>300</u>	<u>300</u>
Total revenues	<u>1,014,898</u>	<u>1,139,460</u>	<u>1,137,068</u>	<u>(2,392)</u>
<u>Expenditures/Expenses</u>				
<u>Current</u>				
District management and administration	88,601	113,000	116,849	(3,849)
Service Billing	30,284	30,284	30,378	(94)
Insurance	5,000	2,981	2,988	(7)
Office expense	3,000	1,195	1,084	111
Wetland monitoring	5,000	5,000	4,732	268
Drainage management	22,900	22,500	16,963	5,537
Professional fees	22,050	30,403	25,919	4,484
Website	300	300	300	0
Engineering	15,000	17,319	18,148	(829)
Site repairs	32,450	17,000	16,950	50
Monument survey	3,000	3,000	2,960	40
Maintenance	1,000	1,000	1,000	0
Contingency	<u>200,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total expenditures/expenses	<u>428,585</u>	<u>243,982</u>	<u>238,271</u>	<u>5,711</u>
Excess of revenues over expenditures	586,313	895,478	898,797	3,319
<u>Other financing sources/uses</u>				
Transfers – internal activities	<u>(597,837)</u>	<u>(1,175,086)</u>	<u>(1,099,429)</u>	<u>75,657</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (11,524)</u>	<u>\$ (279,608)</u>	(200,632)	<u>\$ 78,976</u>
Fund balance, January 1, 2017			<u>439,420</u>	
Fund balance, December 31, 2017			<u>\$ 238,788</u>	

INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

BOXELDER BASIN REGIONAL STORMWATER AUTHORITY
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL-NON GAAP BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>				
Fees				
Participation by the Timnath Development				
Authority	\$ 0	\$ 333,228	\$ 304,918	\$ (28,310)
Other revenues	<u>0</u>	<u>430</u>	<u>193</u>	<u>(237)</u>
Total revenues	<u>\$ 0</u>	<u>\$ 333,658</u>	<u>\$ 305,111</u>	<u>\$ (28,547)</u>
+				
<u>Expenditures/Expenses</u>				
Current				
Loan fees	0	0	3,592	(3,592)
Engineering project design	0	0	874	(874)
East side detention facility - legal fees	0	0	54,844	(54,844)
East side detention facility - project costs	0	0	130	(130)
Larimer Weld Canal Crossing structure engineering	0	0	350	(350)
Debt service				
Principal	0	1,125,000	1,088,272	36,728
Interest	0	25,000	17,135	7,865
Capital outlay				
Engineering, construction, right of way	<u>0</u>	<u>182,911</u>	<u>67,512</u>	<u>115,399</u>
Total expenditures	<u>0</u>	<u>1,332,911</u>	<u>1,232,709</u>	<u>100,202</u>
Excess of revenues over (under) expenditures	0	(999,253)	(927,598)	71,655
Other financing sources/uses				
Transfers – internal activities	<u>0</u>	<u>937,118</u>	<u>861,871</u>	<u>(75,247)</u>
Total other financing sources	<u>0</u>	<u>937,118</u>	<u>861,871</u>	<u>(75,247)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 0</u>	<u>\$ (62,135)</u>	(65,727)	<u>\$ (3,592)</u>
Fund balance, January 1, 2017			<u>65,727</u>	
Fund balance, December 31, 2017			<u>\$ 0</u>	

BOXELDER BASIN REGIONAL STORMWATER AUTHORITY
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>			
Fees			
Participation by the Timnath Development			
Authority	\$ 199,279	\$ 79,323	\$ (119,956)
Other income	<u>0</u>	<u>409</u>	<u>409</u>
Total revenues	<u>199,279</u>	<u>79,732</u>	<u>(119,547)</u>
<u>Expenditures/Expenses</u>			
Current			
Principal expense	484,032	0	484,032
Interest expense- ESDF	197,202	197,202	0
Interest expense- LCWCCS	20,452	20,452	0
Interest expense- CR52	<u>22,965</u>	<u>22,965</u>	<u>0</u>
Total expenditures/expenses	<u>724,651</u>	<u>240,619</u>	<u>484,032</u>
Deficiency of revenues under expenditures	(525,372)	(160,887)	364,485
Other financing sources/uses			
Transfers – internal activities	<u>597,837</u>	<u>237,558</u>	<u>(360,279)</u>
Total financing sources	<u>597,837</u>	<u>237,558</u>	<u>(360,279)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 72,465</u>	76,671	<u>\$ 4,206</u>
Fund balance, January 1, 2017		<u>0</u>	
Fund balance, December 31, 2017		<u>\$ 76,671</u>	