

Chatfield South Water District

Annual Financial Report

December 31, 2018 and 2017

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INTRODUCTORY SECTION

Chatfield South Water District
7995 E. Prentice Ave., Suite 103E
Greenwood Village, Colorado 80111
303-381-4960

July 10, 2019

To the Members of the Governing Council of the Chatfield South Water District:

State law requires that all general-purpose local governments publish within seven months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the annual financial report of the Chatfield South Water District for the fiscal years ended December 31, 2018 and 2017.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by Haynie & Company, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal years ended December 31, 2018 and 2017 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal years ended December 31, 2018 and 2017, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A section and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The District, established during November 1997, is physically located in Douglas County with administrative offices in Greenwood Village, Colorado. The District is empowered to levy a property tax on both real and personal properties located within its boundaries.

The District provides potable water services.

The annual budget serves as the foundation for the District's financial planning and control. The government's manager presents the proposed budget to the Board for review prior to October 31. The Board is required to hold public hearings on the proposed budget and to adopt a final budget by no later than December 15th. The appropriated budget is prepared by fund and function. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

Cash management policies and practices.

Cash temporarily idle during the year was invested in COLOTRUST's investment pool.

The District contracts substantially all operational functions to third party vendors.

Respectfully submitted,



Thomas B. Mansfield, Jr.
Treasurer

List of Principal Officials

President — Donna Fleischer

Treasurer — Thomas Mansfield

Board Member — Joseph Rottman

Board Member — Evan Ela

Board Member – Jay King

FINANCIAL SECTION



Certified Public Accountants (a professional corporation)

1221 West Mineral Ave, Ste. 202 Littleton, Colorado 80120-4544 (303) 734-4800 Fax (303) 795-3356

Independent Auditor's Report

Members of the Board of Directors
Chatfield South Water District
Greenwood Village, Colorado

We have audited the accompanying financial statements of Chatfield South Water District as of and for the years ended December 31, 2018 and 2017 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Chatfield South Water District, as of December 31, 2018 and 2017, and the respective changes in financial position and cash flows thereof



for the years 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 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 Chatfield South Water District's financial statements as a whole. The introductory and supplementary information sections are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Littleton, Colorado
July 10, 2019

Chatfield South Water District Management Discussion and Analysis

The discussion and analysis is designed to provide an analysis of the Chatfield South Water District's (District) financial condition and operating results and to inform the reader of the District's financial issues and activities.

The Management Discussion and Analysis (MD&A) should be read in conjunction with the District's financial statements.

Financial Highlights

- The statements of net position shows total assets of \$2,402,829 and \$2,352,981 and total liabilities and deferred inflows of resources of \$37,325 and \$73,113 for the years ended December 31, 2018 and 2017, respectively.
- In the statements of net position, the assets of the District exceeded its liabilities by \$2,365,504 for 2018 and \$2,279,868 for 2017. Of this amount, \$844,749 (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and creditors at December 31, 2018, and \$733,549 was available to meet the District's ongoing obligations at December 31, 2017. As of December 31, 2018, \$1,512,955 represented the excess of capital assets over related debt. \$1,541,319 was the excess of capital assets over related debt as of December 31, 2017. These balances were not available for current obligations. The District has also restricted \$7,800 for emergencies for the year ended December 31, 2018 and \$5,000 was restricted for emergencies as of December 31, 2017.
- The District's total net position increased by \$85,636 for the year ended December 31, 2018 and decreased by \$4,016 for the year ended December 31, 2017. The increase in total net position in the current year was primarily due to increases in water sales, service fees and tap fee revenues in 2018.
- The District's total notes payable decreased by \$15,968 during the current fiscal year. The note was paid in full in 2018.

Overview of the Financial Statements

The financial statements of the District are presented as a special purpose government engaged in providing business type activities – potable water services.

The *Statements of Net Position* present 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 the net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

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

These financial statements distinguish functions of the District that are principally supported by water service fees, property taxes, investment income and tap fees. The functions of the District include effective and economical operation of water systems within the jurisdictional boundaries of the District. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The District adopts an annual appropriated budget to recognize the fiscal impact of operations, non-operating revenues and contributions. A budgetary comparison statement has been provided to demonstrate compliance with this requirement.

The basic financial statements of this district can be found on pages 10-12 of this report.

District-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$2,365,504 at the close of the most recent fiscal year.

The largest portion of the District's net position is reflected in its investment in capital assets (e.g., water delivery infrastructure and water rights) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens and consequently these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from water service fees, tap fees and property taxes, since the capital assets themselves cannot produce sufficient revenue to liquidate these liabilities.

The balance of unrestricted net position, \$844,749, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the District reported positive balances in all categories of net position, for the District as a whole.

Financial Analysis of the District's Change in Net Position

NET POSITION

		December 31,	
		2018	2017
Assets			
Other assets		\$ 889,874	\$ 795,694
Capital assets, net and water rights		1,512,955	1,557,287
Total assets		2,402,829	2,352,981
Liabilities and deferred inflows of resources			
Other liabilities		37,325	73,113
Total liabilities and deferred inflows of resources		37,325	73,113
Net Position			
Investment in capital assets		1,512,955	1,541,319
Restricted		7,800	5,000
Unrestricted		844,749	733,549
Total net position		\$ 2,365,504	\$ 2,279,868

CHANGE IN NET POSITION

		For the Year Ended December 31,	
		2018	2017
Operating revenues		\$ 82,549	\$ 64,827
Operating expenses		(139,824)	(121,455)
Non-operating revenues		176,046	73,207
Non-operating expenses		(33,135)	(20,595)
Change in net position		85,636	(4,016)
Net position—beginning of year		2,279,868	2,283,884
Net position—end of year		\$ 2,365,504	\$ 2,279,868

Total District water revenue amounted to \$82,549 for 2018 and \$64,827 for 2017. Total expenditures amounted to \$172,959 for 2018 and \$142,050 for 2017. Total revenues including tap fees, property taxes and other revenues was \$258,595 and \$138,034 for the years ended December 31, 2018 and 2017, respectively.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its business type activities as of December 31, 2018 totaled \$1,512,955 (net of accumulated depreciation). This investment in capital assets includes water line systems and certain water rights. The total decrease in the District's investment in net capital assets for the current fiscal year was 3%.

Capital Assets
(net of depreciation)

Additional information on the District's capital assets can be found in note A on page 14 and note C on page 17.

Long-term debt. At the end of the current fiscal year, the District had no outstanding debt.

Outstanding Debt

	Governmental Activities	
	2018	2017
Construction loan	\$ -	\$ 15,968
	<u>\$ -</u>	<u>\$ 15,968</u>

The District's total notes payable decreased by \$15,968 during the current fiscal year. The key factor in this decrease was payment in full of the loan.

Additional information on the District's long-term debt can be found in note G on page 20 of this report.

Requests for Information

This financial report is designed to provide a general overview of the 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 the District:

Chatfield South Water District
C/O Community Resource Services
7995 E. Prentice Avenue, Suite 103E
Greenwood Village, Colorado 80111

Basic Financial Statements

Chatfield South Water District

Statements of Net Position

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 604,804	\$ 718,069
Investments	234,221	\$ -
Accounts receivable—water net of allowance of \$500 and \$500, respectively	18,580	25,957
Property taxes receivable	29,424	47,286
Prepays	2,845	4,382
Total current assets	<u>889,874</u>	<u>795,694</u>
Property, plant and equipment, at cost		
Equipment	58,905	58,905
Water system	1,616,190	1,616,190
Water rights	574,771	574,771
Less accumulated depreciation	<u>(736,911)</u>	<u>(692,579)</u>
Net property, plant and equipment	<u>1,512,955</u>	<u>1,557,287</u>
Total assets	<u>\$ 2,402,829</u>	<u>\$ 2,352,981</u>
Liabilities and deferred inflows of resources		
Current liabilities		
Accounts payable	\$ 8,375	\$ 10,207
Accrued interest payable	-	120
Current portion of long-term debt	-	15,968
Total current liabilities	<u>8,375</u>	<u>26,295</u>
Long-term debt		
Notes payable	-	15,968
Less current portion	<u>-</u>	<u>(15,968)</u>
Net long-term debt	<u>-</u>	<u>-</u>
Total liabilities	<u>8,375</u>	<u>26,295</u>
Deferred inflow of resources		
Property tax revenue	28,950	46,818
Total deferred inflow of resources	<u>28,950</u>	<u>46,818</u>
Total liabilities and deferred inflows of resources	<u>37,325</u>	<u>73,113</u>
Net position		
Net investment in capital assets	1,512,955	1,541,319
Restricted	7,800	5,000
Unrestricted	844,749	733,549
Total net position	<u>2,365,504</u>	<u>2,279,868</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,402,829</u>	<u>\$ 2,352,981</u>

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

Chatfield South Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating revenues		
Water sales	\$ 65,091	\$ 41,457
Bi-monthly service fees	17,458	23,370
Total operating revenues	<u>82,549</u>	<u>64,827</u>
Operating expenses		
General and administrative	95,492	77,123
Depreciation	44,332	44,332
Total operating expenses	<u>139,824</u>	<u>121,455</u>
Loss from operations	<u>(57,275)</u>	<u>(56,628)</u>
Non-operating revenues		
Tap fees	95,628	100
Interest	7,598	2,267
Miscellaneous	21,051	
Property taxes	46,818	63,848
Specific ownership taxes	4,951	6,992
Total non-operating revenues	<u>176,046</u>	<u>73,207</u>
Non-operating expenses		
Interest	239	1,533
Accountant and treasurer fees	32,896	19,062
Total non-operating expenses	<u>33,135</u>	<u>20,595</u>
Net income (loss)	85,636	(4,016)
Net position—beginning of year	<u>2,279,868</u>	<u>2,283,884</u>
Net position—end of year	<u><u>\$ 2,365,504</u></u>	<u><u>\$ 2,279,868</u></u>

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

Chatfield South Water District
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Cash received from customers	\$ 89,926	\$ 102,259
Cash paid to suppliers and others	<u>(95,787)</u>	<u>(73,246)</u>
Net cash (used in) provided by operating activities	<u>(5,861)</u>	<u>29,013</u>
Cash flows from non-capital financing activities		
Miscellaneous and other income	116,679	100
Property taxes	46,818	63,848
Specific ownership taxes	4,945	7,024
Accountant and treasurer fees	<u>(32,896)</u>	<u>(19,062)</u>
Net cash provided by non-capital financing activities	<u>135,546</u>	<u>51,910</u>
Cash flows from capital and related financing activities		
Long-term debt repaid	(15,968)	(30,890)
Interest paid on debt	<u>(359)</u>	<u>(1,765)</u>
Net cash (used in) capital and financing activities	<u>(16,327)</u>	<u>(32,655)</u>
Cash flows from investing activities		
Cash invested in certificate of deposit	(234,221)	-
Interest income	<u>7,598</u>	<u>2,267</u>
Net cash (used in) provided by investing activities	<u>(226,623)</u>	<u>2,267</u>
Net change in cash and cash equivalents	(113,265)	50,535
Cash and cash equivalents—beginning of year	<u>718,069</u>	<u>667,534</u>
Cash and cash equivalents—end of year	<u><u>\$ 604,804</u></u>	<u><u>\$ 718,069</u></u>
Reconciliation of operating loss to net cash from operating activities		
Loss from operations	\$ (57,275)	\$ (56,628)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation expense	44,332	44,332
Change in accounts receivable	7,377	37,432
Change in prepaids	1,537	242
Change in accounts payable	<u>(1,832)</u>	<u>3,635</u>
Net cash (used in) provided by operating activities	<u><u>\$ (5,861)</u></u>	<u><u>\$ 29,013</u></u>

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

Chatfield South Water District

Notes to Basic Financial Statements

December 31, 2018 and 2017

Note A—Organization and Summary of Significant Accounting Policies

1. Organization

Chatfield South Water District (the District) is a quasi-municipal corporation organized pursuant to Decree of the District Court of Douglas County, Colorado during November 1997. The purpose of the District is to provide a potable water supply to residents of the District.

2. General Accounting Policies

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

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

The District presents its financial statements as an enterprise fund. Enterprise funds are used to account for operations (a) which are intended to be self-supporting through user charges or (b) where the Board of Directors has determined that periodic determination of net income is appropriate for management control and accountability.

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for property and equipment are shown as increases in net assets. Tap fees, inclusion fees and contributed water lines are recorded as non-operating revenue when the permits are issued or the services are performed.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue in the year they are levied and measurable. The deferred property tax revenue is recorded as revenue in the year it is available or collected. 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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Chatfield South Water District

Notes to Basic Financial Statements (continued)

December 31, 2018 and 2017

Note A—Organization and Summary of Significant Accounting Policies (continued)

3. Budget and Appropriation

In accordance with the State Budget Law, the District's board of directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing years. The appropriation is at the total fund expenditures level and lapses at year end. The amended budget appropriation for 2018 was \$216,089.

Actual expenditures for 2018 amounted to \$144,715.

Reconciling differences between budgetary basis and generally accepted accounting principles (GAAP) are:

	<u>2018</u>	<u>2017</u>
Excess of revenues over expenditures - budgetary basis	\$ 113,880	\$ 9,194
Depreciation	(44,332)	(44,332)
Change in accrued interest expense	120	232
Principal repayment	<u>15,968</u>	<u>30,890</u>
Net income (GAAP basis)	<u>\$ 85,636</u>	<u>\$ (4,016)</u>

4. Property and Equipment

Depreciation of the water system is provided on a straight-line basis over an estimated useful life of forty years. Depreciation of equipment is provided on a straight-line basis over an estimated useful life of fifteen years.

The District does not capitalize interest on construction projects.

5. Tap Fee Revenues and Water Line Contributions

Capital contributions (tap fees and water line contributions) are reported as non-operating revenues included in net income.

6. Cash and Cash Equivalents

For purposes of these financial statements, the District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

7. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters. The District has purchased commercial insurance to cover these risks. There were no claims filed during 2018 or 2017.

Chatfield South Water District

Notes to Basic Financial Statements (continued)

December 31, 2018 and 2017

Note B—Cash Deposits, Marketable Securities and Investments

Colorado State statutes govern the District's deposit of cash. The statutes specify eligible depositories for public cash deposits that must be Colorado institutions and must maintain federal insurance on deposits held.

Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets maintained by another institution or held in trust for all of its local government uninsured deposits. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Colorado statutes define eligible investments for local governments. These include U.S. Treasury obligations, repurchase agreements, Colorado and local governmental obligations and others.

The District had cash balances on deposit with original maturities of less than three months stated at cost, which approximates market, as follows:

December 31, 2018	<u>Carrying</u>	<u>Bank</u>
Composition of cash balances:		
Cash in checking	\$ 178,659	\$ 193,847
Cash in money fund savings	131,081	131,081
Cash in investment pools	<u>295,064</u>	<u>294,064</u>
	<u>\$ 604,804</u>	<u>\$ 619,992</u>
 December 31, 2017	 <u>Carrying</u>	 <u>Bank</u>
Composition of cash balances:		
Cash in checking	\$ 233,517	\$ 236,149
Cash in money fund savings	314,136	314,136
Cash in investment pools	<u>170,416</u>	<u>170,416</u>
	<u>\$ 718,069</u>	<u>\$ 720,701</u>

Chatfield South Water District

Notes to Basic Financial Statements (continued)

December 31, 2018 and 2017

Note B—Cash Deposits, Marketable Securities and Investments (continued)

For deposits, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2018 and 2017, the District's bank balance was not exposed to custodial credit risk. Deposits that are exposed to custodial credit risk are collateralized with securities held by the pledging financial institution through the Public Deposit Protection Act.

The District's cash deposits and investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes deposits not covered by depository insurance and uncollateralized. Category 2 includes deposits not covered by depository insurance and collateralized with securities held by the pledging financial institution. Category 3 includes deposits not covered by depository insurance and collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. The District has not adopted a formal investment policy.

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. 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, 2018, the carrying amount of the District's deposits including money markets were \$604,804 and the bank balances were \$619,992. Of the total bank balance, \$250,000 was covered by FDIC insurance and \$369,992 falls under the provision of the Colorado Public Deposit Protection Act which is collateralized in single institution pools.

Investments

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

- obligations of the United States and certain U.S. government agency securities,
- certain international agency securities,
- general obligation and revenue bonds of U.S. local government entities,
- bankers' acceptances of certain banks,
- commercial paper,
- written repurchase agreements collateralized by certain authorized securities,

Chatfield South Water District
Notes to Basic Financial Statements (continued)
December 31, 2018 and 2017

Note B—Cash Deposits, Marketable Securities and Investments (continued)

- certain money market funds,
- guaranteed investment contracts, and
- local government investment pools.

The District had invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment alternative established for local government entities in Colorado to pool surplus funds. The Trust is similar to a money market fund and each share is equal to \$1.00. The Trust offers two portfolios. COLOTRUST PRIME is allowed to invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. A bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's portfolios and provides services as depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. As of December 31, 2018 and 2017, the District had invested \$295,064 and \$170,416 in the Trust, respectively. The local government investment pools are rated AAAM by S&P Global Ratings. Colotrust records its investments at fair value and the District records its investment in Colotrust using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Investments in local government investment pools or in money market funds are not categorized because they are not evidenced by securities that exist in physical form.

The District has invested \$234,221 into a 19-month certificate of deposit which will mature on November 30, 2019. Interest earned on the investment is deposited directly into the District's Colotrust account.

Note C—Property, Plant and Equipment

In accordance with the policy established by the board of directors, the District capitalizes items with a useful life greater than one year.

An analysis of the changes in property and equipment for the years ended December 31, 2018 and 2017 follows:

Chatfield South Water District
Notes to Basic Financial Statements (continued)
December 31, 2018 and 2017

Note C—Property, Plant and Equipment (continued)

	Balance December 31, 2017	Additions	Retirements	Balance December 31, 2018
Equipment	\$ 58,905	\$ -	\$ -	\$ 58,905
Water system	1,616,190	-	-	1,616,190
Water rights	574,771	-	-	574,771
Total	2,249,866	-	-	2,249,866
Accumulated depreciation	(692,579)	(44,332)	-	(736,911)
Net	<u>\$ 1,557,287</u>	<u>\$ (44,332)</u>	<u>\$ -</u>	<u>\$ 1,512,955</u>

	Balance December 31, 2016	Additions	Retirements	Balance December 31, 2017
Equipment	\$ 58,905	\$ -	\$ -	\$ 58,905
Water system	1,616,190	-	-	1,616,190
Water rights	574,771	-	-	574,771
Total	2,249,866	-	-	2,249,866
Accumulated depreciation	(648,247)	(44,332)	-	(692,579)
Net	<u>\$ 1,601,619</u>	<u>\$ (44,332)</u>	<u>\$ -</u>	<u>\$ 1,557,287</u>

Note D—Property Tax Calendar

All taxable property, real and personal, within the District at twelve noon on the first day of January of each year, designated as the official assessment date, is listed, appraised and valued for assessment by Douglas County. The lien of general taxes for the current year shall attach to all taxable property, real and personal, at noon on the assessment date.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2018 will be collected in 2019. Taxes are due on January 1 in the year of collection, however, they may be paid in either one installment (not later than April 30) or two equal installments (not later than February 28 and June 15) without interest or penalty. Taxes that are not paid within the prescribed time bear interest at the rate of one percent per month until paid. Unpaid amounts and

Chatfield South Water District
Notes to Basic Financial Statements (continued)
December 31, 2018 and 2017

Note D—Property Tax Calendar (continued)

the accrued interest thereon become delinquent on August 1. The county treasurer collects current and delinquent property taxes, as well as any interest or penalty, and, after deducting a statutory fee of 1.5 percent for such collection, remits the balance to the District on a monthly basis.

All taxes levied on property, together with interest thereon and penalties for default, as well as all other costs of collection, constitute a perpetual lien on and against the property taxed. Such lien is on a parity with the tax liens of other general taxes. It is the county treasurer's duty to enforce the collection of delinquent real property taxes by tax sale of the taxpayer's personal property. Tax sales of realty are held on or before the second Monday in December of the collection year, preceded by a notice of delinquency to the taxpayer and a minimum of four weeks of public notice of the impending public sale. Sales of personal property may be held at any time after October 1 of the collection year following notice of delinquency and public notice of sale. There can be no assurance, however, that the value of property sold, in the event of foreclosure and sale by the county treasurer, would be sufficient to produce the amount required with respect to taxes levied by the District and by overlapping taxing entities. Further, there can be no assurance that the property will be bid on and sold. Should this occur, the treasurer removes the property from the tax rolls and delinquent taxes are payable when the property is sold or redeemed.

Note E—TABOR Amendment

On November 3, 1992, the voters of Colorado approved Article X, Section 20, commonly known as the TABOR Amendment. This is a tax, spending, revenue and debt limitation amendment. This amendment affects the ability of governmental entities to increase property taxes. Starting in 1992, with certain exceptions, the mill levy may not be increased over the prior year's mill levy, except previously approved bonded debt increases, without the approval of the voters in that

During the November 1997 election, the District's electors voted to exempt all revenues from the entity's jurisdiction revenue and spending limitations of TABOR.

Included within the District's fund balance is \$7,800 of emergency reserves as required by the TABOR Amendment.

Chatfield South Water District

Notes to Basic Financial Statements (continued)

December 31, 2018 and 2017

Note F—Commitments and Contingencies

1. Denver Water Board

During 1998, the District entered into a potable water lease with the City and County of Denver through the Denver Water Board (DWB) to lease 69 acre feet of water per year. To receive this annual allotment of water, the District was required to convey to the DWB 69 acre feet of water rights free and clear of all encumbrances by December 31, 2008. The contract allowed the Colorado Water Conservation Board to hold the rights as collateral for the loan, which is financing the purchase of the rights.

During December 2008, the District and the DWB amended the agreement extending the conveyance of the remaining water rights to December 31, 2010. As of December 31, 2018, the District had conveyed an estimated total of 69 acre feet to Denver.

The District paid for water consumption at a rate of \$4.90 per 1,000 gallons, including fixed charges, during 2018, and \$4.84 per 1,000 gallons, including fixed charges, during 2017.

The District shall accept no more than the maximum acre feet the DWB has contracted for annually, and no more than 20% of the annual allotment in any given month. Any excess over the monthly or annual allotment is subject to a surcharge of ten times the normal potable water rate for the excess usage. Any excess usage in a prior year can cause delivery during the current year to be terminated prior to the end of the year.

The District also agrees to water restrictions during periods of shortages or system emergencies.

Note G—Long-Term Debt

The following schedule provides an analysis of long-term debt for the year ended December 31, 2018 and 2017.

	Balance December 31, 2017	Additions	Payments	Balance December 31, 2018	Due within one year
CWRPDA -					
Construction Loan	\$ 15,968	\$ -	\$ 15,968	\$ -	\$ -
Total	<u>\$ 15,968</u>	<u>\$ -</u>	<u>\$ 15,968</u>	<u>\$ -</u>	<u>\$ -</u>

Chatfield South Water District
Notes to Basic Financial Statements (continued)
December 31, 2018 and 2017

Note G – Long-Term Debt (continued)

	<u>Balance December 31, 2016</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance December 31, 2017</u>	<u>Due within one year</u>
CWRPDA -					
Construction Loan	\$ 46,858	\$ -	\$ 30,890	\$ 15,968	\$ 15,968
Total	<u>\$ 46,858</u>	<u>\$ -</u>	<u>\$ 30,890</u>	<u>\$ 15,968</u>	<u>\$ 15,968</u>

1. Governmental Agency Bond—Colorado Water Resources and Power Development Authority (CWRPDA)

During 1998 the District borrowed \$728,500 from the CWRPDA to finance water improvements. The District's electors approved this debt at an election held in November, 1997.

This note is structured as a construction draw note and the District has drawn the entire amount. The note bears interest at a rate of 4.5% and must pay semi-annual principal and interest payments on May 1 and November 1 of each year. The final principal and interest payment on the note was paid on May 1, 2018.

This information is an integral part of the accompanying financial statements.

Supplementary Information

Chatfield South Water District
Schedule of Revenues and Expenditures with Budget Comparison
For the Year Ended December 31, 2018

	Budget Amounts		Actual	Variance
	Original	Amended	Amounts	Favorable (Unfavorable)
Revenues				
Property taxes	\$ 46,818	\$ 46,819	\$ 46,818	\$ (1)
Specific ownership taxes	6,400	6,400	4,951	(1,449)
Interest	2,100	8,000	7,598	(402)
Water sales and service fees	68,580	90,580	82,549	(8,031)
Tap fees	11,166	96,000	95,628	(372)
Miscellaneous	300	21,300	21,051	(249)
Total revenues	<u>135,364</u>	<u>269,099</u>	<u>258,595</u>	<u>(10,504)</u>
Expenditures				
Accountant and treasurer fees	27,202	30,702	32,896	(2,194)
General and administrative	23,500	55,160	10,717	44,443
Water delivery	53,600	94,400	80,886	13,514
Principal payment on note	15,968	15,968	15,968	-
Interest payment on note	359	359	359	-
Legal	1,500	7,000	3,889	3,111
Capital improvements	12,500	12,500	-	12,500
Total expenditures	<u>134,629</u>	<u>216,089</u>	<u>144,715</u>	<u>71,374</u>
Excess of revenues over expenditures	735	53,010	113,880	<u>\$ 60,870</u>
Beginning funds available	<u>747,322</u>	<u>738,834</u>		
Ending funds available	<u>\$ 748,057</u>	<u>\$ 791,844</u>		
Reconciling difference between budgetary basis and generally accepted accounting principles (GAAP)				
Depreciation			(44,332)	
Change in accrued interest			120	
Principal repayment			<u>15,968</u>	
Net income (GAAP basis)			<u>\$ 85,636</u>	