

COTTONWOOD WATER AND
SANITATION DISTRICT

FINANCIAL STATEMENTS
December 31, 2016



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Logan and Associates, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Cottonwood Water and Sanitation District
Douglas County, Colorado

We have audited the accompanying financial statements of the Cottonwood Water and Sanitation District as of and for the year ended December 31, 2016, 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 the 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 an opinion 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 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i – v 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.

Supplementary Information and Other Information

Our audit was performed for the purpose of forming opinions on the financial statements and related notes to financial statements that collectively comprise the Cottonwood Water and Sanitation District's basic financial statements. The budgetary comparison schedule, schedule of debt service requirements to maturity and schedule of assessed valuation, mill levy and property taxes collected are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Other Information 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 them.

Logan and Associates, LLC

Aurora, Colorado
June 13, 2017

**Cottonwood Water and Sanitation District
Management Discussion and Analysis
December 31, 2016**

This management's discussion and analysis of the Cottonwood Water and Sanitation District (the "District") financial statements provides an overview of the District's financial activities for the fiscal year ended December 31, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; it should be read in conjunction with the basic financial statements and notes to enhance the reader's understanding of the District's overall financial and operational performance.

The District had a stable 2016 income stream from water and sewer charges that comfortably covered 2016 operating expenses and additionally provided cash for infrastructure improvements and replacements. Considerable development occurred within the District in 2016 resulting in net cash from tap fees of \$3,362,798. The District re-financed \$4,500,000 of debt in 2016 reducing future interest costs. As shown in the Statement of Cash Flows, the District's cash and cash equivalents improved by \$1,852,946 in 2016 increasing from \$4,572,397 to \$6,425,343. As reflected in the statement of revenues, expenses and changes in fund net position, the District's net position improved \$5,162,147 increasing from \$13,848,174 to \$19,010,332.

The District's improvements in cash and net position should enable it to continue to pursue capital projects necessary to provide adequate long-term renewable water sources for the District, provide infrastructure for the build-out of the remaining undeveloped portions of the District, and continue to pursue improvements in water quality.

Financial Highlights

The Statement of Net Position describes the District's financial condition as of December 31, 2016, the close of the most recent fiscal year. The assets of the District exceeded its liabilities and deferred inflows of resources by \$19,010,321. The District's current assets of \$5,910,919 exceed current liabilities of \$2,592,265 indicating a strong liquidity position.

As described in Note 4 of the financial statements, the District has \$29,322,866 of capital assets net of depreciation. These assets generally consist of land, wells, water rights, water and sewer treatment facilities, pipelines and other infrastructure required to provide water and sewer services for the District. By their nature, these assets are not available for future spending. The District incurred \$3,585,247 of Capital Asset additions in 2016. Projects included a variety of upgrades and expansions to the District water and wastewater systems including testing and analysis of a biological treatment system to treat discharge from the Joint Water Purification Plant.

The District has \$15,054,160 of noncurrent liabilities as described in Note 5 of the financial statements. During 2016, the District obtained \$4,500,000 from the issuance of the 2016 GO Refunding Loan and used those proceeds to prepay the remaining outstanding 2006A GO Bonds that were bearing interest at 4.6%. Note 5 describes the interest and payment terms of the various bonds and notes that comprise the long-term debt. Future debt service is scheduled to be approximately \$1,800,000 per year for the next 10 years. The debt service payments are funded by property taxes assessed by the District.

Overview of the Financial Statements

This annual report consists of three parts; 1) Management's discussion and analysis (this section), 2) the Financial Statements including the accompanying footnotes, and 3) the Supplementary Information.

The Financial Statements include the Statement of Net Position, the Statement of Revenues, Expenses and Change in Fund Net Position, the Statement of Cash Flows, and the Notes to Financial Statements which provide information integral to the Financial Statements.

These statements report information about the District as a whole and include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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 the District's Net Position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other non-financial factors, however, such as changes in the District's property tax base and the condition of the infrastructure, are needed to assess the *overall health* of the District. The District operated with an increase in Net Position in both 2016 and 2015.

The Statement of Revenues, Expenses, and Changes in Net position 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 the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods such as 'deferred property taxes'.

The District's activity is reported as a business-type fund, which distinguishes operating revenues and expenses from non-operating items. This one proprietary fund combines the revenues and expenses of the water and wastewater operations as operating revenues and expenses. Not all revenues and expenses are considered operating, including property and specific ownership taxes and interest income are also reported as non-operating revenues. In addition, system development fees are reported as capital contributions, following non-operating revenues and expenses. Following are summary comparative financial statement information for the most recent two fiscal year-ends:

Comparative Statements of Net Position as of December 31:

ASSETS	2016	2015
Total current assets	\$ 5,910,919	\$ 4,135,764
Restricted assets	2,800,190	3,059,520
Capital assets, net	29,322,886	26,773,008
Total Assets	<u>38,033,995</u>	<u>33,968,292</u>
DEFERRED OUTFLOWS		
Outflows of resources	330,595	353,964
LIABILITIES		
Current liabilities	2,592,265	2,563,321
Noncurrent liabilities	15,054,160	15,900,236
Total Liabilities	<u>17,646,425</u>	<u>18,463,557</u>
DEFERRED INFLOWS		
Inflows of resources	<u>1,707,844</u>	<u>2,010,525</u>
NET POSITION		
Net investment in capital assets	13,023,156	9,308,138
Restricted	921,268	1,114,895
Unrestricted	5,065,897	3,425,141
Total Net Position	<u>19,010,321</u>	<u>13,848,174</u>

**Comparative Statements of Revenues, Expenses and Changes in
Net Position for the years ended December 31:**

OPERATING REVENUES	2016	2015
Water charges	1,928,303	1,774,050
Wastewater charges	1,906,666	1,748,953
Miscellaneous	40,082	37,596
Total Operating Revenues	<u>3,875,051</u>	<u>3,560,599</u>
OPERATING EXPENSES		
Wastewater treatment	1,433,235	1,140,236
Utilities & water treatment	653,188	590,965
Repairs, maintenance & operating fees	402,225	275,225
Professional services & Administrative	610,651	493,789
Depreciation	730,250	790,220
Total Operating Expenses	<u>3,829,549</u>	<u>3,290,435</u>
Net Operating Income	45,502	270,164
NON-OPERATING REVENUES & EXPENSES		
Property & specific ownership taxes	2,183,721	2,198,179
Interest expense	(585,774)	(760,736)
Other non-operating items (net)	155,900	1,740,082
Net non-operating income	<u>1,753,847</u>	<u>3,177,525</u>
CAPITAL CONTRIBUTIONS		
Tap fees net of ACWWA	3,362,798	789,274
Changes in net position	<u>5,162,147</u>	<u>4,236,963</u>
Net position, beginning	<u>13,848,174</u>	9,611,211
Net position, ending	<u>19,010,321</u>	<u>13,848,174</u>

Budgetary Highlights

The District's procedures in establishing budgetary data reflected in the financial statements are summarized in *Note 2* of the financial statements. The budget to actual comparison is presented in the supplementary information accompanying the financial statements.

Revenues

The District's 2016 operating revenues exceeded budget by \$325,651 (9%). The District's non-operating revenues exceeded budget by \$2,377,660. Tap fees were almost 100% over budget. The increase in operating and non-operating revenues is due to development within the District boundaries.

Expenses

The District's total operating expenses exceeded budgeted operating expenses by \$169,470 (6%). Non-operating expenses were \$1,059,540 under budget. The District's non-operating expenses for tap fees (sewer tap fees to ACWWA) were \$834,840 over budget. The District's non-operating expenditures for capital projects were \$1,949,872 under budget.

Contacting the District's Financial Management

This financial report is designed to provide our residents, customers, taxpayers, and creditors with a general overview of the District's financials and to show the District's accountability for the income it receives. If you have any questions regarding this report or need additional financial information, please contact District management per the following:

Mulhern MRE, Inc., District Manager
Cottonwood Water and Sanitation Districtd
188 Inverness Drive West, Suite 150
Englewood, CO 80112

Phone: (303) 649-9857

BASIC FINANCIAL STATEMENTS

COTTONWOOD WATER AND SANITATION DISTRICT

STATEMENT OF NET POSITION

December 31, 2016

	<u>BUSINESS-TYPE ACTIVITIES</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 5,504,075
Accounts Receivable - Service Charges	390,100
Accounts Receivable - Other	16,744
Total Current Assets	<u>5,910,919</u>
Restricted Assets	
Cash and Cash Equivalents	921,268
Accounts Receivable - County Treasurer	15,644
JWPP Operating Reserve	155,434
Property Taxes Receivable	1,707,844
Total Noncurrent Assets	<u>2,800,190</u>
Capital Assets	
Capital Assets, Not Being Depreciated	11,392,657
Capital Assets, Net of Accumulated Depreciation	17,930,229
Total Capital Assets	<u>29,322,886</u>
TOTAL ASSETS	<u>38,033,995</u>
DEFERRED OUTFLOWS OF RESOURCES	
Cost of Refunding, Net of Accumulated Amortization	<u>330,595</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	1,202,712
Accrued Interest Payable	143,983
Loans and Bonds Payable, Current Portion	1,245,570
Total Current Liabilities	<u>2,592,265</u>
Noncurrent Liabilities	
Loans and Bonds Payable, Net of Bond Premium	15,054,160
Total Noncurrent Liabilities	<u>15,054,160</u>
TOTAL LIABILITIES	<u>17,646,425</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue - Property Taxes	<u>1,707,844</u>
NET POSITION	
Net Investment in Capital Assets	13,023,156
Restricted for Emergency Reserve	921,268
Unrestricted	5,065,897
TOTAL NET POSITION	<u>\$ 19,010,321</u>

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

COTTONWOOD WATER AND SANITATION DISTRICT

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
Year Ended December 31, 2016

	BUSINESS-TYPE ACTIVITIES
OPERATING REVENUES	
Charges for Services	
Water System	\$ 1,928,303
Wastewater System	1,906,666
Miscellaneous	40,082
	3,875,051
TOTAL OPERATING REVENUES	
OPERATING EXPENSES	
Water Treatment	263,634
Wastewater Treatment	1,433,235
System Operating Fees	144,200
Repairs and Maintenance	258,025
Utilities	389,554
Professional Services	125,721
Administration	484,930
Depreciation	730,250
	3,829,549
TOTAL OPERATING EXPENSES	
OPERATING INCOME	45,502
NON-OPERATING REVENUES (EXPENSES)	
Property Taxes	1,998,746
Specific Ownership Taxes	184,975
Investment Income	29,889
Capital Recovery Fees	7,962
Water Line Reimbursement	238,975
Authority Participation	(32,743)
Loan Issue Costs	(45,249)
County Treasurer's Fees	(30,034)
Interest Expense and Fiscal Charges	(585,774)
Amortization Debt Premium	32,317
Amortization Cost of Refunding	(45,217)
	1,753,847
TOTAL NON-OPERATING REVENUES (EXPENSES)	
INCOME BEFORE CAPITAL CONTRIBUTIONS	1,799,349
CAPITAL CONTRIBUTIONS	
Tap Fees	4,974,638
Tap Fees (ACWWA)	(1,611,840)
	3,362,798
TOTAL CAPITAL CONTRIBUTIONS	
CHANGE IN NET POSITION	5,162,147
NET POSITION, Beginning	13,848,174
NET POSITION, Ending	\$ 19,010,321

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

COTTONWOOD WATER AND SANITATION DISTRICT

STATEMENT OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents
Year Ended December 31, 2016

	<u>BUSINESS-TYPE ACTIVITIES</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 3,869,409
Miscellaneous Receipts	40,082
Cash Payments to Suppliers	(2,607,210)
Net Cash Provided by Operating Activities	<u>1,302,281</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Property Taxes	1,998,746
Specific Ownership Taxes	184,975
County Treasurer's Fees	(30,034)
Net Cash Provided by Noncapital Financing Activities	<u>2,153,687</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash Received from Tap Fees	4,974,638
Tap Fees Paid to ACWWA	(1,611,840)
Capital Recovery Fees	7,962
Water Line Reimbursement	238,975
Authority Participation	(32,743)
Loan Issue Costs	(45,249)
Acquisition of Capital Assets	(3,280,128)
Proceeds from Issuance of CWCB Debt	389,196
Proceeds from Issuance of Debt Refunding	4,500,000
Payment to Refunding Escrow	(5,376,550)
Principal Paid	(804,084)
Interest and Fiscal Charges Paid	(593,088)
Net Cash Used by Capital and Related Financing Activities	<u>(1,632,911)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Net Investment Activity	29,889
Net Cash Provided by Investing Activities	<u>29,889</u>
Increase in Cash and Cash Equivalents	1,852,946
CASH AND CASH EQUIVALENTS, Beginning	<u>4,572,397</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 6,425,343</u>
SUMMARY OF CASH AND CASH EQUIVALENTS	
Cash and Cash Equivalents	\$ 5,504,075
Restricted Cash and Cash Equivalents	921,268
Total Cash and Cash Equivalents	<u>\$ 6,425,343</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	\$ 45,502
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	730,250
Changes in Assets and Liabilities	
Accounts Receivable	34,440
Accounts Payable	492,089
Net Cash Provided by Operating Activities	<u>\$ 1,302,281</u>

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

COTTONWOOD WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Cottonwood Water and Sanitation District (the "District"), a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Douglas County, Colorado, including portions of northern Parker, Colorado. The District was established in 1980 to provide water and wastewater services to the District residents and commercial businesses. The District has no employees and is governed by an elected five member Board of Directors.

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 definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if District officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. The District may also be financially accountable for organizations that are fiscally dependent upon it. Based on the application of the criteria, the District does not include additional organizations in its reporting entity.

Fund Accounting

The District uses a proprietary fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District uses a proprietary fund-type, an enterprise fund, to account for its activities of providing water and wastewater collection, transmission and treatment services to District residents. The enterprise fund uses the economic resources measurement focus and the accrual basis of accounting for reporting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

COTTONWOOD WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The activities of the fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses. The fund distinguishes operating revenues and expenses from non-operating revenues and expenses, and capital contributions. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. Operating expenses 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 non-operating revenues and expenses or capital contributions.

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.

Assets, Liabilities and Net Position

Cash Equivalents and Investments - Cash equivalents include cash deposits and highly liquid investments with original maturities of three months or less when purchased. Investments are reported at fair value.

Accounts Receivables - All receivables are reported at their gross value. User services charges and tap fees create a perpetual lien on or against a property service until paid. Such liens may be foreclosed upon as provided by State statute. Therefore, an allowance for uncollectible accounts is not reported for user service charges and tap fees. The District collects reimbursement of engineering and design costs from developers in the District. The District believes all such reimbursable amounts are fully collectible, and therefore, has not reported an allowance for uncollectible accounts.

Capital Assets - Capital assets include land, water rights, water and sewer transmission systems, treatment plants, buildings and equipment, are reported in the financial statements net of accumulated depreciation. Capital assets are defined by the District as assets with an initial 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. All infrastructure assets owned by the District, which include sewer collection and transmission systems, have been capitalized.

COTTONWOOD WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

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.

Buildings, Collection and Transmission Systems and Treatment Plants	5 - 50 years
Equipment and Engineering Costs	3 - 30 years

Water rights include acquisition cost, legal and engineering costs related to the development and augmentation of those rights. Water rights have a perpetual life, thus the cost is not amortized. All other costs, including costs incurred for the protection of those rights are expensed.

Long-Term Obligations – Long-term debt and other long-term obligations are reported at face value, net of unamortized debt premiums and discounts, as liabilities in the financial statements. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. The cost of refunding is reported as a deferred outflows of resources and is amortized over the life of the related debt.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement classification represents a consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditures) until then. The District has an item related to debt refunding costs that is reported as deferred outflows of resources at December 31, 2016.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement classification represents an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until then. The District has an item related to unavailable revenue – property taxes that is reported as deferred inflows of resources at December 31, 2016.

Capital Contributions – Tap fees collected, and water and sewer lines contributed to the District by developers are recorded as capital contributions when received.

COTTONWOOD WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

Net Position – Net position results from the accumulation of net earnings from operating income, non-operating revenues and expenses, and capital contributions and are classified in the financial statements as follows:

- Net Investment in Capital Assets – The investment in capital assets consists of capital assets, net of accumulated depreciation.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – This classification includes the residual net position that does not meet the classification of “net investment in capital assets” or “restricted.”

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 to the District on a monthly basis. Since property taxes are collected in arrears during the succeeding year, a receivable and corresponding deferred inflow of resources are reported at December 31.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

The District has evaluated events subsequent to the year ended December 31, 2016 through June 13, 2017, the date these financial statements were issued, and has incorporated any required recognition into these financial statements.

COTTONWOOD WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

- The budget is legally adopted by the District. The budget is adopted on a non-GAAP budgetary basis. Capital outlay and long-term debt principal payments are budgeted as expenditures, and depreciation, and amortization of debt premium/discounts, and costs of debt refunding are not budgeted.
- The District appropriates expenditures for the enterprise/operations fund and capital expenditures, and a separate appropriation for the related debt service.
- In September, 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.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- Management is authorized to transfer budgeted amounts between departments within the fund. However, any revisions that alter the total expenditures of the 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.

NOTE 3: CASH AND INVESTMENTS

A summary of cash and investments at December 31, 2016, follows:

Cash Deposits	\$ 1,709,460
Investments	<u>4,715,883</u>
Total	<u>\$ 6,425,343</u>

Cash and Investments are reported in the financial statements as follows:

Cash and Cash Equivalents	\$ 5,504,075
Restricted Cash and Cash Equivalents	<u>921,268</u>
Total	<u>\$ 6,425,343</u>

COTTONWOOD WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 3: CASH AND INVESTMENTS (Continued)

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to 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. The FDIC insures depositors up to \$250,000 for each financial institution. 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 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, 2016, the District had bank deposits totaling \$1,730,753 of which \$500,000 were insured by FDIC and \$1,230,753 were collateralized with securities held by the financial institutions' agents but not in their name.

Investments

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

- 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 generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years. District management limits the weighted average of maturity of its portfolios to no more than three years.

The District measures and records its investments using fair market value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investment in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

COTTONWOOD WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 3: CASH AND INVESTMENTS (Continued)

Colotrust is an external investment pool that records its investments at fair value. The investment in Colotrust is categorized as a Level 2 investment.

Local Government Investment Pool - At December 31, 2016, the District had \$4,715,883 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates in conformity with the Securities and Exchange Commission's Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Colotrust is rated AAAM by Standard and Poor's. Investments of Colotrust are limited to those allowed by State 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.

Restricted Cash and Investments

Restricted cash and investments consist of amounts for operating and maintenance reserves, and debt service reserves as required by the District's loans and revenue bonds.

In accordance with the terms of the Colorado Water Resource and Power Development Authority Loan, the District is required to maintain an operating reserve equal to three months of operations and maintenance expenses budgeted for the then-current fiscal year. As of December 31, 2016, the required operating reserve of \$717,125 was restricted by the District.

In accordance with bonded debt obligations, property taxes collected in excess of the required debt service payments are to be reserved to pay future debt obligations. As of December 31, 2016, the District had \$138,643 restricted for debt service.

The District had restricted cash and cash equivalents of \$65,500 for emergencies as required by Article X, Section 20 of the Constitution of the State of Colorado (See Note 9) as of December 31, 2016.

COTTONWOOD WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2016, is summarized below:

	Balances 12/31/2015	Additions	Deletions	Balances 12/31/2016
Capital Assets, not being depreciated				
Land	\$ 149,085	\$ 250,348	\$ -	\$ 399,433
Water Rights	6,441,167	-	-	6,441,167
Participation in CCPWA (Note 6)	1,299,070	35,714	-	1,334,784
Construction in Progress	3,808,454	3,280,128	3,871,309	3,217,273
Total Capital Assets, not being depreciated	<u>11,697,776</u>	<u>3,566,190</u>	<u>3,871,309</u>	<u>11,392,657</u>
Capital Assets, being depreciated				
Water System	22,574,588	3,339,503	-	25,914,091
Wastewater System	6,317,500	148,989	-	6,466,489
Engineering Studies	140,695	96,755	-	237,450
Sewage Treatment Rights	233,860	-	-	233,860
Equipment	129,786	-	-	129,786
Total Capital Assets, being depreciated	<u>29,396,429</u>	<u>3,585,247</u>	<u>-</u>	<u>32,981,676</u>
Less accumulated depreciation				
Water System	(9,231,742)	(612,924)	-	(9,844,666)
Wastewater System	(4,633,083)	(103,257)	-	(4,736,340)
Engineering Studies	(92,726)	(14,069)	-	(106,795)
Sewage Treatment Rights	(233,860)	-	-	(233,860)
Equipment	(129,786)	-	-	(129,786)
Total accumulated depreciation	<u>(14,321,197)</u>	<u>(730,250)</u>	<u>-</u>	<u>(15,051,447)</u>
Total Capital Assets, being depreciated, net	<u>15,075,232</u>	<u>2,854,997</u>	<u>-</u>	<u>17,930,229</u>
Total Capital Assets, net	<u>\$ 26,773,008</u>	<u>\$ 6,421,187</u>	<u>\$ 3,871,309</u>	<u>\$ 29,322,886</u>

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

Water System	\$ 612,924
Wastewater System	103,257
Administration	<u>14,069</u>
Total	<u>\$ 730,250</u>

COTTONWOOD WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended December 31, 2016:

	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016	Due Within One Year
2008A GO Refunding Bonds	\$ 4,930,000	\$ -	\$ 315,000	\$ 4,615,000	\$ 330,000
2006A GO Refunding Bonds	5,265,000	-	5,265,000	-	-
2016 GO Refunding Loan	-	4,500,000	-	4,500,000	410,000
2006 CWRPDA Loan	6,847,181	-	489,084	6,358,097	505,570
2014 CWCB Loan - Note A	302,185	40,736	-	342,921	-
2014 CWCB Loan - Note B	41,106	32,884	-	73,990	-
2014 CWCB Loan - Note C	-	315,576	-	315,576	-
	<u>17,385,472</u>	<u>4,889,196</u>	<u>6,069,084</u>	<u>16,205,584</u>	<u>1,245,570</u>
Bond Premium, Net	216,165	-	122,019	94,146	-
Total	<u>\$ 17,601,637</u>	<u>\$ 4,889,196</u>	<u>\$ 6,191,103</u>	<u>\$ 16,299,730</u>	<u>\$ 1,245,570</u>

Series 2008A GO Refunding Bonds

On September 27, 2008, the District issued Series 2008A General Obligation Refunding Bonds in the amount of \$6,730,000 to refund the District's Series 1998A General Obligation Refunding Bonds. Principal and interest payments are due semi-annually on June 1 and December 1 through December 1, 2027. Interest accrues at rates ranging from 4% to 5% per annum.

The Bonds maturing on and after December 1, 2017 are subject to redemption prior to maturity, in whole or in part, in such a manner as the District may determine on December 1, 2018, or on any interest payment date thereafter, without any redemption premium.

Series 2006A GO Refunding Bonds

On December 1, 2006, the District issued Series 2006A General Obligation Refunding Bonds in the amount of \$9,825,000 to refund the District's Series 1996A General Obligation Refunding Bonds. Principal and interest payments are due semi-annually on June 1 and December 1 through December 1, 2020. Interest accrues at 4.65% per annum.

The Bonds are subject to redemption prior to maturity, in whole or in part, in such a manner as the District may determine on December 1, 2016, or on any interest payment date thereafter, without any redemption premium. In November, 2016, these bonds were refunded and paid-in-full by issuance of the Series 2016 GO Refunding Loan.

COTTONWOOD WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 5: LONG-TERM DEBT (Continued)

Series 2016 GO Refunding Loan

On November 9, 2016, the District obtained a loan in the amount of \$4,500,000, titled Series 2016 General Obligation Refunding Loan with BOKF, NA, dba Colorado State Bank and Trust to current refund the District's Series 2006A General Obligation Refunding Bonds. The loan proceeds along with monies from the debt service fund were used to currently refund and pay-off the 2006A GO Refunding Bonds in order to obtain an interest savings of approximately \$55,000. Principal and interest payments are due semi-annually on June 1 and December 1, commencing on June 1, 2017 through December 1, 2026. Interest accrues at 1.86% per annum. The Loan is not subject to redemption prior to maturity.

Pledged Revenues – The above bonds and loan are payable solely from revenues of the District's ad valorem property tax mill levy sufficient to pay the debt service requirements. During the year ended December 31, 2016, property and specific ownership tax revenues of \$2,183,721 were available to pay the respective annual debt service of \$655,795.

2006 Colorado Water Resources and Power Development Authority Loan

On November 1, 2006, the District obtained a loan in the amount of \$9,996,005 from the Colorado Water Resources and Power Development Authority (the "Authority") to finance a water project. Principal and interest payments are due semi-annually on February 1 and August 1, through August 1, 2027. Interest accrues at 3.54% per annum.

The water project consists of the District's undivided interest in a joint water purification project constructed by the District, Arapahoe County Water and Wastewater Public Improvement District, and the Arapahoe County Water and Wastewater Authority pursuant to an intergovernmental agreement, including production wells, a pumping station and transmission pipelines.

Pledged Revenues - The District and Authority agree that the amounts payable under this loan agreement are payable solely from pledged property, as defined as ad valorem taxes without limitation as to rate, on all taxable property in the District, in an amount necessary to pay the loan payments but not to exceed \$1,100,000, and that nothing shall be deemed to prevent the District from repaying the loan amounts from any other legally available source. During the year ended December 31, 2016, property and specific ownership tax revenues of \$2,183,721 were available to pay the annual debt service of \$737,081.

COTTONWOOD WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 5: LONG-TERM DEBT (Continued)

2014 Colorado Water Conservation Board (CWCB) Loan

On November 17, 2014, the District entered into a loan agreement with the CWCB for an amount not to exceed \$4,508,640 for costs related to the District's participation in the Water Infrastructure and Supply Efficiency Authority (WISE) project. The District's draws and repayment obligation will be evidenced by four separate promissory notes as follows:

Note A – an amount not to exceed \$381,780 for the District's share of the costs of a portion of the East Cherry Creek Valley Water and Sanitation District's Western Pipeline,

Note B – an amount not to exceed \$363,600 for the District's share of costs related to a pipeline that will connect Denver Water's treated distribution system to Denver International Airport and Aurora's Prairie Water's pipeline,

Note C – an amount not to exceed \$2,636,100 for the District's share of costs of certain Phase 1 Infrastructure, and

Note D – an amount not to exceed \$ 1,127,160 for the District's share of the costs of certain Phase 2 Infrastructure.

Each promissory note will include a 1% loan service fee. Interest accrues at 3% per annum for each individual promissory note commencing on the date of the initial note draw. Interest payments will commence 1 year from the date of initial note draw. Principal payments will not commence until the entire amount of an individual promissory note has been drawn, or the District communicates to the CWCB that no additional draws will be taken on the promissory note, at which time a repayment schedule will be established by the CWCB.

Annual debt service requirements for the District's outstanding bonds and loans at December 21, 2016 are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,245,570	\$ 536,786	\$ 1,782,356
2018	1,290,752	508,472	1,799,224
2019	1,332,018	473,596	1,805,614
2020	1,363,293	436,768	1,800,061
2021	1,399,576	398,532	1,798,108
2022 – 2026	7,717,348	1,302,098	9,019,446
2027 – 2031	1,281,571	102,586	1,384,157
2032 – 2036	73,805	23,586	97,391
2037 – 2041	85,560	11,831	97,391
2042 – 2043	26,525	1,031	27,556
Amortization Terms Unknown	389,566	-	389,566
Total	\$ 16,205,584	\$ 3,795,286	\$ 20,000,870

COTTONWOOD WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 6: INTERGOVERNMENTAL AGREEMENTS

Arapahoe County Water and Wastewater Authority

On June 18, 2003, the District entered into an agreement with Arapahoe County Water and Wastewater Authority (ACWWA) to mutually construct and operate a water treatment facility known as the Joint Water Purification Plant (JWPP). The JWPP facility began operations in 2010. As provided for in the agreement, ACWWA will operate the facility. The District pays its share of operating expenses each year. The agreement requires two reserves be established, an operating reserve and a capital replacement fund reserve. At December 31, 2016, ACWWA holds the District's portion of these reserves in the amount of \$155,434.

In 2014, the District disputed the ongoing JWPP operating costs charged by ACWWA to the District, and the procedures for decision making related to operations and capital facility revisions for improvements. On June 27, 2014, the District filed a lawsuit in Arapahoe County District Court against ACWWA related to the operating agreement and claiming breach of contract. On December 16, 2014, the District and ACWWA settled the litigation by entering into a Settlement Agreement and Mutual Release, which included payment of \$200,251 by the District for mutual execution of an Agreement for Operations and Maintenance of and Improvements to the JWPP.

Cherry Creek Project Water Authority

On October 14, 2005, the Cherry Creek Project Water Authority (Cherry Creek Authority) was created by a Water Project Agreement between the District, Inverness Water and Sanitation District, ACWWA, and Denver Southeast Suburban Water and Sanitation District. On November 17, 2005, the Cherry Creek Authority purchased certain water rights, well rights, facilities and storage rights at a bankruptcy action for \$14,000,000 plus closing costs. The District contribution \$1,175,680 towards this purchase. The District's share of participation is 7.14%, which had a value of \$1,334,784 at December 31, 2016. For a copy of the Cherry Creek Authority's financial statements, contact Cherry Creek Authority at (303)799-9595.

NOTE 7: COST SHARING AGREEMENTS – WISE PARTNERSHIP

On March 31, 2013, the District entered into an amended WISE Negotiations and Cost Sharing Participation Agreement with South Metro Water Supply Authority (SMWSA) that amends the method of cost sharing. In the amended agreement the costs will be shared based on the participants' pro-rata share of the annual subscription amount in relation to the total of all annual subscription amounts. The District has committed to subscribing to 400 acre feet (5.71%) out of a total of 7,000 acre feet of renewable water to be delivered annually from the WISE Partnership.

COTTONWOOD WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 7: COST SHARING AGREEMENTS – WISE PARTNERSHIP (Continued)

In December of 2013, the District along with other members of the WISE Partnership entered into the WISE Partnership-Water Delivery Agreement between the City and County of Denver, acting by and through its Board of Water Commissioners, the City of Aurora acting by and through its Utility Enterprise, and the South Metro WISE Authority. The Water Delivery Agreement is the overarching agreement that defines the terms under which Denver and Aurora will deliver water to the South Metro WISE Authority members. There will be engineering design and construction contracts required to be entered into by South Metro WISE Authority during 2014 and 2015 in order to begin taking deliveries of water in 2016. Additionally, there will be subscription fees, WISE operations and maintenance costs, WISE capital costs, and the District's share of operating and maintenance costs which will be billed based upon water delivered. Capital expenditures for 2016 were \$477,119.

NOTE 8: RISK MANAGEMENT

Public Entity Risk Pool

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets. The District plans to provide for or restore the economic damages of those losses through risk transfer. The District participates in the Colorado Special Districts Property and Liability Pool and Workmen's Compensation Pool (the "Pool").

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.

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.

COTTONWOOD WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 9: COMMITMENTS AND CONTINGENCIES

Tabor Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation.

Enterprises, defined as government-owned business authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District establishes separate budgets for enterprise activity and general government activity. Budgeted general government activity consists only of tax revenue and expenditures related to the District's debt obligations. The District has made certain interpretations of the Amendment's language in order to determine compliance. The District's management believes a significant portion of its operations qualifies for the "enterprise" exclusion allowed by the Amendment. The District believes it is in compliance with the requirements of the Amendment.

The District has established an emergency reserve, representing 3% of fiscal year spending, as required by the Amendment. At December 31, 2016, the emergency reserve of \$65,500, was reported as a restriction of net position in the statement of net position.

SUPPLEMENTARY INFORMATION

COTTONWOOD WATER AND SANITATION DISTRICT

BUDGETARY COMPARISON SCHEDULE - (Non-GAAP BASIS)
WITH RECONCILIATION TO GAAP BASIS
 Year Ended December 31, 2016

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
<u>ENTERPRISE FUND:</u>			
<u>REVENUES</u>			
Operating			
Charges for Services			
Water System	\$ 1,750,000	\$ 1,928,303	\$ 178,303
Wastewater System	1,784,400	1,906,666	122,266
Miscellaneous	15,000	40,082	25,082
Total Operating Revenues	<u>3,549,400</u>	<u>3,875,051</u>	<u>325,651</u>
Non-Operating			
Tap Fees	2,500,000	4,974,638	2,474,638
Net Investment Income	5,000	29,889	24,889
Capital Recovery Fees	8,000	7,962	(38)
Water Line Reimbursement	-	238,975	238,975
CWCB Loan Proceeds	750,000	389,196	(360,804)
Total Non-Operating Revenues	<u>3,263,000</u>	<u>5,640,660</u>	<u>2,377,660</u>
TOTAL REVENUES	<u>6,812,400</u>	<u>9,515,711</u>	<u>2,703,311</u>
<u>EXPENSES</u>			
Operating			
Water Treatment	310,000	263,634	46,366
Wastewater Treatment	1,435,000	1,433,235	1,765
System Operating Fees	145,000	144,200	800
Repairs and Maintenance	120,000	258,025	(138,025)
Utilities	350,000	389,554	(39,554)
Professional Services	50,000	125,721	(75,721)
Administration			
Insurance	30,000	31,586	(1,586)
Management Fees	120,000	133,472	(13,472)
Accounting	110,000	105,430	4,570
Audit	7,500	6,950	550
Legal	100,000	148,161	(48,161)
Miscellaneous	88,000	58,574	29,426
Water Conservation Rebates	3,000	757	2,243
CWCB Debt Service	11,329	-	11,329
Contingency	50,000	-	50,000
Total Operating Expenses	<u>2,929,829</u>	<u>3,099,299</u>	<u>(169,470)</u>
Non-Operating			
Tap Fees (ACWWA)	777,000	1,611,840	(834,840)
Capital Outlay	5,230,000	3,280,128	1,949,872
Loan Issue Costs	7,500	45,249	(37,749)
Authority Participation	15,000	32,743	(17,743)
Total Non-Operating Expenses	<u>6,029,500</u>	<u>4,969,960</u>	<u>1,059,540</u>
TOTAL EXPENSES	<u>8,959,329</u>	<u>8,069,259</u>	<u>890,070</u>
NET CHANGE IN FUNDS AVAILABLE	<u>(2,146,929)</u>	<u>1,446,452</u>	<u>3,593,381</u>
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>4,268,763</u>	<u>4,124,442</u>	<u>(144,321)</u>
FUNDS AVAILABLE - END OF YEAR	<u>2,121,834</u>	<u>5,570,894</u>	<u>3,449,060</u>

(Continued)

See the accompanying Independent Auditor's Report.

COTTONWOOD WATER AND SANITATION DISTRICT

BUDGETARY COMPARISON SCHEDULE - (Non-GAAP BASIS)
WITH RECONCILIATION TO GAAP BASIS
 Year Ended December 31, 2016

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
<u>BOND FUND:</u>			
REVENUES			
Property Taxes	\$ 2,010,525	\$ 1,998,746	\$ 11,779
Specific Ownership Taxes	185,000	184,975	25
TOTAL REVENUES	<u>2,195,525</u>	<u>2,183,721</u>	<u>11,804</u>
EXPENDITURES			
County Treasurers Fees	30,158	30,034	124
Paying Agent Fees	1,000	900	100
Debt Service			
DWRP (2006B)	737,081	735,860	1,221
Series 2006A	1,088,100	114,946	973,154
Series 2008A	544,245	538,152	6,093
Debt Issuance Costs	200,000	-	200,000
Contingency	10,000	-	10,000
TOTAL EXPENDITURES	<u>2,610,584</u>	<u>1,419,892</u>	<u>1,190,692</u>
OTHER FINANCING SOURCES (USES)			
Refunding Loan Proceeds	12,350,000	4,500,000	(7,850,000)
Payment to Refunding Escrow	(12,150,000)	(5,376,550)	6,773,450
TOTAL OTHER FINANCING SOURCES (USES)	<u>200,000</u>	<u>(876,550)</u>	<u>(1,076,550)</u>
CHANGE IN NET POSITION, Budgetary Basis	(215,059)	(112,721)	102,338
BEGINNING FUNDS AVAILABLE - BOND FUND	<u>327,882</u>	<u>198,397</u>	<u>(129,485)</u>
ENDING FUNDS AVAILABLE - BOND FUND	<u>\$ 112,823</u>	<u>\$ 85,676</u>	<u>\$ (27,147)</u>
TOTAL DISTRICT REVENUES (Budgetary Basis)	21,357,925	16,199,432	(5,158,493)
TOTAL DISTRICT EXPENDITURES (Budgetary Basis)	23,719,913	14,865,701	8,854,212
TOTAL DISTRICT BEGINNING FUNDS AVAILABLE	<u>4,596,645</u>	<u>4,322,839</u>	<u>(273,806)</u>
TOTAL DISTRICT ENDING FUNDS AVAILABLE	<u>\$ 2,234,657</u>	<u>\$ 5,656,570</u>	<u>\$ 3,421,913</u>

(Continued)

See the accompanying Independent Auditor's Report.

COTTONWOOD WATER AND SANITATION DISTRICT

BUDGETARY COMPARISON SCHEDULE - (Non-GAAP BASIS)
WITH RECONCILIATION TO GAAP BASIS
 Year Ended December 31, 2016

TOTAL DISTRICT REVENUES (Budgetary Basis)	\$ 16,199,432
ADJUSTMENTS TO GAAP BASIS	
CWCB Loan Proceeds	(389,196)
Refunding Loan Proceeds	<u>(4,500,000)</u>
TOTAL REVENUES, GAAP Basis	<u>11,310,236</u>
TOTAL DISTRICT EXPENDITURES (Budgetary Basis)	14,865,701
ADJUSTMENTS TO GAAP BASIS	
Capital Outlay	(3,280,128)
Depreciation	730,250
Principal Payments on Long-term Debt	(804,084)
Payment to Refunding Escrow	(5,376,550)
Amortization Debt Premium	(32,317)
Amortization Cost of Refunding	<u>45,217</u>
TOTAL EXPENDITURES, GAAP Basis	<u>6,148,089</u>
CHANGE IN NET POSITION, GAAP Basis	5,162,147
NET POSITION, Beginning	<u>13,848,174</u>
NET POSITION, Ending	<u><u>\$ 19,010,321</u></u>

See the accompanying Independent Auditor's Report.

OTHER INFORMATION

COTTONWOOD WATER AND SANITATION DISTRICT

SCHEDULE OF ASSESSED VALUATION, MILL LEVY AND
PROPERTY TAXES COLLECTED

December 31, 2016

Levy Year	Collection Year	Assessed Valuation	Mill Levy Debt	Total Property Taxes		Collection Rate
				Levied	Collected	
2008	2009	\$ 71,326,770	27.000	\$ 1,925,823	\$ 1,913,741	99.37%
2009	2010	80,231,890	27.000	2,166,261	2,164,298	99.91%
2010	2011	84,916,570	27.000	2,292,747	2,154,137	93.95%
2011	2012	77,469,400	27.000	2,091,674	2,027,554	96.93%
2012	2013	76,541,460	27.000	2,066,619	2,023,244	97.90%
2013	2014	76,036,532	27.000	2,052,986	2,018,629	98.33%
2014	2015	76,436,440	27.000	2,063,784	1,999,746	96.90%
2015	2016	87,414,130	23.000	2,010,525	1,998,746	99.41%
2016	2017	89,886,510	19.000	1,707,844		

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

Source: Douglas County Assessor and Treasurer.