

**COTTONWOOD WATER AND  
SANITATION DISTRICT**

**FINANCIAL STATEMENTS**

**December 31, 2017 and 2016**

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Office of the State Auditor

June 26, 2018



**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 years ended December 31, 2017 and 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 opinions.

### *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, 2017 and 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  
May 10, 2018

**Cottonwood Water and Sanitation District  
Management Discussion and Analysis  
December 31, 2017**

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, 2017. 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 operating results reflect a 3.4% increase in operating revenues which reflects the District's 2% rate increases and growth in the customer base. Operating revenues exceeded operating expenses and provided positive operating cash flow available for infrastructure improvements and replacements. Development within the District in 2017 resulted in net cash from tap fees of \$1,592,386. The Statement of Cash Flows reflects an increase of \$179,566 in cash and equivalents. The financial statements reflect the District's improvement in net position of \$3,756,003, an increase from \$19,010,321 to \$22,766,324.

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, 2017, the close of the most recent fiscal year. The assets of the District exceeded its liabilities and deferred inflows of resources by \$22,766,324. The District's current assets of \$5,532,505 exceed current liabilities of \$1,894,377 indicating a strong liquidity position.

As described in Note 4 of the financial statements, the District has \$31,004,784 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 \$2,545,991 of Capital Asset additions in 2017. Projects included a variety of upgrades and expansions to the District water and wastewater systems including continued analysis of a biological treatment system to treat discharge from the Joint Water Purification Plant.

The District has \$13,807,427 of noncurrent liabilities as described in Note 5 of the financial statements. During 2017, the District borrowed \$53,436 and repaid principal of \$1,245,570. 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 2017 and 2016.

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	2017	2016
Total current assets		\$ 5,949,582	\$ 5,976,419
Restricted assets		2,924,095	2,734,690
Capital assets, net		31,004,784	29,322,886
Total Assets		<u>39,878,461</u>	<u>38,033,995</u>
DEFERRED OUTFLOWS			
Outflows of resources		280,508	330,595
LIABILITIES			
Current liabilities		1,894,377	2,592,265
Noncurrent liabilities		13,807,427	15,054,160
Total Liabilities		<u>15,701,804</u>	<u>17,646,425</u>
DEFERRED INFLOWS			
Inflows of resources		1,690,839	1,707,844
NET POSITION			
Net investment in capital assets		15,906,605	13,023,156
Restricted		1,072,404	921,268
Unrestricted		5,787,317	5,065,897
Total Net Position		<u>22,766,326</u>	<u>19,010,321</u>

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

	OPERATING REVENUES	2017	2016
	Water charges	2,030,157	1,928,303
	Wastewater charges	1,924,287	1,906,666
	Miscellaneous	53,845	40,082
	Total Operating Revenues	4,008,289	3,875,051
	OPERATING EXPENSES		
	Wastewater treatment	1,408,757	1,433,235
	Utilities & water treatment	747,761	653,188
	Repairs, maintenance & operating fees	316,181	402,225
	Professional services & Administrative	567,282	610,651
	Depreciation	943,054	730,250
	Total Operating Expenses	3,983,035	3,829,549
	Net Operating Income	25,254	45,502
	NON-OPERATING REVENUES & EXPENSES		
	Property & specific ownership taxes	1,896,592	2,183,721
	Interest expense	(537,327)	(585,774)
	Other non-operating items (net)	779,100	155,900
	Net non-operating income	2,138,365	1,753,847
	CAPITAL CONTRIBUTIONS		
	Tap fees net of ACWWA	1,592,386	3,362,798
	Changes in net position	3,756,005	5,162,147

**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 2017 operating revenues exceeded budget by \$58,587 (approximately 1.5%). The District's non-operating revenues were below budget by \$3,004,595. This was primarily related to 2 items: 1) the District's planned capital expenditures for treatment of the JWPP discharge water was deferred which deferred the \$1,500,000 planned reimbursement from the District's partner in the JWPP, and, 2) tap fees were \$809,463 below budget as some anticipated development was deferred until 2018.

## ***Expenses***

The District's total operating expenses were less than budgeted operating expenses by \$182,519 (almost 6%). Non-operating expenses were \$6,019,701 under budget – primarily because of the aforementioned deferral of the JWPP discharge treatment project.

## **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 District  
188 Inverness Drive West, Suite 150  
Englewood, CO 80112

Phone: (303) 649-9857



## **BASIC FINANCIAL STATEMENTS**

COTTONWOOD WATER AND SANITATION DISTRICT

STATEMENTS OF NET POSITION  
December 31, 2017 and 2016

	2017	2016
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$ 5,532,505	\$ 5,569,575
Accounts Receivable - Service Charges	367,572	390,100
Accounts Receivable - Other	49,505	16,744
Total Current Assets	5,949,582	5,976,419
Restricted Assets		
Cash and Cash Equivalents	1,072,404	855,768
Accounts Receivable (Payable) - County Treasurer	(9,250)	15,644
JWPP Operating Reserve	170,102	155,434
Property Taxes Receivable	1,690,839	1,707,844
Total Noncurrent Assets	2,924,095	2,734,690
Capital Assets		
Capital Assets, Not Being Depreciated	11,986,882	11,392,657
Capital Assets, Net of Accumulated Depreciation	19,017,902	17,930,229
Total Capital Assets	31,004,784	29,322,886
TOTAL ASSETS	39,878,461	38,033,995
DEFERRED OUTFLOWS OF RESOURCES		
Cost of Refunding, Net of Accumulated Amortization	280,508	330,595
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	477,537	1,202,712
Accrued Interest Payable	126,088	143,983
Loans and Bonds Payable, Current Portion	1,290,752	1,245,570
Total Current Liabilities	1,894,377	2,592,265
Noncurrent Liabilities		
Loans and Bonds Payable, Net of Bond Premium	13,807,427	15,054,160
Total Noncurrent Liabilities	13,807,427	15,054,160
TOTAL LIABILITIES	15,701,804	17,646,425
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - Property Taxes	1,690,839	1,707,844
<b>NET POSITION</b>		
Net Investment in Capital Assets	15,906,605	13,023,156
Restricted for Emergency Reserve	1,072,404	921,268
Unrestricted	5,787,317	5,065,897
TOTAL NET POSITION	\$ 22,766,326	\$ 19,010,321

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

COTTONWOOD WATER AND SANITATION DISTRICT

STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
Years Ended December 31, 2017 and 2016

	BUSINESS-TYPE ACTIVITIES	
	2017	2016
OPERATING REVENUES		
Charges for Services		
Water System	\$ 2,030,157	\$ 1,928,303
Wastewater System	1,924,287	1,902,206
Storm Sewer Fees	4,953	4,460
Miscellaneous	48,892	40,082
TOTAL OPERATING REVENUES	4,008,289	3,875,051
OPERATING EXPENSES		
Water Treatment	276,141	263,634
Wastewater Treatment	1,408,757	1,433,235
System Operating Fees	149,012	144,200
Repairs and Maintenance	167,169	258,025
Utilities	322,806	389,554
Professional Services	63,688	125,721
WISE Water Purchases	148,814	
Administration	503,594	484,930
Depreciation	943,054	730,250
TOTAL OPERATING EXPENSES	3,983,035	3,829,549
OPERATING INCOME	25,254	45,502
NON-OPERATING REVENUES (EXPENSES)		
Property Taxes	1,705,742	1,998,746
Specific Ownership Taxes	190,850	184,975
Investment Income	60,713	29,889
Capital Recovery Fees	8,745	7,962
System Infrastructure Reimbursement	789,974	238,975
Renewable Water Inclusion Fee	105,000	-
WISE Participation	(91,793)	-
Authority Participation	(27,243)	(32,743)
Loan Issue Costs	-	(45,249)
County Treasurer's Fees	(25,626)	(30,034)
CWCB - Interest Expense and Fiscal Charges	(28,473)	-
Debt Service - Interest Expense and Fiscal Charges	(508,854)	(585,774)
Amortization Debt Premium	9,417	32,317
Amortization Cost of Refunding	(50,087)	(45,217)
TOTAL NON-OPERATING REVENUES (EXPENSES)	2,138,365	1,753,847
INCOME BEFORE CAPITAL CONTRIBUTIONS	2,163,619	1,799,349
CAPITAL CONTRIBUTIONS		
Tap Fees	2,290,537	4,974,638
Tap Fees (ACWWA)	(698,151)	(1,611,840)
TOTAL CAPITAL CONTRIBUTIONS	1,592,386	3,362,798
CHANGE IN NET POSITION	3,756,005	5,162,147
NET POSITION, Beginning	19,010,321	13,848,174
NET POSITION, Ending	\$ 22,766,326	\$ 19,010,321

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

COTTONWOOD WATER AND SANITATION DISTRICT

STATEMENTS OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents  
Years Ended December 31, 2017 and 2016

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 3,974,058	\$ 3,869,409
Miscellaneous Receipts	48,892	40,082
Cash Payments to Suppliers	(3,765,156)	(2,607,210)
Net Cash Provided by Operating Activities	257,794	1,302,281
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Property Taxes	1,705,742	1,998,746
Specific Ownership Taxes	190,850	184,975
County Treasurer's Fees	(25,626)	(30,034)
Net Cash Provided by Noncapital Financing Activities	1,870,966	2,153,687
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Cash Received from Tap Fees	2,290,537	4,974,638
Tap Fees Paid to ACWWA	(698,151)	(1,611,840)
Capital Recovery Fees	8,745	7,962
System Infrastructure Reimbursement	789,974	238,975
Renewable Water Inclusion Fee	105,000	-
WISE Participation	(91,793)	-
Authority Participation (CCPWA, UCCWA, SMWSA)	(27,243)	(32,743)
Loan Issue Costs	-	(45,249)
Acquisition of Capital Assets	(2,545,991)	(3,280,128)
Proceeds from Issuance of CWCB Debt	53,436	389,196
Proceeds from Issuance of Debt Refunding	-	4,500,000
Payment to Refunding Escrow	-	(5,376,550)
Principal Paid	(1,245,570)	(804,084)
CWCB - Interest Expense and Fiscal Charges	(28,473)	-
Debt Service - Interest Expense and Fiscal Charges	(526,749)	(593,088)
Net Cash Used by Capital and Related Financing Activities	(1,916,278)	(1,632,911)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net Investment Activity	60,713	29,889
JWPP Reserve (Increase) Decrease	(14,668)	-
Net Investment in Authorities	(78,961)	-
Net Cash Provided (Used) by Investing Activities	(32,916)	29,889
Increase in Cash and Cash Equivalents	179,566	1,852,946
CASH AND CASH EQUIVALENTS, Beginning	6,425,343	4,572,397
CASH AND CASH EQUIVALENTS, Ending	\$ 6,604,909	\$ 6,425,343
<b>SUMMARY OF CASH AND CASH EQUIVALENTS</b>		
Cash and Cash Equivalents	\$ 5,532,505	\$ 5,504,075
Restricted Cash and Cash Equivalents	1,072,404	921,268
Total Cash and Cash Equivalents	\$ 6,604,909	\$ 6,425,343
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Income	\$ 25,254	\$ 45,502
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	943,054	730,250
Changes in Assets and Liabilities		
Accounts Receivable	14,661	34,440
Accounts Payable	(725,175)	492,089
Net Cash Provided by Operating Activities	\$ 257,794	\$ 1,302,281

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

COTTONWOOD WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 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, 2017 and 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, 2017 and 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 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, 2017 and 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, 2017 and 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, 2017 and 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, 2017 through May 10, 2018, 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, 2017 and 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, 2017 and 2016, follows:

	<u>2017</u>	<u>2016</u>
Cash Deposits	\$ 1,217,231	\$ 1,709,460
Investments	<u>5,387,678</u>	<u>4,715,883</u>
Total	<u>\$ 6,604,909</u>	<u>\$ 6,425,343</u>

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

	<u>2017</u>	<u>2016</u>
Cash and Cash Equivalents	\$ 5,532,505	\$ 5,569,575
Restricted Cash and Cash Equivalents	<u>1,072,404</u>	<u>855,768</u>
Total	<u>\$ 6,604,909</u>	<u>\$ 6,425,343</u>

COTTONWOOD WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 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, 2017, the District had bank deposits totaling \$1,592,406 of which \$500,000 were insured by FDIC and \$1,092,406 were collateralized with securities held by the financial institutions' agents but not in their name.

**Investments**

The District has not adopted a formal investment policy; however, the District follows State statutes regarding investments. The District generally limits its concentration of investments to Local Government Investment Pools, obligation of the United States and certain U.S. government agency securities, which are believed to have minimal credit risk; minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors, such actions are generally associated with a debt service reserve or sinking fund requirements.

State statutes specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest which include the following.

- 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

COTTONWOOD WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

**NOTE 3: CASH AND INVESTMENTS (Continued)**

**Investments (Continued)**

At December 31, 2017 and 2016, the District had the following investments:

	<u>Maturity</u>	<u>2016</u>	<u>2017</u>
Colorado Liquid Asset Trust (COLOTRUST)	Weighted Average under 60 days	<u>\$ 4,715,883</u>	<u>\$ 5,387,678</u>

The District invested in the Colorado Government Liquid Asset Trust (COLOTRUST) (the "Trust"), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers share in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as the safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAA by Standard and Poor's. COLOTRUST records its investments at fair value and the District records its investments 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.

**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, 2017 and 2016, the required operating reserve of \$805,625 and \$717,125, respectively, 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, 2017 and 2016, the District had \$266,779 and \$138,643, respectively, restricted for debt service.

COTTONWOOD WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

**NOTE 4: CAPITAL ASSETS**

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

	Balances 12/31/2016	Additions	Deletions	Balances 12/31/2017
Capital Assets, not being depreciated				
Land	\$ 399,433	\$ -	\$ -	\$ 399,433
Water Rights	6,441,167	-	-	6,441,167
Participation in CCPWA (Note 6)	1,334,784	78,961	-	1,413,745
Construction in Progress	3,217,273	2,578,506	2,063,242	3,732,537
Total Capital Assets, not being depreciated	<u>11,392,657</u>	<u>2,657,467</u>	<u>2,063,242</u>	<u>11,986,882</u>
Capital Assets, being depreciated				
Water System	25,914,091	1,969,574	-	27,883,665
Wastewater System	6,466,489	49,119	-	6,515,608
Engineering Studies	237,450	12,034	-	249,484
Sewage Treatment Rights	233,860	-	-	233,860
Equipment	129,786	-	-	129,786
Total Capital Assets, being depreciated	<u>32,981,676</u>	<u>2,030,727</u>	<u>-</u>	<u>35,012,403</u>
Less accumulated depreciation				
Water System	(9,844,666)	(806,179)	-	(10,650,845)
Wastewater System	(4,736,340)	(103,624)	-	(4,839,964)
Engineering Studies	(106,795)	(33,251)	-	(140,046)
Sewage Treatment Rights	(233,860)	-	-	(233,860)
Equipment	(129,786)	-	-	(129,786)
Total accumulated depreciation	<u>(15,051,447)</u>	<u>(943,054)</u>	<u>-</u>	<u>(15,994,501)</u>
Total Capital Assets, being depreciated, net	<u>17,930,229</u>	<u>1,087,673</u>	<u>-</u>	<u>19,017,902</u>
Total Capital Assets, net	<u><b>\$ 29,322,886</b></u>	<u><b>\$ 3,745,140</b></u>	<u><b>\$ 2,063,242</b></u>	<u><b>\$ 31,004,784</b></u>

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

Water System	\$ 806,179
Wastewater System	103,2624
Administration	<u>33,251</u>
Total	<u><b>\$ 943,054</b></u>

COTTONWOOD WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

**NOTE 5: LONG-TERM DEBT**

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

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017	Due Within One Year
2008A GO Refunding Bonds	\$ 4,615,000	\$ -	\$ 330,000	\$ 4,285,000	\$ 345,000
2016 GO Refunding Loan	4,500,000	-	410,000	4,090,000	420,000
2006 CWRPDA Loan	6,358,097	-	505,570	5,852,527	516,561
2014 CWCB Loan - Note A	342,921	-	-	342,921	9,191
2014 CWCB Loan - Note B	73,990	53,436	-	127,426	-
2014 CWCB Loan - Note C	315,576	-	-	315,576	-
	<u>16,205,584</u>	<u>53,436</u>	<u>1,245,570</u>	<u>15,013,450</u>	<u>1,290,752</u>
Bond Premium, Net	94,146	-	9,417	84,729	-
Total	<u>\$ 16,299,730</u>	<u>\$ 53,436</u>	<u>\$ 1,254,987</u>	<u>\$ 15,098,179</u>	<u>\$ 1,290,752</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 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.

COTTONWOOD WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

**NOTE 5: LONG-TERM DEBT** (Continued)

*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, 2017, property and specific ownership tax revenues of \$1,896,592 were available to pay the respective annual debt service of \$486,563.

**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, 2017, property and specific ownership tax revenues of \$1,896,592 were available to pay the annual debt service of \$725,513.

**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 (amended to \$342,921) 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.

COTTONWOOD WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

**NOTE 5: LONG-TERM DEBT (Continued)**

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, 2017 are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,290,752	\$ 508,471	\$ 1,799,223
2019	1,332,018	473,596	1,805,614
2020	1,363,292	436,768	1,800,060
2021	1,399,576	398,532	1,798,108
2022	1,446,363	355,155	1,801,518
2023 – 2027	7,500,885	1,023,290	8,524,175
2028 – 2032	65,574	31,816	97,390
2033 – 2037	76,020	21,370	97,390
2038 – 2042	88,126	9,264	97,390
2043	7,842	236	8,078
Amortization Terms Unknown	443,002	-	443,002
 Total	 <b><u>\$ 15,013,450</u></b>	 <b><u>\$ 3,258,498</u></b>	 <b><u>\$ 18,271,948</u></b>

**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 operates 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. The District and ACWWA executed a 2014 agreement for operations and maintenance of and improvements to the JWPP. At December 31, 2017 and 2016, ACWWA holds the District's portion of these reserves in the amount of \$170,102 and \$155,434, respectively.

COTTONWOOD WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

**NOTE 6: INTERGOVERNMENTAL AGREEMENTS (Continued)**

**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 \$1,413,745 and \$1,334,784 at December 31, 2017 and 2016, respectively. 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. 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. Pursuant to the WISE Agreements, the District pays its proportionate share of WISE capital costs, operations and maintenance costs, and the cost of water delivered. The District incurred capital costs for 2017 and 2016 of \$382,868 and \$477,119, respectively. The District received its first water deliveries from the WISE project in 2017 at a cost of \$148,814.



COTTONWOOD WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

**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.

**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.

COTTONWOOD WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

**NOTE 9: COMMITMENTS AND CONTINGENCIES** (Continued)

**Tabor Amendment** (Continued)

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, 2017 and 2016, the emergency reserve of \$56,898 and \$65,500, respectively, were 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, 2017

(With Comparative Actual Totals for the Year Ended December 31, 2016)

	2017		VARIANCE Positive (Negative)	2016
	ORIGINAL AND FINAL BUDGET	ACTUAL		ACTUAL
<b>ENTERPRISE FUND:</b>				
<b>REVENUES</b>				
Operating				
Charges for Services				
Water System	\$ 1,980,000	\$ 2,030,157	\$ 50,157	\$ 1,928,303
Wastewater System	1,940,000	1,924,287	(15,713)	1,906,666
Storm Sewer Fees	4,400	4,953	553	-
Miscellaneous	25,000	48,892	23,892	40,082
Total Operating Revenues	<u>3,949,400</u>	<u>4,008,289</u>	<u>58,889</u>	<u>3,875,051</u>
Non-Operating				
Tap Fees	3,100,000	2,290,537	(809,463)	4,974,638
Net Investment Income	20,000	60,713	40,713	29,889
Capital Recovery Fees	8,000	8,745	745	7,962
System Infrastructure Reimbursement	2,550,000	789,974	(1,760,026)	238,975
Renewable Water Inclusion Fee	-	105,000	105,000	-
CWCB Loan Proceeds	135,000	53,436	(81,564)	389,196
Gain on Sale of Assets	500,000	-	(500,000)	-
Total Non-Operating Revenues	<u>6,313,000</u>	<u>3,308,405</u>	<u>(3,004,595)</u>	<u>5,640,660</u>
<b>TOTAL REVENUES</b>	<u>10,262,400</u>	<u>7,316,694</u>	<u>(2,945,706)</u>	<u>9,515,711</u>
<b>EXPENSES</b>				
Operating				
Water Treatment	450,000	276,141	173,859	263,634
Wastewater Treatment	1,500,000	1,408,757	91,243	1,433,235
System Operating Fees	168,000	149,012	18,988	144,200
Repairs and Maintenance	140,000	167,169	(27,169)	258,025
Utilities	270,000	322,806	(52,806)	389,554
Professional Services	80,000	63,688	16,312	125,721
WISE Water Purchases	72,000	148,814	(76,814)	-
Administration				
Insurance	33,000	29,036	3,964	31,586
Management Fees	125,000	162,953	(37,953)	133,472
Accounting	110,000	117,992	(7,992)	105,430
Audit	7,500	6,500	1,000	6,950
Legal	125,000	99,908	25,092	148,161
Miscellaneous	64,000	85,955	(21,955)	58,574
Water Conservation Rebates	3,000	1,250	1,750	757
Contingency	75,000	-	75,000	-
Total Operating Expenses	<u>3,222,500</u>	<u>3,039,981</u>	<u>182,519</u>	<u>3,099,299</u>
Non-Operating				
Tap Fees (ACWWA)	1,100,000	698,151	401,849	1,611,840
Capital Outlay	8,090,000	2,545,991	5,544,009	3,280,128
CWCB Debt Service	35,000	28,473	6,527	-
CWCB Issue Costs	1,350	-	1,350	-
Loan Issue Costs	-	-	-	45,249
WISE Participation	120,000	91,793	28,207	-
Authority Participation (CCPWA, UCCWA, SMWSA)	65,000	27,243	37,757	32,743
Total Non-Operating Expenses	<u>9,411,350</u>	<u>3,391,651</u>	<u>6,019,699</u>	<u>4,969,960</u>
<b>TOTAL EXPENSES</b>	<u>12,633,850</u>	<u>6,431,632</u>	<u>6,202,218</u>	<u>8,069,259</u>
<b>NET CHANGE IN FUNDS AVAILABLE</b>	<u>(2,371,450)</u>	<u>885,062</u>	<u>3,256,512</u>	<u>1,446,452</u>
<b>FUNDS AVAILABLE - BEGINNING OF YEAR</b>	<u>4,991,473</u>	<u>5,570,894</u>	<u>579,421</u>	<u>4,124,442</u>
<b>FUNDS AVAILABLE - END OF YEAR</b>	<u>2,620,023</u>	<u>6,455,956</u>	<u>3,835,933</u>	<u>5,570,894</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, 2017

(With Comparative Actual Totals for the Year Ended December 31, 2016)

	2017		VARIANCE Positive (Negative)	2016
	ORIGINAL AND FINAL BUDGET	ACTUAL		ACTUAL
<b>BOND FUND:</b>				
<b>REVENUES</b>				
Property Taxes	\$ 1,707,844	\$ 1,705,742	\$ 2,102	\$ 1,998,746
Specific Ownership Taxes	162,245	190,850	(28,605)	184,975
<b>TOTAL REVENUES</b>	<b>1,870,089</b>	<b>1,896,592</b>	<b>(26,503)</b>	<b>2,183,721</b>
<b>EXPENDITURES</b>				
County Treasurers Fees	25,618	25,626	(8)	30,034
Paying Agent Fees	1,000	250	750	900
Debt Service				
DWRP (2006B)	739,418	725,513	13,905	735,860
Series 2006A	-	-	-	114,946
Series 2008A	544,598	542,098	2,500	538,152
Series 2016	498,815	486,563	12,252	-
Contingency	25,000	-	25,000	-
<b>TOTAL EXPENDITURES</b>	<b>1,834,449</b>	<b>1,780,050</b>	<b>54,399</b>	<b>1,419,892</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Refunding Loan Proceeds	-	-	-	4,500,000
Payment to Refunding Escrow	-	-	-	(5,376,550)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(876,550)</b>
CHANGE IN NET POSITION, Budgetary Basis	35,640	116,542	80,902	(112,721)
BEGINNING FUNDS AVAILABLE - BOND FUND	139,344	85,676	(53,668)	198,397
ENDING FUNDS AVAILABLE - BOND FUND	\$ 174,984	\$ 202,218	\$ 27,234	\$ 85,676
TOTAL DISTRICT REVENUES (Budgetary Basis)	12,132,489	9,213,286	(2,919,203)	16,199,432
TOTAL DISTRICT EXPENDITURES (Budgetary Basis)	14,468,299	8,211,682	6,256,617	14,865,701
TOTAL DISTRICT BEGINNING FUNDS AVAILABLE	5,130,817	5,656,570	525,753	4,322,839
TOTAL DISTRICT ENDING FUNDS AVAILABLE	\$ 2,795,007	\$ 6,658,174	\$ 3,863,167	\$ 5,656,570

(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, 2017

(With Comparative Actual Totals for the Year Ended December 31, 2016)

	2017 ACTUAL	2016 ACTUAL
TOTAL DISTRICT REVENUES (Budgetary Basis)	\$ 9,213,286	\$ 16,199,432
ADJUSTMENTS TO GAAP BASIS		
CWCB Loan Proceeds	(53,436)	(389,196)
Refunding Loan Proceeds	-	(4,500,000)
TOTAL REVENUES, GAAP Basis	<u>9,159,850</u>	<u>11,310,236</u>
TOTAL DISTRICT EXPENDITURES (Budgetary Basis)	8,211,682	14,865,701
ADJUSTMENTS TO GAAP BASIS		
Capital Outlay	(2,545,991)	(3,280,128)
Depreciation	943,054	730,250
Principal Payments on Long-term Debt	(1,245,570)	(804,084)
Payment to Refunding Escrow	-	(5,376,550)
Amortization Debt Premium	(9,417)	(32,317)
Amortization Cost of Refunding	50,087	45,217
TOTAL EXPENDITURES, GAAP Basis	<u>5,403,845</u>	<u>6,148,089</u>
CHANGE IN NET POSITION, GAAP Basis	3,756,005	5,162,147
NET POSITION, Beginning	<u>19,010,321</u>	<u>13,848,174</u>
NET POSITION, Ending	<u>\$ 22,766,326</u>	<u>\$ 19,010,321</u>

See the accompanying Independent Auditor's Report.

## OTHER INFORMATION

COTTONWOOD WATER AND SANITATION DISTRICT

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
 EXCLUSIVE OF COLORADO WATER CONSERVATION BOARD (CWCB) LOANS, NOTE B & C  
 December 31, 2017

\$4,500,00 General Obligation Refunding Loan Series 2016					\$342,921 Colorado Water Conservation Board Loan				
Year	Rate	Principal	Interest	Total	Year	Rate	Principal	Interest	Total
2018	1.86%	\$ 420,000	\$ 76,074	\$ 496,074	2018	3.00%	\$ 9,191	\$ 10,287	\$ 19,478
2019	1.86%	430,000	68,262	498,262	2019	3.00%	9,466	10,012	19,478
2020	1.86%	435,000	60,264	495,264	2020	3.00%	9,750	9,728	19,478
2021	1.86%	445,000	52,173	497,173	2021	3.00%	10,043	9,435	19,478
2022	1.86%	455,000	43,896	498,896	2022	3.00%	10,344	9,134	19,478
2023	1.86%	465,000	35,433	500,433	2023	3.00%	10,654	8,824	19,478
2024	1.86%	470,000	26,784	496,784	2024	3.00%	10,974	8,504	19,478
2025	1.86%	480,000	18,042	498,042	2025	3.00%	11,303	8,175	19,478
2026	1.86%	490,000	9,114	499,114	2026	3.00%	11,642	7,836	19,478
2027		-	-	-	2027	3.00%	11,992	7,486	19,478
		<u>\$ 4,090,000</u>	<u>\$ 390,042</u>	<u>\$ 4,480,042</u>	2028	3.00%	12,351	7,127	19,478
					2029	3.00%	12,722	6,756	19,478
					2030	3.00%	13,103	6,375	19,478
					2031	3.00%	13,497	5,981	19,478
					2032	3.00%	13,901	5,577	19,478
					2033	3.00%	14,319	5,159	19,478
					2034	3.00%	14,748	4,730	19,478
					2035	3.00%	15,191	4,287	19,478
					2036	3.00%	15,646	3,832	19,478
					2037	3.00%	16,116	3,362	19,478
					2038	3.00%	16,599	2,879	19,478
					2039	3.00%	17,097	2,381	19,478
					2040	3.00%	17,610	1,868	19,478
					2041	3.00%	18,138	1,340	19,478
					2042	3.00%	18,682	796	19,478
					2043	3.00%	7,842	236	8,078
							<u>\$ 342,921</u>	<u>\$ 152,107</u>	<u>\$ 495,028</u>

  

\$9,996,005 CWRPDA Loan Series 2006				
Year	Rate	Principal	Interest	Total
2018	3.54%	\$ 516,561	\$ 222,857	\$ 739,418
2019	3.54%	527,552	212,112	739,664
2020	3.54%	538,542	200,538	739,080
2021	3.54%	549,533	188,356	737,889
2022	3.54%	566,019	171,925	737,944
2023	3.54%	582,505	155,001	737,506
2024	3.54%	598,991	141,559	740,550
2025	3.54%	615,477	126,300	741,777
2026	3.54%	659,440	82,846	742,286
2027		697,907	44,680	742,587
		<u>\$ 5,852,527</u>	<u>\$ 1,546,174</u>	<u>\$ 7,398,701</u>

  

\$6,730,00 General Obligation Refunding Bonds Series 2008A				
Year	Rate	Principal	Interest	Total
2018	4.65%	\$ 345,000	\$ 199,253	\$ 544,253
2019	4.65%	365,000	183,210	548,210
2020	4.65%	380,000	166,238	546,238
2021	4.65%	395,000	148,568	543,568
2022	4.65%	415,000	130,200	545,200
2023	4.65%	435,000	110,903	545,903
2024	4.65%	455,000	90,675	545,675
2025	4.65%	475,000	69,518	544,518
2026	4.65%	500,000	47,430	547,430
2027	4.65%	520,000	24,180	544,180
		<u>\$ 4,285,000</u>	<u>\$ 1,170,175</u>	<u>\$ 5,455,175</u>



COTTONWOOD WATER AND SANITATION DISTRICT

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
 EXCLUSIVE OF COLORADO WATER CONSERVATION BOARD (CWCB) LOANS, NOTE B & C  
 December 31, 2017

\$4,500,000 General Obligation Refunding Loan Series 2016					\$342,921 Colorado Water Conservation Board Loan				
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2021	1.86%	445,000	52,173	497,173	2021	3.00%	10,043	9,435	19,478
2022	1.86%	455,000	43,896	498,896	2022	3.00%	10,344	9,134	19,478
2023	1.86%	465,000	35,433	500,433	2023	3.00%	10,654	8,824	19,478
2024	1.86%	470,000	26,784	496,784	2024	3.00%	10,974	8,504	19,478
2025	1.86%	480,000	18,042	498,042	2025	3.00%	11,303	8,175	19,478
2026	1.86%	490,000	9,114	499,114	2026	3.00%	11,642	7,836	19,478
2027		-	-	-	2027	3.00%	11,992	7,486	19,478
		<u>\$ 4,090,000</u>	<u>\$ 390,042</u>	<u>\$ 4,480,042</u>	2028	3.00%	12,351	7,127	19,478
					2029	3.00%	12,722	6,756	19,478
					2030	3.00%	13,103	6,375	19,478
					2031	3.00%	13,497	5,981	19,478
					2032	3.00%	13,901	5,577	19,478
					2033	3.00%	14,319	5,159	19,478
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2023	3.54%	582,505	155,001	737,506
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2025	3.54%	615,477	126,300	741,777
2026	3.54%	659,440	82,846	742,286
2027		697,907	44,680	742,587
		<u>\$ 5,852,527</u>	<u>\$ 1,546,174</u>	<u>\$ 7,398,701</u>

  

\$6,730,00 General Obligation Refunding Bonds Series 2008A				
Year	Rate	Principal	Interest	Total
2018	4.65%	\$ 345,000	\$ 199,253	\$ 544,253
2019	4.65%	365,000	183,210	548,210
2020	4.65%	380,000	166,238	546,238
2021	4.65%	395,000	148,568	543,568
2022	4.65%	415,000	130,200	545,200
2023	4.65%	435,000	110,903	545,903
2024	4.65%	455,000	90,675	545,675
2025	4.65%	475,000	69,518	544,518
2026	4.65%	500,000	47,430	547,430
2027	4.65%	520,000	24,180	544,180
		<u>\$ 4,285,000</u>	<u>\$ 1,170,175</u>	<u>\$ 5,455,175</u>

COTTONWOOD WATER AND SANITATION DISTRICT

SCHEDULE OF ASSESSED VALUATION, MILL LEVY AND  
PROPERTY TAXES COLLECTED

December 31, 2017

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	1,705,742	99.88%
2017	2018	105,677,431	16.000	1,690,839		

**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.