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Accountant's Compilation Report

Board of Directors
Havana Water and Sanitation District
Arapahoe County, Colorado

Management is responsible for the accompanying budget of revenues, expenditures, and fund balances/available of the Havana Water and Sanitation District for the year ending December 31, 2017, including the estimate of comparative information for the year ending December 31, 2016, and the actual comparative information for the year ending December 31, 2015, in the format prescribed by Colorado Revised Statutes (C.R.S.) 29-1-105. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the budget nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the accompanying budget.

We draw attention to the summary of significant assumptions which describe that the budget is presented in accordance with the requirements of C.R.S. 29-1-105, and is not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America.

We are not independent with respect to Havana Water and Sanitation District.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
January 27, 2017

**HAVANA WATER AND SANITATION DISTRICT
SUMMARY
2017 BUDGET AS ADOPTED
WITH 2015 ACTUAL AND 2016 ESTIMATED
For the Years Ended and Ending December 31,**

1/27/2017

	ACTUAL 2015	ESTIMATED 2016	ADOPTED 2017
BEGINNING FUND BALANCES/AVAILABLE	\$ 2,836,636	\$ 2,950,474	\$ 2,983,122
REVENUES			
1 Property taxes	463,529	489,339	521,754
2 Specific ownership taxes	34,999	38,716	41,740
3 Net investment income	7,009	16,150	14,500
4 Reimbursed expenditures	25,571	28,814	22,022
5 Lease income	13,915	15,180	15,180
6 Water tap fees	-	1,610	-
7 Sewer service fees	746,969	812,550	649,000
8 Sewer tap fees	26,680	5,060	-
9 Reimbursed expenditures - Metro	-	175,029	-
Total revenues	<u>1,318,672</u>	<u>1,582,448</u>	<u>1,264,196</u>
TRANSFERS IN			
	<u>79,700</u>	<u>102,800</u>	<u>67,000</u>
Total funds available	<u>4,235,008</u>	<u>4,635,722</u>	<u>4,314,318</u>
EXPENDITURES			
10 General and administration			
11 Accounting	17,500	18,000	18,000
12 Audit	5,500	5,630	5,700
13 Contingency	-	6,913	5,783
14 County Treasurer's fees	6,959	7,340	7,827
15 Customer billing	27,778	28,000	24,000
16 Director fees	2,700	2,800	3,000
17 District management	9,207	13,390	13,390
18 Dues and membership	826	989	1,200
19 Election	-	1,500	-
20 Engineering	6,495	9,000	9,000
21 Insurance	17,747	25,868	28,000
22 Landscape maintenance	413	1,500	6,000
23 Legal	21,564	35,000	30,000
24 Miscellaneous	1,145	3,120	3,200
25 Newsletter	450	750	1,500
26 Postage/printing	-	5,000	5,400
27 Repair and maintenance	92,128	90,000	120,000
28 Storage rent	2,700	3,000	3,000
29 Telephone	4,792	6,000	6,000
30 Operations and maintenance			
31 Contingency	-	2,864	8,748
32 Sewer treatment	517,424	770,423	263,164
33 Utilities	55,251	60,000	60,000
34 Debt service			
35 Bond interest	146,794	140,213	131,588
36 Bond principal	220,000	230,000	235,000
37 Paying agent fees	1,500	1,500	1,500
38 Capital projects			
39 Engineering - capital	29,592	38,000	41,000
40 Major repairs/capital improvements	-	25,000	300,000
41 Management - capital	16,369	18,000	23,000
Total expenditures	<u>1,204,834</u>	<u>1,549,800</u>	<u>1,355,000</u>
TRANSFERS OUT			
	<u>79,700</u>	<u>102,800</u>	<u>67,000</u>
Total expenditures and transfers out requiring appropriation	<u>1,284,534</u>	<u>1,652,600</u>	<u>1,422,000</u>
ENDING FUND BALANCES/AVAILABLE	<u>\$ 2,950,474</u>	<u>\$ 2,983,122</u>	<u>\$ 2,892,318</u>
EMERGENCY RESERVE	\$ 15,600	\$ 16,600	\$ 17,600
DEBT SERVICE RESERVE	371,070	371,070	371,070
RESERVE FOR FUTURE EXPENDITURES	<u>2,563,804</u>	<u>2,595,452</u>	<u>2,503,648</u>
TOTAL RESERVE	<u>\$ 2,950,474</u>	<u>\$ 2,983,122</u>	<u>\$ 2,892,318</u>
DEBT COVERAGE RATIO (see page 8)		<u>1.32</u>	<u>1.74</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

HAVANA WATER AND SANITATION DISTRICT
PROPERTY TAX SUMMARY INFORMATION
For the Years Ended and Ending December 31,

1/27/2017

	ACTUAL 2015	ESTIMATED 2016	ADOPTED 2017
ASSESSED VALUATION - ARAPAHOE			
Residential	\$ 94,487,662	\$ 112,922,012	\$ 112,943,848
Commercial	8,642,290	9,271,851	10,706,893
Vacant Land	3,608,003	3,352,381	3,114,885
Personal Property	1,034,900	979,415	1,063,099
State Assessed	1,971,566	1,707,840	1,735,270
Certified Assessed Value	<u>\$ 109,744,421</u>	<u>\$ 128,233,499</u>	<u>\$ 129,563,995</u>
MILL LEVY			
GENERAL FUND	4.227	4.227	4.227
Temporary Mill Levy reduction	-	(0.411)	(0.200)
Total Mill Levy	<u>4.227</u>	<u>3.816</u>	<u>4.027</u>
PROPERTY TAXES			
GENERAL FUND	\$ 463,890	\$ 542,043	\$ 547,667
Temporary Mill Levy reduction	-	(52,704)	(25,913)
Levied property taxes	463,890	489,339	521,754
Adjustments to actual/rounding	(361)	-	-
Budgeted Property Taxes	<u>\$ 463,529</u>	<u>\$ 489,339</u>	<u>\$ 521,754</u>
BUDGETED PROPERTY TAXES			
GENERAL FUND	\$ 463,529	\$ 489,339	\$ 521,754
	<u>\$ 463,529</u>	<u>\$ 489,339</u>	<u>\$ 521,754</u>

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**HAVANA WATER AND SANITATION DISTRICT
GENERAL FUND
2017 BUDGET AS ADOPTED
WITH 2015 ACTUAL AND 2016 ESTIMATED
For the Years Ended and Ending December 31,**

1/27/2017

	ACTUAL 2015	ESTIMATED 2016	ADOPTED 2017
BEGINNING FUND BALANCES	\$ 1,200,448	\$ 1,378,499	\$ 1,484,826
REVENUES			
1 Property taxes	463,529	489,339	521,754
2 Specific ownership taxes	34,999	38,716	41,740
3 Net investment income	2,733	7,750	7,100
4 Reimbursed expenditures	-	1,332	-
5 Lease income	13,915	15,180	15,180
6 Water tap fees	-	1,610	-
7 Sewer tap fees	6,440	-	-
Total revenues	521,616	553,927	585,774
Total funds available	1,722,064	1,932,426	2,070,600
EXPENDITURES			
General and administration			
8 Accounting	17,500	18,000	18,000
9 Audit	5,500	5,630	5,700
10 Contingency	-	6,913	5,783
11 County Treasurer's fees	6,959	7,340	7,827
12 Customer billing	27,778	28,000	24,000
13 Director fees	2,700	2,800	3,000
14 District management	9,207	13,390	13,390
15 Dues and membership	826	989	1,200
16 Election	-	1,500	-
17 Engineering	6,495	9,000	9,000
18 Insurance	17,747	25,868	28,000
19 Landscape maintenance	413	1,500	6,000
20 Legal	21,564	35,000	30,000
21 Miscellaneous	1,145	3,120	3,200
22 Newsletter	450	750	1,500
23 Postage/printing	-	5,000	5,400
24 Repair and maintenance	92,128	90,000	120,000
25 Storage rent	2,700	3,000	3,000
26 Telephone	4,792	6,000	6,000
Capital projects			
27 Engineering - capital	29,592	38,000	41,000
28 Major repairs/capital improvements	-	25,000	300,000
29 Management - capital	16,369	18,000	23,000
Total expenditures	263,865	344,800	655,000
TRANSFERS OUT			
ENTERPRISE FUND	79,700	102,800	67,000
Total transfers out	79,700	102,800	67,000
Total expenditures and transfers out requiring appropriation	343,565	447,600	722,000
ENDING FUND BALANCES	\$ 1,378,499	\$ 1,484,826	\$ 1,348,600
EMERGENCY RESERVE	\$ 15,600	\$ 16,600	\$ 17,600
RESERVE FOR FUTURE EXPENDITURES	1,362,899	1,468,226	1,331,000
TOTAL RESERVE	\$ 1,378,499	\$ 1,484,826	\$ 1,348,600

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**HAVANA WATER AND SANITATION DISTRICT
ENTERPRISE FUND
2017 BUDGET AS ADOPTED
WITH 2015 ACTUAL AND 2016 ESTIMATED
For the Years Ended and Ending December 31,**

1/27/2017

	ACTUAL 2015	ESTIMATED 2016	ADOPTED 2017
BEGINNING FUNDS AVAILABLE	\$ 1,636,188	\$ 1,571,975	\$ 1,498,296
REVENUES			
1 Net investment income	4,276	8,400	7,400
2 Reimbursed expenditures	25,571	27,482	22,022
3 Sewer service fees	746,969	812,550	649,000
4 Sewer tap fees	20,240	5,060	-
5 Reimbursed expenditures - Metro	-	175,029	-
Total revenues	<u>797,056</u>	<u>1,028,521</u>	<u>678,422</u>
TRANSFERS IN			
GENERAL FUND	79,700	102,800	67,000
Total transfers in	<u>79,700</u>	<u>102,800</u>	<u>67,000</u>
Total funds available	<u>2,512,944</u>	<u>2,703,296</u>	<u>2,243,718</u>
EXPENDITURES			
Operations and maintenance			
6 Contingency	-	2,864	8,748
7 Sewer treatment	517,424	770,423	263,164
8 Utilities	55,251	60,000	60,000
Debt Service			
9 Bond interest	146,794	140,213	131,588
10 Bond principal	220,000	230,000	235,000
11 Paying agent fees	1,500	1,500	1,500
Total expenditures	<u>940,969</u>	<u>1,205,000</u>	<u>700,000</u>
Total expenditures and transfers out requiring appropriation	<u>940,969</u>	<u>1,205,000</u>	<u>700,000</u>
ENDING FUNDS AVAILABLE	<u>\$ 1,571,975</u>	<u>\$ 1,498,296</u>	<u>\$ 1,543,718</u>
DEBT SERVICE RESERVE	\$ 371,070	\$ 371,070	\$ 371,070
RESERVE FOR FUTURE EXPENDITURES	<u>1,200,905</u>	<u>1,127,226</u>	<u>1,172,648</u>
TOTAL RESERVE	<u>\$ 1,571,975</u>	<u>\$ 1,498,296</u>	<u>\$ 1,543,718</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**HAVANA WATER AND SANITATION DISTRICT
2017 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Services Provided

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 Arapahoe County, Colorado. The District provides sewer services to its residents. The City and County of Denver provide water services.

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

The District prepares its budget on the modified accrual basis of accounting in accordance with the requirements of Colorado Revised Statutes C.R.S. 29-1-1058. For financial statement reporting under generally accepted accounting principles (GAAP), the District uses the full accrual basis of accounting. Consequently the terminology of "Funds Available" is used in the budget to distinguish the difference from GAAP accounting for Fund Balance. Funds Available represents each fund's current assets less its current liabilities except for the current portion of long-term debt. In addition, the budget separates individual funds, which are included as one entity in the GAAP presentation.

Revenues

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or, if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August, and generally, sale of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

The calculation of the taxes levied is displayed on page 3 at the adopted general mill levy of 4.027 mills.

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 8.00% of the property taxes collected.

Net Investment Income

Investment earned on District's available funds has been estimated based on an average interest rate of approximately 0.50%.

Sewer Service Fees

The District bills its customers semi-annually for wastewater services. The semi-annual rate effective as of January 1, 2016 was \$181 per single-family tap equivalent. During the second half of 2016, the semi-annual rate was reduced to \$121 per single-family tap equivalent resulting from adjustment in the treatment cost charged by Metro Wastewater Reclamation District. The District will continue to bill its customers at a semi-annual rate of \$121 per single-family tap equivalent. There is no rate adjustment anticipated for purposes of the District's 2017 Budget.

**HAVANA WATER AND SANITATION DISTRICT
2017 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues - (continued)

Lease Income

The District receives \$1,265 monthly from AT&T pursuant to a Lease Agreement.

Reimbursed Expenditures

The District anticipates collecting \$22,022 from Castlewood Water and Sanitation District for its share in the costs of sewage treatment.

Expenditures

General and Administrative

General and administrative expenditures include the estimated costs of services necessary to maintain the District's administrative viability such as legal, management, accounting, billing, insurance, meeting and other expenditures. Certain engineering fees and routine maintenance costs are also included in the budget.

Operations and Maintenance

The District pays Metro Wastewater Reclamation District for the treatment of sewage collected within the District. Anticipated costs of utilities are also included in the Operating Expenses of the Enterprise Fund.

Debt Service

Principal and interest payments are provided based on the debt amortization schedule from the Wastewater System Enterprise Revenue Bonds Series 2007. See attached debt service schedule.

Debt and Leases

On September 27, 2007, the District issued \$5,000,000 in Wastewater System Enterprise Revenue Bonds Series 2007. The Bonds are special and limited obligations of the Enterprise, payable solely from the revenues of the wastewater system, after deduction of operation and maintenance costs. The Bonds are not payable from the proceeds of general property taxes. The Bonds are due December 1, 2027, with interest rates of 3.550% - 4.200%, paid semiannually on March 15 and September 15. Bonds maturing on and after September 15, 2018 are subject to redemption prior to maturity, at the option of the District, on September 15, 2017 or any date thereafter, in whole or in part, in integral multiples of \$5,000, from such maturities as selected by the District, at a redemption price equal to the principal amount plus accrued interest. The Bonds maturing September 17, 2027 are subject to mandatory sinking fund redemption at a price equal to the principal amount plus accrued interest to the redemption date.

The Series 2007 Bonds were issued to finance certain improvements which benefit the District, fund the Reserve Fund and pay the costs of issuing the Bonds.

**HAVANA WATER AND SANITATION DISTRICT
2017 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases- (continued)

The District covenants that it will prescribe, revise and collect fees and charges, for the use of the wastewater system, which shall produce revenues sufficient to pay the principal and interest on bonds as they become due, and which shall produce net pledged revenues, after payment of operations and maintenance expenses and without regard to capital outlay, equivalent to 125% of the debt service requirement of the bonds due in the subsequent fiscal year. The debt coverage for 2016 and 2017 are estimated as follows:

	ESTIMATED 2016	ADOPTED 2017
Total revenues	\$ 1,582,448	\$ 1,264,196
(Less) Total expenditures (excluding debt service and capital outlay)	(1,097,087)	(622,912)
Net pledged revenues	\$ 485,361	\$ 641,284
Debt service requirement due in the subsequent fiscal year	\$ 368,088	\$ 369,158
Debt coverage*	132%	174%

*Total net pledged revenue divided by debt service requirement due in subsequent fiscal year.

The District has no operating or capital leases.

Reserves

Emergency Reserve

The District has provided for an emergency reserve fund equal to at least 3% of General Fund's fiscal year spending for 2017, as defined under TABOR.

Debt Service Reserve

The Debt Service Reserve Fund requirement is \$371,070.

Reserve for future expenditures

The District has also provided a reserve for future operating contingencies and improvements. Such reserve is an integral part of Ending Fund Balances/Available.

This information is an integral part of the accompanying budget.

**HAVANA WATER AND SANITATION DISTRICT
SCHEDULE OF ESTIMATED DEBT SERVICE REQUIREMENTS TO MATURITY**

\$5,000,000

Series 2007 Wastewater System Enterprise Revenue Bonds

Principal Due September 15

Interest 3.550% to 4.200%

Payable March 15 and September 15

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 235,000	\$ 131,588	\$ 366,588
2018	245,000	122,658	367,658
2019	255,000	113,348	368,348
2020	265,000	103,530	368,530
2021	275,000	92,400	367,400
2022	290,000	80,850	370,850
2023	300,000	68,670	368,670
2024	315,000	56,070	371,070
2025	325,000	42,840	367,840
2026	340,000	29,190	369,190
2027	355,000	14,910	369,910
	<u>\$ 3,200,000</u>	<u>\$ 856,053</u>	<u>\$ 4,056,053</u>

This financial information should be read only in connection with the accompanying accountants compilation report and the summary of significant assumptions.