

FOREST VIEW ACRES WATER DISTRICT
El Paso County, Colorado

FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015



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Independent Auditor's Report

Board of Directors
Forest View Acres Water District
El Paso County, Colorado

We have audited the accompanying financial statements of Forest View Acres Water District (District) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Forest View Acres Water District (District), as of December 31, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

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

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

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
July 26, 2017

BASIC FINANCIAL STATEMENTS

FOREST VIEW ACRES WATER DISTRICT
STATEMENTS OF NET POSITION
December 31, 2016 and 2015

ASSETS	2016	2015
CURRENT ASSETS		
Cash and cash equivalents - unrestricted	\$ 296,604	\$ 500,334
Cash and cash equivalents - restricted	-	144,792
Accounts receivable - customers	23,310	20,047
Other receivables	-	7,653
Receivable from CWR&PDA - restricted	319,648	-
Cash with county treasurer	554	515
Property taxes receivable	56,467	55,427
Prepaid expenses	10,250	494
Total current assets	<u>706,833</u>	<u>729,262</u>
CAPITAL ASSETS		
Land	64,192	64,192
Water rights	2,296,675	2,296,675
Master plan	84,823	84,823
Construction in progress	497,246	2,035,091
Water treatment plants	1,947,821	1,602,292
Water collection and distribution	3,785,024	1,717,882
Wells	691,572	691,572
	<u>9,367,353</u>	<u>8,492,527</u>
Less accumulated depreciation	<u>2,595,789</u>	<u>2,435,023</u>
Total capital assets	<u>6,771,564</u>	<u>6,057,504</u>
TOTAL ASSETS	<u>7,478,397</u>	<u>6,786,766</u>
LIABILITIES		
Accounts payable	265,668	127,667
Retainage payable	17,307	74,298
Noncurrent liabilities:		
Due within one year	121,125	100,000
Due in more than one year	<u>2,027,170</u>	<u>1,650,000</u>
Total liabilities	<u>2,431,270</u>	<u>1,951,965</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue	56,467	55,427
Total deferred inflows of resources	<u>56,467</u>	<u>55,427</u>
NET POSITION		
Net investment in capital assets	4,942,917	4,452,296
Restricted for:		
Operations and maintenance	97,738	118,100
Emergencies	1,900	1,900
Unrestricted	<u>(51,895)</u>	<u>207,078</u>
Total net position	<u>\$ 4,990,660</u>	<u>\$ 4,779,374</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

FOREST VIEW ACRES WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN FUND NET POSITION
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Water usage and related fees	\$ 535,806	\$ 507,016
Total operating revenues	<u>535,806</u>	<u>507,016</u>
OPERATING EXPENSES		
Operations manager	59,153	65,705
Repairs and maintenance	63,690	65,573
Supplies and chemicals	4,315	4,745
Utilities	27,686	23,119
Water testing	3,450	35
Engineering	4,897	1,198
Other	4,989	8,419
Depreciation	160,766	128,716
Total operating expenses	<u>328,946</u>	<u>297,510</u>
GROSS INCOME FROM OPERATIONS	<u>206,860</u>	<u>209,506</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
District management	91,397	97,304
Utility billing	32,954	29,357
Election costs	1,523	-
Insurance/SDA dues	10,184	9,121
Director fees	6,000	5,700
Legal	12,369	4,830
Audit	12,254	13,260
Other	13,942	9,588
Total general and administrative expenses	<u>180,623</u>	<u>169,160</u>
NET INCOME FROM OPERATIONS	<u>26,237</u>	<u>40,346</u>
NONOPERATING REVENUES AND EXPENSES		
Property and specific ownership taxes	61,805	57,745
Interest	1,142	145
CWR&PDA loan interest	(833)	-
County treasurer fees	(832)	(780)
Total nonoperating revenues and expenses	<u>61,282</u>	<u>57,110</u>
INCOME BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	<u>87,519</u>	<u>97,456</u>
CAPITAL GRANTS AND CONTRIBUTIONS		
Grant revenue	72,767	154,179
Water tap and inclusion fees	51,000	48,000
Total capital grants and contributions	<u>123,767</u>	<u>202,179</u>
CHANGE IN NET POSITION	211,286	299,635
NET POSITION - BEGINNING OF YEAR	4,779,374	4,479,739
NET POSITION - END OF YEAR	<u>\$ 4,990,660</u>	<u>\$ 4,779,374</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

FOREST VIEW ACRES WATER DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 532,543	\$ 501,733
Cash payments to suppliers for goods and services	(358,277)	(331,241)
Net cash provided by operating activities	<u>174,266</u>	<u>170,492</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES		
Property and specific ownership, net of fees	60,934	56,920
Net cash provided by noncapital financing activities	<u>60,934</u>	<u>56,920</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Grant revenue	80,420	139,201
Contributed capital - tap fees	51,000	48,000
Acquisition of capital assets	(794,098)	(1,166,302)
Principal paid on long-term debt	(101,705)	(100,000)
Interest paid on long-term debt	(833)	-
Net cash used in capital and related financing activities	<u>(765,216)</u>	<u>(1,079,101)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from CWR&PDA loan	180,352	-
Interest	1,142	145
Net cash provided by investing activities	<u>181,494</u>	<u>145</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(348,522)	(851,544)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>645,126</u>	<u>1,496,670</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 296,604</u></u>	<u><u>\$ 645,126</u></u>
Reconciliation of net income from operations to net cash provided by operating activities		
Net income from operations	\$ 26,237	\$ 40,346
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation	160,766	128,716
Effect of changes in operating assets and liabilities:		
Accounts receivable	(3,263)	(5,283)
Prepaid expenses	(9,756)	169
Accounts payable	282	6,544
Net cash provided by operating activities	<u><u>\$ 174,266</u></u>	<u><u>\$ 170,492</u></u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015**

NOTE 1 – DEFINITION OF REPORTING ENTITY

Forest View Acres Water District (District), a quasi-municipal corporation and political subdivision of the State of Colorado, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in El Paso County, Colorado. The District was established to provide water for domestic and other public and private purposes within its service area.

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

The more significant accounting policies of the District are described as follows:

Basis of Accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and loans are recorded as reductions in liabilities. Tap fees and contributed assets from developers are recorded as capital contributions when received.

FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Operating Revenues and Expenses

The District distinguishes between operating revenues and expenses and non-operating items in the Statements of Revenues, Expenses and Change in Fund Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing water services to its customers. Operating revenues consist of charges to customers for service provided. Operating expenses include the cost of service, administrative expenses and depreciation of assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

Budgets

In accordance with the Local Government Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The District budgeted for general operations and administration, capital improvements, debt service and water operations in a single fund for the year ended December 31, 2016. These activities have been combined and presented as an enterprise fund for financial statement purposes as the District's operations meet the definition of a special-purpose government engaged only in business-type activities as defined by the Governmental Accounting Standards Board.

For the year ended December 31, 2016, supplementary appropriations approved by the District's board of directors modified the appropriation in the enterprise fund from \$1,166,450 to \$1,378,450.

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 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are

FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The county treasurer remits the taxes collected monthly to the District. Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue in deferred inflows of resources in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

Cash Equivalents

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

Capital Assets

Capital assets, which include land, water rights, plant and buildings, distribution and collection systems and wells are reported by the District. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. 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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Water treatment plant	20 years
Distribution and collection systems	50 years
Wells	20-50 years

Tap Fees and Contributed Water Rights

Tap fees are recorded as capital contributions when received. Water rights contributed to the District by developers are recorded as capital contributions and additions to the capital assets of the District at estimated fair market value when received.

Water Rights

The cost of water rights includes acquisition cost, legal and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed.

**FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015**

NOTE 3 - CASH AND INVESTMENTS

Cash and investments are reflected on the December 31, 2016 and 2015 statement of net position as follows:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents - unrestricted	\$ 296,604	\$ 500,334
Cash and cash equivalents - restricted	-	144,792
	<u>\$ 296,604</u>	<u>\$ 645,126</u>

Cash and investments as of December 31, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Deposits	\$ 209,649	\$ 461,956
Investments	86,955	183,170
	<u>\$ 296,604</u>	<u>\$ 645,126</u>

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2016 and 2015, the District's cash deposits had bank balances of \$283,263 and \$481,193 and carrying balances of \$209,649 and \$461,956 respectively.

Investments

The District has not adopted a formal investment policy, however, the District follows state statutes regarding investments.

**FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

- Obligations of the United States and certain U.S. government agency securities and the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Certain reverse repurchase agreements
- Certain securities lending agreements
- Certain corporate bonds
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

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.

At December 31, 2016 and 2015, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	
		<u>2016</u>	<u>2015</u>
Colorado Liquid Asset Trust (ColoTrust)	Less than 1 year	<u>\$ 86,955</u>	<u>\$ 183,170</u>

ColoTrust

During 2016 and 2015, the District 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 State Securities Commissioner administers and enforces all State statutes governing Colotrust. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. Colotrust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities 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 repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for Colotrust's portfolios pursuant to a custodian agreement.

FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

The custodian acts as safekeeping agent for Colotrust'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 Colotrust. As of December 31, 2016 and 2015, the District had \$86,955 and \$183,170, respectively, invested in COLOTRUST PLUS+ in the name of the District. Colotrust is rated AAAm by S&P Global Ratings.

Investment Valuation

The District has certain investments which are measurable at fair value on a recurring basis that are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted priced in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has invested in COLOTRUST, an external investment pool that records its investments at fair value and measure fair value using Level 2 inputs.

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FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the years ended December 31, 2016 and 2015 follows:

	Balance at December 31, 2015	Increases	Decreases	Balance at December 31, 2016
Capital assets, not being depreciated:				
Land	\$ 64,192	\$ -	\$ -	\$ 64,192
Water rights	2,296,675	-	-	2,296,675
Master plan	84,823	-	-	84,823
Construction in progress	2,035,091	874,826	2,412,671	497,246
Total capital assets, not being depreciated	<u>4,480,781</u>	<u>874,826</u>	<u>2,412,671</u>	<u>2,942,936</u>
Capital assets, being depreciated:				
Water treatment plants	1,602,292	345,529	-	1,947,821
Water collection and distribution	1,717,882	2,067,142	-	3,785,024
Wells	691,572	-	-	691,572
Total capital assets being depreciated	<u>4,011,746</u>	<u>2,412,671</u>	<u>-</u>	<u>6,424,417</u>
Less accumulated depreciation for:				
Water treatment plants	958,893	88,753	-	1,047,646
Water collection and distribution	838,083	55,029	-	893,112
Wells	638,047	16,984	-	655,031
Total accumulated depreciation	<u>2,435,023</u>	<u>160,766</u>	<u>-</u>	<u>2,595,789</u>
Total capital assets being depreciated, net	<u>1,576,723</u>	<u>2,251,905</u>	<u>-</u>	<u>3,828,628</u>
Total capital assets, net	<u>\$ 6,057,504</u>	<u>\$ 3,126,731</u>	<u>\$ 2,412,671</u>	<u>\$ 6,771,564</u>

FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	Balance at December 31, 2014	Increases	Decreases	Balance at December 31, 2015
Capital assets, not being depreciated:				
Land	\$ 64,192	\$ -	\$ -	\$ 64,192
Water rights	2,286,675	10,000	-	2,296,675
Master plan	84,823	-	-	84,823
Construction in progress	1,232,582	1,214,635	412,126	2,035,091
Total capital assets, not being depreciated	<u>3,668,272</u>	<u>1,224,635</u>	<u>412,126</u>	<u>4,480,781</u>
Capital assets, being depreciated:				
Water treatment plants	1,190,166	412,126	-	1,602,292
Water collection and distribution	1,717,882	-	-	1,717,882
Wells	691,572	-	-	691,572
Total capital assets being depreciated	<u>3,599,620</u>	<u>412,126</u>	<u>-</u>	<u>4,011,746</u>
Less accumulated depreciation for:				
Water treatment plants	889,081	69,812	-	958,893
Water collection and distribution	803,725	34,358	-	838,083
Wells	613,501	24,546	-	638,047
Total accumulated depreciation	<u>2,306,307</u>	<u>128,716</u>	<u>-</u>	<u>2,435,023</u>
Total capital assets being depreciated, net	<u>1,293,313</u>	<u>283,410</u>	<u>-</u>	<u>1,576,723</u>
Total capital assets, net	<u>\$ 4,961,585</u>	<u>\$ 1,508,045</u>	<u>\$ 412,126</u>	<u>\$ 6,057,504</u>

**FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015**

NOTE 5 - LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the years ended December 31, 2016 and 2015.

	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2016</u>	<u>Due Within One Year</u>
CWR&PDA Loan #D12F295	\$ 1,750,000	\$ -	\$ 100,000	\$ 1,650,000	\$100,000
CWR&PDA Loan #D16F368	-	500,000	1,705	498,295	21,125
	<u>\$ 1,750,000</u>	<u>\$ 500,000</u>	<u>\$ 101,705</u>	<u>\$ 2,148,295</u>	<u>\$121,125</u>

	<u>Balance at December 31, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2015</u>	<u>Due Within One Year</u>
CWR&PDA Loan #D12F295	\$ 1,850,000	\$ -	\$ 100,000	\$ 1,750,000	\$100,000
	<u>\$ 1,850,000</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 1,750,000</u>	<u>\$100,000</u>

CWR&PDA Loan #D12F295

The District entered into a \$2,000,000 Drinking Water Revolving Fund Direct Loan, dated June 15, 2012, with 0% interest, payments commencing November 1, 2013 and a term of 20 years, for improvements to the water distribution system and upgrades to the water treatment facilities, including but not limited to reconditioning wells, replacing transmission and distribution lines, rehabilitating the intake area, installing new pumps and installing new meters (Water System).

Principal payments of \$50,000 are due semi-annually on May 1 and November 1 until the final maturity date of May 1, 2033. The District may prepay the loan, in whole or in part without penalty.

CWR&PDA Loan #D16F368

The District entered into a \$500,000 Drinking Water Revolving Fund Direct Loan, dated July 19, 2016, with 2.0% interest, payments commencing November 1, 2016 and a term of 20 years. The purpose of the loan is to provide funding for additional upgrades to the Water System.

Principal and interest payments of \$30,986 are due semi-annually on May 1 and November 1 until the final maturity date of May 1, 2036. The District may prepay the loan, in whole or in part without penalty.

**FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

The loan proceeds are held by the CWR&PDA and disbursed to the District as funds are requisitioned and authorized by an officer of the District and approved by the CWR&PDA and the State Department of Public Health and Environment.

Reserve Requirements

The loan agreements require the District to maintain an operations and maintenance reserve in an amount equal to three months of operation and maintenance expenses, excluding depreciation, of the Water System as set forth in the annual budget. As of December 31, 2016 and 2015, the District has restricted net position in the amount of \$97,738 and \$118,100, respectively in compliance with this requirement.

As of December 31, 2016 and 2015, the District had no authorized but unissued debt. The District's long-term obligations will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 121,125	\$ 9,861	\$ 130,986
2018	121,550	9,436	130,986
2019	121,983	9,003	130,986
2020	122,424	8,562	130,986
2021	122,875	8,111	130,986
2022-2026	621,460	33,470	654,930
2027-2031	634,167	20,763	654,930
2032-2036	282,711	6,726	289,437
	<u>\$2,148,295</u>	<u>\$ 105,932</u>	<u>\$2,254,227</u>

NOTE 6 - NET POSITION

The District's net position consists of three components – net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015

NOTE 6 - NET POSITION (CONTINUED)

As of December 31, 2016 and 2015, the District had net investment in capital assets calculated as follows:

	<u>2016</u>	<u>2015</u>
Net investment in capital assets:		
Capital assets, net	\$ 6,771,564	\$ 6,057,504
Cash and cash equivalents - restricted	-	144,792
Receivable from CWR&PDA - restricted	319,648	-
Current portion of long-term obligations	(121,125)	(100,000)
Noncurrent portion of long-term obligations	(2,027,170)	(1,650,000)
Net investment in capital assets	<u>\$ 4,942,917</u>	<u>\$ 4,452,296</u>

Restricted net position includes amounts that are restricted for use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District's restricted net position as of December 31, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Restricted:		
Operating and maintenance reserve	\$ 97,738	\$ 118,100
Emergencies	1,900	1,900
	<u>\$ 99,638</u>	<u>\$ 120,000</u>

As of December 31, 2016 and 2015, the District had an unrestricted net position deficit of \$51,895 and an unrestricted net position of \$207,078, respectively. The District anticipates the net position deficit will be eliminated with future positive operating results.

NOTE 7 – RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors or omissions, injuries to employees or acts of God. The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability and boiler and machinery coverage to its members.

**FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015**

NOTE 7 – RISK MANAGEMENT (CONTINUED)

The District pays annual premiums to the Pool for liability, property and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula. Settled claims have not exceeded this coverage in any of the past three fiscal years.

NOTE 8 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations that apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses 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's management believes a significant portion of its operations qualifies for this exclusion. As a single-purpose district providing water service in exchange from fees, this is reasonable.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

Because of the many factors beyond the control of current District management, including the embezzlement of funds, failure to properly retain records and the possible destruction of records, it was not possible as of the 2005 financial statements to verify prior year's Fiscal Year Spending for the District. As such, it was not possible to definitively verify the District's compliance with TABOR's limitations. In order to rectify this situation for the future, the audited revenues and expenditures for 2005 became the District's "base year" for all future calculations and determinations.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualification as an Enterprise will require judicial interpretation.

**FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015**

NOTE 9 – CONSTRUCTION COMMITMENTS

The District had active construction projects as of December 31, 2016. Commitments totaled \$63,860.

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

SUPPLEMENTAL INFORMATION

FOREST VIEW ACRES WATER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2016

	Budget Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Water usage fees	\$ 160,000	\$ 160,000	\$ 169,054	\$ 9,054
Availability to serve	7,200	7,200	8,580	1,380
Capital replacement fee	174,276	174,276	174,226	(50)
Late fees	1,000	1,000	7,998	6,998
Operations fees	148,320	148,320	148,278	(42)
Property taxes	55,427	55,427	55,427	-
Specific ownership taxes	6,000	6,000	6,378	378
Tap and inclusion fees	16,000	16,000	51,000	35,000
Transfer fees	-	-	3,000	3,000
Interest	200	200	1,142	942
CWR&PDA loan proceeds	500,000	500,000	500,000	-
Energy and Mineral Impact Assistance Fund grant	-	-	71,925	71,925
Source Water Protection Plan grant	4,320	4,320	842	(3,478)
Other	1,500	1,500	24,670	23,170
Total revenues	1,074,243	1,074,243	1,222,520	148,277
EXPENDITURES				
Operations				
Operations manager	89,700	89,700	59,153	30,547
Repairs and maintenance	50,000	50,000	45,121	4,879
Supplies and chemicals	8,000	8,000	4,315	3,685
Utilities	29,900	29,900	27,686	2,214
Meter reading and maintenance	23,000	23,000	18,569	4,431
Water testing	1,000	1,000	3,450	(2,450)
Engineering	1,000	1,000	4,897	(3,897)
Training and education	1,000	1,000	-	1,000
Other	500	500	4,989	(4,489)
Administrative				
District management and accounting	96,500	96,500	91,397	5,103
Utility billing	20,000	20,000	32,954	(12,954)
Insurance and dues	10,000	10,000	10,184	(184)
Directors fees	8,000	8,000	6,000	2,000
Election costs	5,000	5,000	1,523	3,477
Legal	20,000	20,000	12,369	7,631
Audit	13,000	13,000	12,254	746
County treasurer fees	850	850	832	18
Website maintenance	1,500	1,500	5,578	(4,078)
Other	12,000	12,000	8,364	3,636
CWR&PDA loan principal	112,500	112,500	101,705	10,795
CWR&PDA loan interest	-	-	833	(833)
Infrastructure projects	663,000	875,000	874,826	174
Total expenditures	1,166,450	1,378,450	1,326,999	51,451

(continued)

FOREST VIEW ACRES WATER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2016
(Continued)

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
NET CHANGE IN FUNDS AVAILABLE	(92,207)	(304,207)	(104,479)	199,728
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>219,067</u>	<u>471,870</u>	<u>471,870</u>	<u>-</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 126,860</u>	<u>\$ 167,663</u>	<u>\$ 367,391</u>	<u>\$ 199,728</u>

Funds available is computed as follows:

Current assets	\$ 706,833
Current liabilities	(282,975)
Deferred inflows of resources	<u>(56,467)</u>
	<u>\$ 367,391</u>

**FOREST VIEW ACRES WATER DISTRICT
RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO STATEMENT
OF REVENUES, EXPENSES AND CHANGE IN FUND NET POSITION
Year Ended December 31, 2016**

REVENUES (budgetary basis)	\$ 1,222,520
Loan proceeds	<u>(500,000)</u>
Total revenues per statement of revenues, expenses and change in fund net position	<u>722,520</u>
 EXPENDITURES (budgetary basis)	 1,326,999
Depreciation	160,766
Capital outlay	(874,826)
Loan principal	<u>(101,705)</u>
Total expenses per statement of revenues, expenses and change in fund net position	<u>511,234</u>
 CHANGE IN NET POSITION PER STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND NET POSITION	 <u><u>\$ 211,286</u></u>

OTHER INFORMATION

FOREST VIEW ACRES WATER DISTRICT
SCHEDULES OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016

Year Ending December 31,	\$2,000,000 CWRPDA Loan Dated June 15, 2012 Principal Due May 1 and November 1 Interest Rate of 0%		\$500,000 CWRPDA Loan Dated July 19, 2016 Principal and Interest Due May 1 and November 1 Interest Rate of 2%		Total
	Principal	Interest	Principal	Interest	
2017	\$ 100,000	\$ -	\$ 21,125	\$ 9,861	\$ 130,986
2018	100,000	-	21,550	9,436	130,986
2019	100,000	-	21,983	9,003	130,986
2020	100,000	-	22,424	8,562	130,986
2021	100,000	-	22,875	8,111	130,986
2022	100,000	-	23,335	7,651	130,986
2023	100,000	-	23,804	7,182	130,986
2024	100,000	-	24,283	6,703	130,986
2025	100,000	-	24,770	6,216	130,986
2026	100,000	-	25,268	5,718	130,986
2027	100,000	-	25,776	5,210	130,986
2028	100,000	-	26,294	4,692	130,986
2029	100,000	-	26,823	4,163	130,986
2030	100,000	-	27,362	3,624	130,986
2031	100,000	-	27,912	3,074	130,986
2032	100,000	-	28,473	2,513	130,986
2033	50,000	-	29,045	1,941	80,986
2034	-	-	29,629	1,357	30,986
2035	-	-	30,225	761	30,986
2036	-	-	15,339	154	15,493
	<u>\$ 1,650,000</u>	<u>\$ -</u>	<u>\$ 498,295</u>	<u>\$ 105,932</u>	<u>\$ 2,254,227</u>

**FOREST VIEW ACRES WATER DISTRICT
SUMMARY OF ASSESSED VALUATION, MILL LEVY AND
PROPERTY TAXES COLLECTED
Year Ended December 31, 2016**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied	Property Taxes		Percentage Collected to Levied
			Levied	Collected	
2012	\$ 10,395,390	5.000	\$ 51,977	\$ 51,954	100.0%
2013	\$ 10,451,870	5.000	\$ 52,259	\$ 52,259	100.0%
2014	\$ 10,294,870	5.000	\$ 51,474	\$ 51,447	99.9%
2015	\$ 10,376,440	5.000	\$ 51,882	\$ 51,882	100.0%
2016	\$ 11,085,490	5.000	\$ 55,427	\$ 55,427	100.0%
Estimated for year ending December 31, 2017	\$ 11,293,470	5.000	\$ 56,467		

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