

PARK FOREST WATER DISTRICT

FINANCIAL STATEMENTS

AND

REQUIRED SUPPLEMENTARY INFORMATION

AND

SUPPLEMENTARY INFORMATION

WITH

INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2016



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OSBORNE, PARSONS & ROSACKER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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OSBORNE, PARSONS & ROSACKER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

601 NORTH NEVADA AVE
COLORADO SPRINGS, COLORADO 80903-1005

JEFFREY S. ROSACKER, CPA – PARTNER
MITCHELL K. DOWNS, CPA, ABV – PARTNER
GREGORY P. PARSONS, CPA

TELEPHONE (719) 636-2321
FAX (719) 636-2517
WEB WWW.SPRINGSCPA.COM

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Park Forest Water District
Colorado Springs, Colorado

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

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 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 opinions.

Opinions

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

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information consisting of the schedule of revenue, expenditure and changes in net position - proprietary fund budget (non-GAAP basis) and actual, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of revenue, expenditure and changes in fund net position - proprietary fund, budget (non-GAAP basis) and actual, 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 schedule of revenue, expenditure and changes in net position - proprietary fund, budget (non-GAAP basis) and actual, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Osborne, Parsons & Hosacker LLP

Colorado Springs, Colorado
July 12, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

**PARK FOREST WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

This management's discussion and analysis (MD&A) of the Park Forest Water District's (District) financial performance provides an overall review of the District's financial activities for the year ended December 31, 2016. The intent of this MD&A is to look at the District's financial performance as a whole. The MD&A should be read in conjunction with the District's financial statements with notes, to enhance understanding of the District's financial performance. The MD&A is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB).

The District is a special district organized under Colorado Statutes to provide water and related services to property owners and residents located within the District. The District is a primary governmental agency.

District Operations - an Overview

The District operates as a special district under the authority of Title 32 of the Colorado Revised Statutes and engages in activities classified as 'proprietary'. These activities are accounted for much like that of a private business, and use the full accrual method of accounting for transactions. The major activities include production of groundwater, sale, and delivery of water to domestic and commercial accounts.

Overview of the Basic Financial Statements

The MD&A is intended to serve as an introduction to the District's basic financial statements. Comparison to the prior-year's activity is provided in this document. In accordance with the GASB Statement No. 34, the District's basic financial statements include a statement of net position, statement of revenues, expenses and changes in fund net position, and a statement of cash flows.

Statement of Net Position - The District's assets and liabilities provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). The difference between the assets and liabilities is shown as net position. This statement also provides the basis of evaluating the capital structure of the District and assessing its liquidity and financial flexibility.

Statement of Revenue, Expense, and Changes in Fund Net Position - accounts for the current year's revenues and expenses. This statement measures the success of the District's operations over the past year and determines whether the District has recovered its costs through user fees and other charges.

Statement Cash Flows - This statement reports cash receipts, cash disbursements, and net changes in cash resulting from operations and investments during the reporting period.

The notes to the basic financial statements provide a description of the accounting policies used to prepare the financial statements and present disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

**PARK FOREST WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

Overview of the Basic Financial Statements - Continued

The District maintains two funds for budgetary purposes. The General Fund is used to budget for all operating revenues and expenses, and the Capital Reserve Fund is used to budget for non-operating revenues and expenses. Statements of budget to actual are presented as required supplementary information pursuant to GASB Statement No. 34 since the District legally adopts both budgets and submits them annually to the State of Colorado.

Financial Highlights

The District's two primary sources of revenue are from:

- Sale of water to owners and residents whose property resides within the water district boundaries
- Property taxes collected and disbursed by the El Paso County Treasurer's Office. The levies are certified to the Assessor and the Colorado Property Tax Administrator by the Board of County Commissioners. The Board of County Commissioners authorizes the Assessor to extend the levies on property as assessed. The District is a constituted taxing authority.

The District's secondary sources of revenue are from:

- Bulk water sales
- Late fees
- Tap fees
- State grants
- Investment income

Major disbursements are the normal operating expenses of delivering water to the residents and the debt service payments. These disbursements are detailed in the financial statements.

- The District's assets exceeded its liabilities at the close of 2016 by \$2,314,446 (net position). At the close of 2015, its assets exceeded liabilities by \$2,213,361 (net position).
- In 2016, the District had unassigned net position of \$460,751, and in 2015, it had \$451,930 unassigned net position.
- The District's total net position increased by \$101,085 during 2016.
- The major capital asset acquisitions during 2016 included improvements to the main line, the installation of new valves, and the addition of a backup generator for the Price Plant.

**PARK FOREST WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

STATEMENT OF NET POSITION – PROPRIETARY FUND (Balance Sheet)

The statement of net position conveys the financial health of the District and includes all assets, liabilities, and deferred inflow of resources, both financial and capital. The District uses the accrual basis of accounting.

Comparative statements of net position and comments' relating to significant changes follow:

	<u>2016</u>	<u>2015</u>	<u>Increase (decrease)</u>
Assets			
Current assets	\$ 610,751	\$ 597,506	\$ 13,245
Capital assets, net	1,868,734	1,796,337	72,397
Total assets	<u>\$ 2,479,485</u>	<u>\$ 2,393,843</u>	<u>\$ 85,642</u>
Liabilities			
Current liabilities	\$ 12,623	\$ 11,635	\$ 988
Long-term liabilities			
Due within one year	16,939	16,307	632
Due in more than one year	7,100	24,039	(16,939)
Total liabilities	<u>\$ 36,662</u>	<u>\$ 51,981</u>	<u>\$ (15,319)</u>
Deferred inflow of resources			
Property tax	<u>\$ 128,377</u>	<u>\$ 128,501</u>	<u>\$ (124)</u>
Net position			
Invested in capital asset, net of related debt	\$ 1,844,695	\$ 1,755,991	\$ 88,704
Restricted for emergencies	9,000	5,440	3,560
Unrestricted	460,751	451,930	8,821
Total net position	<u>\$ 2,314,446</u>	<u>\$ 2,213,361</u>	<u>\$ 101,085</u>

Assets

Capital expenditures of \$162,188 from the installation of new well equipment, a backup generator, and upgrade of the main water line resulted in the increase of capital assets.

Liabilities

Current liabilities increased by \$988, primarily due to increased utility rates incurred in the ordinary course of operations.

Long-term liabilities decreased approximately \$16,000 because of payments made on the debt.

**PARK FOREST WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

Net position

The increase in total net position of \$101,085 is a result of the District's revenue over expenses.

STATEMENT OF REVENUE, EXPENSE, AND CHANGES IN NET POSITION (Income Statements)

Comparative statements and comments relating to significant changes follow:

	<u>2016</u>	<u>2015</u>	<u>Net income increase (decrease)</u>
Operating revenue	\$ 263,230	\$ 169,525	\$ 93,705
Operating expense	304,941	268,204	(36,737)
Operating (loss)	(41,711)	(98,679)	56,968
Non-operating revenue	142,796	140,002	2,794
Net income	<u>\$ 101,085</u>	<u>\$ 41,323</u>	<u>\$ 59,762</u>

Operating and non-operating revenue (Expense)

The increase in operating revenue is a result of increased base rates for water sales in 2016.

BUDGETED AMOUNTS

An analysis of budgeted amounts follows:

	<u>Budgeted amounts</u>		<u>Increase (decrease)</u>
	<u>Original</u>	<u>Final</u>	
Revenue	\$ 331,945	\$ 351,505	\$ 19,560
Expenditures	362,755	369,755	7,000
Change in net position	<u>\$ (30,810)</u>	<u>\$ (18,250)</u>	<u>\$ 12,560</u>

**PARK FOREST WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

**SCHEDULE OF REVENUE AND EXPENDITURES AND CHANGES IN NET POSITION –
BUDGET (NON-GAAP BASIS) AND ACTUAL (Income Statement)**

A comparison of the final budget and actual income statement (budgetary basis) follows:

	<u>Analysis of budget to actual income statement</u>		
	<u>Final budget</u>	<u>Actual budgetary basis</u>	<u>Net income variance favorable (unfavorable)</u>
Operating and non-operating revenue	\$ 351,505	\$ 409,503	\$ 57,998
Operating expenditures	353,448	380,815	(27,367)
Note principal payment	16,307	16,307	-
Total expenditure	<u>369,755</u>	<u>397,122</u>	<u>(27,367)</u>
Change in net position non-GAAP basis	<u>\$ (18,250)</u>	<u>\$ 12,381</u>	<u>\$ 30,631</u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This MD&A is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Park Forest Water District, 7340 McFerran Road, Black Forest, CO 80908.

FINANCIAL STATEMENTS

**PARK FOREST WATER DISTRICT
STATEMENT OF FUND NET POSITION - PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2016**

ASSETS

Current assets

Cash	\$ 113,901
Cash held with treasurer	1,284
Total cash and cash equivalents	115,185
Investments	311,781
Property tax receivable	128,377
Accounts receivable - customers	43,334
Prepaid expense	12,074
Total current assets	610,751

Capital assets

Capital assets	3,091,504
Accumulated depreciation	(1,222,771)
Total capital assets	1,868,733

Total assets	\$ 2,479,484
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LIABILITIES AND DEFERRED INFLOW OF RESOURCES

Current liabilities

Accounts payable and other accrued expenses	\$ 12,623
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Long-term liabilities

Due within one year	16,939
Due in more than one year	7,100
Total long-term liabilities	24,039

Deferred inflow of resources

Property tax	128,377
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Total liabilities and deferred inflow of resources	\$ 165,039
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NET POSITION

Net investment in capital assets	\$ 1,844,694
Restricted for emergencies	9,000
Unrestricted	460,751
Total net position	\$ 2,314,445

See accompanying notes

PARK FOREST WATER DISTRICT
STATEMENT OF REVENUE, EXPENSE, AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2016

OPERATING REVENUE

Water sales	\$ 248,716
Tap fees	7,500
Other revenue	7,014
Total operating revenue	263,230

OPERATING EXPENSE

Depreciation	89,791
Water superintendent	52,000
Utilities	48,704
Office administration and bookkeeping	24,000
Legal and accounting	20,046
Insurance	10,973
Chemicals	8,129
Health insurance	7,162
Truck and trailer	3,498
Repairs and maintenance	9,743
Payroll taxes	5,987
Director's fees	5,500
Office	5,238
Election	4,045
Water testing	3,842
Telephone	2,908
Training and seminars	1,333
Part-time employee salaries	1,245
Travel and mileage	697
Miscellaneous	101
Total operating expense	304,942

Operating loss	(41,712)
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NON-OPERATING REVENUE (EXPENSE)

Property tax	129,089
Specific ownership tax	14,786
Interest expense	(1,542)
County Treasurer's fee	(1,936)
Interest income	2,399
Total non-operating revenue	142,796

Change in net position	101,084
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Net position

Beginning of year	2,213,361
End of year	\$ 2,314,445

See accompanying notes

**PARK FOREST WATER DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 255,500
Other operating cash receipts	14,514
Cash payments to employees and board members	(82,745)
Cash paid to suppliers	(131,584)
Net cash provided by operations	<u>55,685</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Collection of taxes from El Paso County	141,939
Collection of other revenue	-
Net cash provided by non-capital financing activities	<u>141,939</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal payments on debt	(16,307)
Interest paid on debt	(1,542)
Purchase of fixed assets	(162,187)
Net cash used by capital and related financing activities	<u>(180,036)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

ColoTrust transfer	28,857
Interest received	2,399
Net cash provided by capital and related investing activities	<u>31,256</u>

Change in cash	48,844
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CASH

Beginning	66,341
Ending	<u>\$ 115,185</u>

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH
USED BY OPERATING ACTIVITIES**

Operating loss	<u>\$ (41,712)</u>
Adjustments to reconcile operating income to net cash provided (used) by operations	
Noncash activity	
Depreciation	89,791
Changes in	
Accounts receivable - customers	6,784
Prepaid insurance	(166)
Accounts payable and accrued expenses	988
Total adjustments	<u>97,397</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 55,685</u>
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See accompanying notes

NOTES TO FINANCIAL STATEMENTS

**PARK FOREST WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to government units. A summary of the Park Forest Water District's more significant accounting policies applied in the preparation of these financial statements follows.

History and Organization

Park Forest Water District provides water services to the residents of Park Forest Estates, Eagle Wing Estates and a minor number of commercial facilities in a roughly two square mile section of northeast El Paso County. It is governed by a five-member board of directors, which is the policymaking body of the District. The accompanying financial statements consists only of Park Forest Water District since the District has no component units and is not a component unit of any other governmental entity as defined by generally accepted accounting principles.

As required by generally accepted accounting principles, the District includes, if applicable, component units in its financial statements based upon financial accountability. Inasmuch as no component unit meets the criteria for inclusion, no component unit financial statements have been included.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles.

Government-wide and fund financial statements

Government-wide financial statements - The government-wide financial statements (i.e., the statement of fund net position - proprietary fund, and the statement of revenue, expense, and changes in fund net position - proprietary fund) report information on all of the non-fiduciary activities of the government.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flow.

Fund financial statements - The accounts of the District are organized on the basis of funds. Each fund is considered an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other assets together with all related liabilities, obligations, reserves and equities, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The District uses a proprietary fund to account for all financial resources except those required to be accounted for in another fund.

**PARK FOREST WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The District Reports the Following Major Governmental Fund:

Proprietary Fund - Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and internal service funds are charges to customers for sales or services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as non-operating

Basis of accounting - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Governmental funds are accounted for using the modified accrual basis of accounting. Revenue is recognized when it becomes measurable and available as a net current asset. Taxpayer assessed income and gross receipts are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are reported as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

Budget accounting - Budgets are prepared in accordance with the requirements of Colorado Revised Statutes and accordingly include anticipated income and other means of financing proposed expenditures. Expenditures also include, in addition to those shown in the operating statements, debt redemptions and capital expenditures.

Budgets - The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements.

- A. Budgets are required by State law for all funds. During October, the proposed budget is submitted to the Board of Directors by the budget officer for the fiscal year commencing the following January 1. The budget includes proposed expenditures and means of financing them.
- B. Public hearings are conducted by the Directors to obtain taxpayer comments.
- C. Prior to December 31, the budget is adopted and appropriations made by formal resolution.
- D. Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the total budget of any fund or changes in project or department budgets. Budget amounts included in the financial statements are based on the final, legally amended budget.
- E. Budget appropriations lapse at the end of each year.

**PARK FOREST WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accordingly, budget comparisons are of the legally adopted budget. The level of budget control is determined by the resolution appropriating sums of monies. Encumbrances are neither recorded on the books of the District nor included in the budget. The Board of Directors has the authority to make budget amendments.

Definition of cash - For the purpose of the statement of cash flows, the District defines cash as all cash on hand, demand deposits and money market accounts held for three months or less.

Accounts receivable - customers - The District's accounts receivable - customers, consists of amounts due from customers for water usage and other service related fees. Management believes that all accounts receivable - customers, are collectible and no allowance for doubtful accounts is deemed necessary.

Capital assets - Capital assets are reported in the proprietary fund financial statements. Capital assets are defined as assets having an estimated life in excess of one year. Such assets are recorded at cost if purchased or constructed. Donated capital assets are recorded at fair 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 asset lives are not capitalized.

Capital outlays for capital assets and improvements are capitalized as projects when constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Depreciable capital assets are depreciated using the straight-line method over estimated useful lives of 5-50 years.

Property taxes receivable/deferred inflow of resources - Property taxes are levied by December 15 of each year based on the assessed value of property as certified by the El Paso County Assessor. Assessed values are a percentage of actual values.

The taxes levied by December 15, 2016, reflect 2016 property taxes that will be collected in 2017 by El Paso County. Taxes collected by El Paso County are remitted to the District on a monthly basis. El Paso County also acts as the billing and collection agency for the District. Property taxes attach a lien on January 1 and may be paid in full by April 30, or in equal installments by February 28 and June 15.

The District records the tax as a receivable when measurable and an enforceable legal claim attaches to the property. The tax is recognized as a deferred inflow of resources in the year levied and as revenue when the money is received in the following year.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at

**PARK FOREST WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net position - In the financial statements net position is classified in the following categories:

Net investment in capital assets - this classification consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction or improvement of capital assets.

Restricted net position - this classification consists of restrictions created by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation and constitutional provisions.

Unrestricted net position - this classification represents the remainder of net position that do not meet the definition of “invested in capital assets net of related debt” or “restricted net assets”.

In circumstances where an expenditure is incurred for which amounts are available in multiple net position classifications, net position is reduced in the order of restricted and then unrestricted.

Additional accounting standards - GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and the resulting net position. The effect of this standard essentially renamed the government-wide statement of net assets and the proprietary funds' statement of net assets to the statement of net position. In addition, the proprietary funds' statement of revenues, expenses, and changes in fund net assets was also renamed to the statement of revenues, expenses and changes in fund net position.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this statement, which is a companion standard to GASB Statement No. 63, is to specifically identify certain items that were previously reported as assets or liabilities and now report those items as deferred outflows of resources or deferred inflows of resources. The effect of this statement was to reclassify, from deferred revenue to a deferred inflow of resources, the 2016 property tax levy that will be collected in 2017.

NOTE 1 – DEPOSITS

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

**PARK FOREST WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – DEPOSITS - continued

Custodial credit risk deposits - Custodial credit risk is the risk that in the event of bank failure, the public entity's deposits will not be returned to it. The District does not currently have a policy related to custodial credit risk. As of December 31, 2016, the District had no deposits exposed to custodial credit risk.

At December 31, 2016, the District's cashbook balance was \$113,901 and was fully insured by the Federal Deposit Insurance Corporation (FDIC).

At December 31, 2016, the District had \$311,781 invested in Colostrust. This local government investment pool is rated AAAM by Standard and Poor's and operates similarly to a money market fund and each share is equal in value to \$1. The collateral pool invests in specific legal investments that the

District would be empowered to purchase directly, these include U.S. government securities, a number of U.S. government guaranteed investments, specified international agencies, and money market funds.

NOTE 2 – INVESTMENTS

Investments - Colorado statutes specify which instruments the units of local government may invest, including:

- Repurchase agreements,
- Obligations of the United States or obligations unconditionally guaranteed by the United States,
- Obligations of the State of Colorado and most general obligations of units of local governments,
- Federal insured mortgages and loans participate with other local governments in pooled investment funds (trusts). These trusts are supervised by participating governments and must comply with the same restrictions on cash deposits and investments as described previously.

NOTE 3 – ACCOUNTS RECEIVABLE - CUSTOMERS

Accounts receivable consists of customers who purchase water from the District. Management reviews outstanding receivables and believes all are collectible.

NOTE 4 – CAPITAL ASSETS

Property, plant and furniture - Property and equipment are recorded at cost. The original water distribution system, in the amount of \$174,118, was recorded at the developer's cost in 1967. In 2002, the District extended water service to a new subdivision at a cost of \$75,000. The costs for the extension of the water distribution system were paid by the developer. In 2005, Eagle Wing Estates was added to the District. The cost of the addition to the water system was \$340,755. The addition was paid for by the developer. In 2014 the Eagle Rising subdivision was added to the district. The cost of the addition to the water system was \$160,000. The addition was paid for by the developer.

**PARK FOREST WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – CAPITAL ASSETS - continued

Depreciation is provided on the straight-line method over the following estimated useful lives:

	Years
Tools and equipment	5 - 50
Furniture and equipment	5 - 10
Fence	10
Meters and installation	20
Buildings	40
Storage tanks	30 - 40
Wells and related equipment	10 - 50
Water distribution system	30

It is the policy of the District to capitalize purchases exceeding \$1,000 and having an estimated useful life exceeding one year.

Capital asset activity for the year ended December 31, 2016, follows:

	Beginning balance	Additions	Deletions	Ending balance
Proprietary funds				
Wells and related equipment	\$ 1,640,944	\$ 40,168	\$ -	\$ 1,681,112
Water distribution system	912,201	122,019	-	1,034,220
Building and storage tanks	170,092	-	-	170,092
Meters and installation	24,016	-	-	24,016
Fencing	14,799	-	-	14,799
Furniture and equipment	5,405	-	-	5,405
Tools	8,039	-	-	8,039
Total capital assets at cost	2,775,496	162,187	-	2,937,683
Less accumulated depreciation	(1,132,980)	(89,791)		(1,222,771)
Net capital assets being depreciated	1,642,516	72,396	-	1,714,912
Land	153,821	-	-	153,821
Total net capital assets	\$ 1,796,337	\$ 72,396	\$ -	\$ 1,868,733

Depreciation expense for the year ended December 31, 2016, was \$89,791.

NOTE 5 – LONG-TERM DEBT

The District secured capital lease financing with Farmers State Bank during 2011 for the purpose of upgrading equipment and water distribution systems. The lease is subject to provisions of Section 20 of Article X of the Constitution of Colorado. Accordingly, any required payments in fiscal years subsequent to the current fiscal year, and for which there are not present cash reserves pledged irrevocably for purposes of the payment of such obligations, shall be contingent upon future appropriation by the District of sufficient funds for purposes of payment of such obligations for any

**PARK FOREST WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 – LONG-TERM DEBT – continued

future fiscal year. The original amount of the lease was \$54,848 and six equal annual payments of \$10,497 are required beginning on October 17, 2012 and ending on the lease termination date of October 17, 2017. The effective annual interest rate is 4.1%. The lease provides the option for thirty days prior to the termination date to purchase the equipment for an option price of \$1.

The District secured additional capital lease financing with Farmers State Bank during 2013 for the purpose of upgrading equipment and water distribution systems. The lease is subject to provisions of Section 20 of Article X of the Constitution of Colorado. Accordingly, any required payments in fiscal years subsequent to the current fiscal year, and for which there are not present cash reserves pledged irrevocably for purposes of the payment of such obligations, shall be contingent upon future appropriation by the District of sufficient funds for purposes of payment of such obligations for any future fiscal year. The original amount of the lease was \$33,725 and five equal annual payments of \$7,352 are required beginning on April 15, 2014 and ending on the lease termination date of April 15, 2018. The effective annual interest rate is 3.5%. The lease provides the option for thirty days prior to the termination date to purchase the equipment for an option price of \$1.

A summary of changes in long-term debt is:

	Beginning balance	Additions	Payments & reductions	Ending balance
Capital leases	\$ 40,346	\$ -	\$ (16,307)	\$ 24,039

The following schedule reflects the District's payments to maturity:

Years ending December 31,	Loan		
	Total	Interest	Principal
2017	\$ 17,849	\$ 910	\$ 16,939
2018	7,353	253	7,100
Total	\$ 25,202	\$ 1,163	\$ 24,039

NOTE 6 – TAX SPENDING AND DEBT LIMITATIONS

In November 1992, Colorado voters approved the Taxpayer's Bill of Rights (TABOR), which added Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations that apply to the State of Colorado and all local governments.

TABOR is complex and subject to interpretation. Ultimate implementation may depend upon litigation and legislative guidance. The District believes it has complied with all aspects of the TABOR amendment and an emergency reserve of \$9,000 has been established.

**PARK FOREST WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – TAX SPENDING AND DEBT LIMITATIONS – continued

Election to Increase Debt:

The District successfully proposed a ballot issue during the November 2011 elections to increase debt. The District was given authority by the voters to increase debt by no more than \$375,000 with repayment cost not to exceed \$450,000. The ballot issue did not call for an increase in taxes. Debt proceeds will be used to fund capital improvements, capital reserves, pay off existing debt and capital lease obligations.

NOTE 7 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 8 – FAIR VALUE OF FINANCIAL STATEMENTS

The carrying amount of the District's financial instruments approximates their fair value.

NOTE 9 – RECONCILIATION OF BUDGET TO ACTUAL

The District has prepared its budget on a basis of accounting other than GAAP. A reconciliation of the budgetary basis to GAAP is provided on the schedule of revenue, expenditure and changes in fund net position - proprietary fund, budget (non-GAAP basis) and actual.

State law requires the District to adhere to a legally adopted budget. For the year ended December 31, 2016, the District's expenditures exceeded appropriated expenditures by \$27,367, violating the districts legally adopted budget.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 12, 2017, the date on which the financial statements were available to be released.

SUPPLEMENTARY INFORMATION

PARK FOREST WATER DISTRICT
SCHEDULE OF REVENUE, EXPENDITURE AND CHANGES IN FUND NET
POSITION - PROPRIETARY FUND, BUDGET (NON-GAAP BASIS) AND ACTUAL
YEAR ENDED DECEMBER 31, 2016

Revenue	Budgeted amounts		Actual budgetary basis	Variance with final budget favorable (unfavorable)
	Original	Final		
Water sales	\$ 190,344	\$ 209,904	\$ 248,716	\$ 38,812
Property taxes	128,501	128,501	129,089	588
Specific ownership taxes	11,000	11,000	14,786	3,786
Tap fees	-	-	7,500	7,500
Other revenue	1,600	1,600	7,013	5,413
Interest income	500	500	2,399	1,899
Total revenue	331,945	351,505	409,503	57,998
Expenditures				
Administrative expenses	74,679	81,679	89,925	(8,246)
Operating expenses	148,075	148,075	127,161	20,914
Debt service				
Principal	16,307	16,307	16,307	-
Interest	1,542	1,542	1,542	-
Capital expenses	122,152	122,152	162,188	(40,036)
Total expenditures	362,755	369,755	397,123	(27,368)
Excess of revenue over expenditures	\$ (30,810)	\$ (18,250)	12,380	\$ 30,630
GAAP adjustments				
Capital assets			162,188	
Capital obligation principal payments			16,307	
Depreciation			(89,791)	
Total GAAP adjustments			88,704	
Change in net position			\$ 101,084	

See accompanying notes