Winter Park Water and Sanitation District
Grand County, Colorado

FINANCIAL STATEMENTS

With Independent Auditor's Report

December 31, 2016 and 2015

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Winter Park Water and Sanitation District

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December 31, 2016 and 2015

BARNES GRIGGS
& ASSOCIATES, PC

Certified Public Accountants and Business Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Winter Park Water and Sanitation District
Grand County, Colorado

We have audited the accompanying financial statements of Winter Park Water and Sanitation District (the District) as of and for the years ended December 31, 2016 and 2015 and the related notes to the 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 opinions 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.

Opinion

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

Barnes Griggs & Associates, PC

12136 West Bayaud Ave., Suite 300 • Lakewood, Colorado 80228
303.202.1800 Office • 303.237.0155 Fax • www.barnesgriggs.com

Other Matters

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages III through VII 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 management's discussion and analysis 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and legal requirements, and is not a required part of the basic financial statements. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Barner Griggs & Associates, PC

Lakewood, Colorado
July 17, 2017

Winter Park Water and Sanitation District
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016

The discussion and analysis of Winter Park Water and Sanitation District's financial performance provides an overall review of the District's financial activities for the year ended December 31, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should review the information presented here in conjunction with the basic financial statements and the notes to financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

- Assets of the District exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $19,293,925 (net position). Of this amount, $10,404,092 (unrestricted net position) may be used to meet the government's ongoing obligations to its citizens and creditors.

- The District's total net position increased by $551,834 over the prior fiscal year.

- Operating revenues were consistent with the prior year. The District collected $9,783 more in water and sewer service fees than in the prior year, and received $29,115 less in reimbursements for system improvements and other income.

- Operating expenses increased $41,731 from the prior year, primarily due to higher depreciation expense.

- Revenues from tap fees increased $197,505 from the prior year, due to more local construction activity.

Overview of the Financial Statements

The Winter Park Water and Sanitation District basic financial statements included in this report are those of a special-purpose government engaged in a business-type activity, providing water and wastewater services. The statements are comprised of two components: 1) basic financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Basic Financial Statements. The basic financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District's assets and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned compensation). The statement reports the District's operating and nonoperating revenue by source along with operating and nonoperating expenses.

The S*tatement of Cash Flows* reports the District's cash flows from operating activities, investing, capital and noncapital activities.

The *Notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

A budgetary comparison statement has been provided in the *supplemental information* to demonstrate compliance with the budget.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Winter Park Water and Sanitation District, assets exceeded liabilities and deferred inflows of resources by $19,293,925 at the close of the most recent fiscal year.

Statement of Net Position

	December 31, 2016	2015	2014
Current assets	$ 10,848,533	$ 10,006,558	$ 9,778,300
Capital assets	9,312,833	9,671,784	9,598,888
Other assets	1,051	1,051	1,051
Total assets	20,162,417	19,679,393	19,378,239
Current liabilities	153,559	160,065	201,932
Long-term liabliites	405,000	475,000	541,000
Total liabilities	558,559	635,065	742,932
Deferred inflows of resources	309,933	302,237	300,834
Net position:			
Invested in capital assets, net of related debt	8,837,833	9,130,784	8,994,888
Restricted	52,000	52,000	52,000
Unrestricted	10,404,092	9,559,307	9,287,585
Net position	$ 19,293,925	$ 18,742,091	$ 18,334,473

Winter Park Water and Sanitation District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

The District has 46 percent of its net position invested in capital assets (e.g., infrastructure, plant, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, this net position is *not* available for future spending.

Changes in Net Position

	For the Years Ended December 31,		
	2016	2015	2014
Revenues			
Operating revenue			
Water and sewer services	$ 1,292,060	$ 1,282,277	$ 1,271,591
Miscellaneous income	67,629	96,744	109,189
Nonoperating revenue			
Taxes	320,686	320,002	315,814
Net investment income	40,283	36,366	48,720
Capital contributions			
Tap fees	470,085	272,580	177,316
Total revenues	2,190,743	2,007,969	1,922,630
Expenses			
Operating expenses			
Water operations	507,258	492,153	547,640
Sewer operations	506,032	505,856	516,829
Depreciation	585,091	558,641	516,796
Nonoperating expenses			
County Treasurer fees	15,128	15,076	15,035
Loan agent fees	-	-	-
Loan interest	25,400	28,625	31,700
Amortization	-	-	-
Total expenses	1,638,909	1,600,351	1,628,000
Change in net position	551,834	407,618	294,630
Net position - beginning	18,742,091	18,334,473	18,039,843
Net position - ending	$ 19,293,925	$ 18,742,091	$ 18,334,473

Budgetary Highlights

The District prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of capital outlay and debt repayment in addition to operations and nonoperating revenue and expenses and contributions. Depreciation is not reflected in the budget since it does not affect funds available. Funds available (current assets, exclusive of property taxes receivable less current liabilities, exclusive of the current portion of long-term obligations) increased $859,546 during 2016.

Growth in 2016 did not require water or wastewater treatment plant expansion. Tap fee revenues will be reserved for future capital projects.

Capital Assets

The District's net investment in capital assets as of December 31, 2016, 2015 and 2014 was as follows:

Capital Assets

	December 31,		
	2016	**2015**	**2014**
Land	$ 105,793	$ 105,793	$ 105,793
Water rights	453,282	453,282	442,591
Construction in progress	138,338	113,733	-
Plant and improvements	11,315,925	11,315,925	10,840,609
Water storage tanks	2,488,304	2,488,304	2,488,304
Infrastructure	3,619,466	3,417,932	3,396,220
Vehicles	164,728	164,728	164,728
Equipment	689,462	689,462	679,377
Total assets	18,975,298	18,749,159	18,117,622
Accumulated depreciation	(9,662,465)	(9,077,375)	(8,518,734)
Net capital assets	$ 9,312,833	$ 9,671,784	$ 9,598,888

Additional information relating to the District's capital assets activity can be found in Note 4 of this report.

The following is an analysis of the condition of District infrastructure:

- The water and wastewater system are in very good shape for the foreseeable future.
- The water treatment plant and distribution system have plenty of capacity for future growth.
- The District continues an aggressive maintenance program and the condition of our water and wastewater infrastructure remains good.

Debt Administration

As of December 31, 2016 the District had total debt obligations of $475,000, all of which is general obligation bonded (G.O.) debt. During 2016, $66,000 of G.O. debt was retired.

Additional detail on the District's debt is in Note 5 of this report.

Economic Factors and Next Year's Budget

We are anticipating minimal growth, so the tap fee revenue budget for 2017 is conservative, at $69,300. As always, the budget is created with Total Budgeted Revenue (less tap revenue) covering Budgeted Operation/Maintenance expenses and Debt Retirement payments.

The District expects to receive approximately $1,508,000 in 2017 pursuant to an agreement with Denver Water and Grand County. These funds will be used for additions and upgrades to the existing water system.

Legal counsel and District staff continue to study and monitor water supply and water rights which are necessary to sustain our business of providing water and being able to meet future demand.

Capital project expenditures are itemized based on 'growth' (projects necessary due to new customers coming on line) and 'district' (projects necessary to upgrade existing infrastructure for old and new customers). Thus, 'growth' projects are done only if/when tap fee revenue is available.

Requests for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

District Manager
Winter Park Water and Sanitation District
P.O. Box 7
Winter Park, Colorado 80482

BASIC FINANCIAL STATEMENTS

Winter Park Water and Sanitation District

STATEMENTS OF NET POSITION

December 31, 2016 and 2015

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 5,653,492	$ 5,532,226
Cash and cash equivalents - restricted	52,000	52,000
Investments	4,686,323	3,968,692
Accounts receivable - users	118,839	117,928
Accounts receivable - County Treasurer	1,438	1,383
Accrued interest receivable	7,900	9,140
Property taxes receivable	309,933	302,237
Prepaid expenses	18,608	22,952
Total current assets	10,848,533	10,006,558
Capital assets, net	9,312,833	9,671,784
Other assets		
Deposits	1,051	1,051
Total other assets	1,051	1,051
Total assets	$ 20,162,417	$ 19,679,393
LIABILITIES		
Current liabilities		
Accounts payable	$ 49,683	$ 65,164
Accrued salaries, benefits and related liabilities	33,876	28,901
Current portion of long-term debt	70,000	66,000
Total current liabilities	153,559	160,065
Long-term obligations	405,000	475,000
Total liabilities	558,559	635,065
DEFERRED INFLOWS OF RESOURCES		
Deferred property taxes	309,933	302,237
Total deferred inflows of resources	309,933	302,237
NET POSITION		
Net investment in capital assets	8,837,833	9,130,784
Restricted	52,000	52,000
Unrestricted	10,404,092	9,559,307
Total net position	$ 19,293,925	$ 18,742,091

The accompanying Notes to Financial Statements are an integral part of these statements.

Winter Park Water and Sanitation District

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the years ended December 31, 2015 and 2014

	2016	2015
OPERATING REVENUES		
Water and sewer services	$ 1,292,060	$ 1,282,277
Miscellaneous income	67,629	96,744
Total operating revenues	1,359,689	1,379,021
OPERATING EXPENSES		
Water operations - administrative	162,001	156,430
Water operations - maintenance	345,257	335,723
Sewer operations - administrative	154,010	144,144
Sewer operations - maintenance	352,022	361,712
Depreciation	585,091	558,641
Total operating expenses	1,598,381	1,556,650
OPERATING INCOME (LOSS)	(238,692)	(177,629)
NONOPERATING REVENUES		
Property taxes	302,198	301,203
Specific ownership taxes	18,488	18,799
Net investment income	40,283	36,366
Total nonoperating revenues	360,969	356,368
NONOPERATING EXPENSES		
County Treasurer fees	15,128	15,076
Loan interest	25,400	28,625
Total nonoperating expenses	40,528	43,701
INCOME BEFORE CAPITAL CONTRIBUTIONS	81,749	135,038
CAPITAL CONTRIBUTIONS		
Tap fees	470,085	272,580
CHANGE IN NET POSITION	551,834	407,618
NET POSITION - beginning of year	18,742,091	18,334,473
NET POSITION - end of year	$ 19,293,925	$ 18,742,091

The accompanying Notes to Financial Statements are an integral part of these statements

Winter Park Water and Sanitation District

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2015 and 2014

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 1,358,777	$ 1,387,219
Payments to suppliers for goods and services	(567,620)	(648,939)
Payments to employees for services	(451,832)	(400,268)
Net cash provided (used) by operating activities	339,325	338,012
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes	302,143	299,982
Specific ownership taxes	18,488	18,799
County Treasurer's fees	(15,128)	(15,076)
Net cash provided (used) by noncapital financing activities	305,503	303,705
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Tap fees	470,085	272,580
Acquisition of fixed assets	(226,139)	(631,537)
Debt principal payments	(66,000)	(63,000)
Interest paid on debt	(25,400)	(28,625)
Net cash provided (used) by capital and related financing activities	152,546	(450,582)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net redemption/(purchase) of investments	(717,631)	(30,089)
Interest earnings received	41,523	33,419
Net cash provided (used) by investing activities	(676,108)	3,330
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	121,266	194,465
CASH AND CASH EQUIVALENTS - beginning of year	5,584,226	5,389,761
CASH AND CASH EQUIVALENTS - end of year	$ 5,705,492	$ 5,584,226

(continued)

The accompanying Notes to Financial Statements are an integral part of these statements.

Winter Park Water and Sanitation District

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2016 and 2015
(continued)

	2016	2015
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	$ (238,692)	$ (177,629)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation and amortization	585,091	558,641
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(912)	8,198
Prepaid expenses	4,344	(6,331)
Increase (decrease) in:		
Accounts payable	(15,481)	(35,107)
Accrued salaries, benefits and related liabilities	4,975	(9,760)
Total adjustments	578,017	515,641
Net cash provided (used) by operating activities	$ 339,325	$ 338,012

The accompanying Notes to Financial Statements are an integral part of these statements.

Note 1 – Definition of reporting entity

The District, a quasi-municipal corporation and political subdivision of the State of Colorado, is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in eastern Grand County, Colorado. The District was organized in 1966 to provide water and sanitation services within the District’s boundaries.

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

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.

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.

Basis of Accounting

The District's financial statements are reported using the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and payments on loans are recorded as reductions in liabilities. Tap fees and contributed assets from developers are recorded as capital contribution revenue when received or collectible.

Operating revenues and expenses

The District distinguishes between operating revenues and expenses from nonoperating items in the Statements of Revenues, Expenses and Changes in 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 and sewer 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 capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Cash equivalents

For purposes of the Statement of Cash Flows, the District considers cash deposits and highly liquid investments with original maturities of three months or less from the date of acquisition, to be cash equivalents.

Investments

Investments for the District are reported at fair value.

Accounts receivable, allowance for doubtful accounts

User fees and tap fees constitute a perpetual lien on or against property served until paid. Such liens may be foreclosed upon as provided by the State of Colorado. Therefore, no provision for uncollectible receivables has been made in the financial statements.

Property Taxes

Property taxes are levied 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 in equal installments, at the taxpayer’s election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November and December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measureable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

Capital assets

Capital assets include land, water rights, water and sewer plants and systems, equipment and vehicles. Capital assets are defined by the District as those assets with an initial, individual cost of $3,000 or greater. 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 or at the developer's cost.

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 fixed assets, as applicable. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Plant and improvements	5 to 50 years
Water storage tanks	30 to 50 years
Water distribution system	10 to 40 years
Vehicles	5 years
Other equipment	5 to 10 years

Water rights

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

Compensated absences

The District has a policy that allows employees to accumulate unused paid time off up to a certain maximum hours. Compensated absences are accrued when incurred in the financial statements.

Capital contributions

Tap fees are recorded as capital contribution revenue when received. Water and sewer lines contributed to the District by developers are recorded as capital contributions and additions to the water and sewer system when received.

Debt issue costs

Debt issuance costs are expensed in the period incurred.

Budgets

In accordance with the State Budget Law, 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 total appropriation can only be modified upon completion of notification and publication requirements.

Note 3 – Cash and investments

Cash and investments are reflected on the December 31, 2016 and 2015 Statements of Net Position as follows:

		2016		2015
Cash and cash equivalents	$	5,653,492	$	5,532,226
Cash and cash equivalents - restricted		52,000		52,000
Investments		4,686,323		3,968,692
Total cash and investments	$	10,391,815	$	9,552,918

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

Deposits with financial institutions	$	5,705,492	$	5,584,226
Investments		4,686,323		3,968,692
Total cash and investments	$	10,391,815	$	9,552,918

At December 31, 2016 and 2015, the District's cash deposits had bank balances of $5,714,762 and $5,606,919, respectively, and carrying balances of $5,705,492 and $5,584,226, respectively.

Deposits with financial institutions

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. As of December 31, 2016 and 2015, the federal insurance limit was $250,000. 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.

Custodial credit risk - deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has not adopted a deposit policy for custodial credit risk. As of December 31, 2016 and 2015, the District's bank balances and carrying balances were insured or collateralized as follows:

	2016	2015
Bank balances:		
Federally insured	$ 3,205,772	$ 2,703,129
Collateralized	2,508,990	2,903,790
Total bank balances	$ 5,714,762	$ 5,606,919
Carrying balances:		
Federally insured	$ 3,205,772	$ 2,703,129
Collateralized	2,499,720	2,881,097
Total carrying balances	$ 5,705,492	$ 5,584,226

Investments

The District's investment policy restricts investments to only those permitted by state statutes. Additionally, the District's policy is to hold investments until maturity.

The District primarily limits its investments to certain money market funds, federal government and agency securities, and local government investments pools, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to custodial credit risk for investments that are in the possession of another party.

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

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

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

Fair Value Measurement and Application

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized costs.

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

The local government investment pools, which include the Colorado Surplus Asset Fund Trust (CSAFE) and the Colorado Local Government Liquid Asset Trust (Colotrust), are both rated AAAm by Standard & Poor's.

As of December 31, 2016 and 2015, the District had the following investments, recorded at fair value:

Investment	Maturity	2016	2015
U.S. government/agency securities	Less than 5 years	$ 3,137,653	$ 2,628,308
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	897,190	793,071
Colorado Liquid Asset Trust (Colotrust)	Less than 1 year	651,480	547,313
Total investments		$ 4,686,323	$ 3,968,692

U.S. Government and U.S. Government Agency Securities

As of December 31, 2016, the District invested $2,887,553 in U.S. Government agency securities rated AAA by Fitch and Aaa by Moody's, and $250,100 in U.S. Government securities. These investments are valued using Level 1 inputs.

CSAFE

During 2016 and 2015, the District invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The trust is similar to a money market fund, with each share valued at $1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE.

COLOTRUST

During 2016 and 2015, the District invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to $1.00. The Trust offers 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 the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust.

Restricted cash and investments

The District had restricted cash of $52,000 for emergencies as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 8), as of December 31, 2016 and 2015.

Note 4 – Capital assets

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

	Balance at December 31, 2015	Increases	Adjustments/ Decreases	Balance at December 31, 2016
Capital assets, not being depreciated				
Land	$ 105,793	$ -	$ -	$ 105,793
Construction in progress	113,733	24,605	-	138,338
Water rights	453,282	-	-	453,282
Total capital assets, not being depreciated	672,808	24,605	-	697,413
Capital assets being depreciated				
Plant, buildings and improvements	11,315,925	-	-	11,315,925
Water storage tanks	2,488,304	-	-	2,488,304
Infrastructure	3,417,932	201,534	-	3,619,466
Vehicles	164,728	-	-	164,728
Office and other equipment	689,462	-	-	689,462
Total capital assets being depreciated	18,076,351	201,534	-	18,277,885
Less accumulated depreciation for				
Plant and improvements	5,561,231	387,417	-	5,948,648
Water storage tanks	1,168,265	38,290	-	1,206,555
Infrastructure	1,696,366	108,784	-	1,805,150
Vehicles	113,793	20,563	-	134,356
Office and other equipment	537,719	30,037	-	567,756
Total accumulated depreciation	9,077,374	585,091	-	9,662,465
Total capital assets being depreciated, net	8,998,977	(383,557)	-	8,615,420
Capital assets, net	$ 9,671,785	$ (358,952)	$ -	$ 9,312,833

Capital asset activity for the year ended December 31, 2015 was as follows:

	Balance at December 31, 2014	Increases	Adjustments/ Decreases	Balance at December 31, 2015
Capital assets, not being depreciated				
Land	$ 105,793	$ -	$ -	$ 105,793
Construction in progress	-	113,733	-	113,733
Water rights	442,591	10,691	-	453,282
Total capital assets, not being depreciated	548,384	124,424	-	672,808
Capital assets being depreciated				
Plant and improvements	10,840,609	475,316	-	11,315,925
Water storage tanks	2,488,304	-	-	2,488,304
Infrastructure	3,396,220	21,712	-	3,417,932
Vehicles	164,728	-	-	164,728
Office and other equipment	679,377	10,085	-	689,462
Total capital assets being depreciated	17,569,238	507,113	-	18,076,351
Less accumulated depreciation for				
Plant and improvements	5,189,517	371,715	-	5,561,232
Water storage tanks	1,129,975	38,290	-	1,168,265
Infrastructure	1,597,933	98,433	-	1,696,366
Vehicles	93,228	20,565	-	113,793
Office and other equipment	508,081	29,638	-	537,719
Total accumulated depreciation	8,518,734	558,641	-	9,077,375
Total capital assets being depreciated, net	9,050,504	(51,528)	-	8,998,976
Capital assets, net	$ 9,598,888	$ 72,896	$ -	$ 9,671,784

Depreciation expense of $585,091 and $558,641 for the years ended December 31, 2016 and 2015, respectively, was charged to water and sewer operations.

Note 5 – Long term obligations

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2016:

	Balance at December 31, 2015	Additions	Reductions	Balance at December 31, 2016	Due Within One Year
General Obligation Water Bonds	$ 541,000	$ -	$ 66,000	$ 475,000	$ 70,000
	$ 541,000	$ -	$ 66,000	$ 475,000	$ 70,000

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2015:

	Balance at December 31, 2014	Additions	Reductions	Balance at December 31, 2015	Due Within One Year
General Obligation Water Bonds	$ 604,000	-	$ 63,000	$ 541,000	$ 66,000
	$ 604,000	-	$ 63,000	$ 541,000	$ 66,000

General Obligation Refunding Water Bonds

On April 1, 1982, the District issued $1,603,000 in general obligation refunding bonds, which were purchased by the Farmers Home Administration, to refund bonds issued for the acquisition of a water distribution and treatment system. These bonds have varying maturities through October 1, 2022. They are paying 5% annual percentage interest and were redeemable at the option of the District after April 1, 1993 at par.

All refunded bonds have been paid and accordingly, no defeased debt is outstanding.

Annual debt service requirements are as follows:

Year Ended December 31,	Principal	Interest	Total
2017	$ 70,000	$ 22,000	$ 92,000
2018	73,000	18,425	91,425
2019	77,000	14,675	91,675
2020	81,000	10,725	91,725
2021	81,000	6,575	87,575
2022	93,000	2,225	95,225
	$ 475,000	$ 74,625	$ 549,625

Debt authorization

At December 31, 2016, the District had no authorized but unissued indebtedness.

Note 6 – Deferred compensation plans

The District maintains a MetLife 457(b) Deferred Compensation Plan in which all of its full time employees are eligible to participate. Under the Plan, employees may elect to defer an amount each year which does not exceed the lesser of $18,000 or 100% of includible compensation in accordance with Section 457 of the Internal Revenue Code. The District matches 100% of the first 5% of the employees' contributions. The contributions for each employee vest immediately. The employees may withdraw funds from the plan as allowed under IRC Section 457. Plan provisions and contribution requirements are established and may be amended by the District Board of Directors. In accordance with Internal Revenue Code Section 457(b), all plan assets and income are held in trust for the exclusive benefit of the participants and their beneficiaries. During the years ended December 31, 2016 and 2015, employees' contributions totaled $27,284 and $27,425, respectively, and the District's matching contributions totaled $16,236 and $16,262, respectively.

Effective January 1, 2011, the District established the WPWSD 401(a) Plan, which serves as a replacement plan for social security. Employees are eligible to participate effective the first day of the month after the date of hire. Employees make a mandatory contribution of 6.2% of compensation. The District makes a matching contribution of 6.2% of compensation. District contributions are subject to a 3-year cliff vesting schedule. Distributions from the Plan are available upon termination of employment, retirement, or for disability. Loans from the plan are prohibited. Hardship withdrawals are available for emergencies as defined by the Plan. All plan assets and income are held in trust for the exclusive benefit of the participants and their beneficiaries. During the year ended December 31, 2016 and 2015, employees' contributions totaled $21,127 and $20,164 and the District's contributions totaled $21,127 and $20,164, respectively.

Note 7 – Risk management

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District carries commercial insurance for these risks of loss, including workers compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage during 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 which 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. While the District receives more than 10% of its revenue from government sources, the District's management believes a significant portion of its operations qualifies for this exclusion.

Spending and revenue limits are determined based on the prior year's fiscal year spending as adjusted for allowable increases for inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenues in excess of the fiscal year spending limit must be refunded unless retention of such revenue has been approved by the voters.

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.

In November 2007, a majority of the District’s electors authorized the District to collect, retain, and expend each year all revenues it receives, in fiscal year 2008 and thereafter, from all sources, as a voter approved revenue change and without regard to spending, revenue raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the property tax revenue limitation of Section 29-1-301, Colorado Revised Statues, or any other law.

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SUPPLEMENTAL INFORMATION

Winter Park Water and Sanitation District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)

WATER FUND

For the year ended December 31, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance Favorable (Unfavorable)
REVENUES			
Charges for services	$ 570,000	$ 577,840	$ 7,840
Property taxes	196,818	196,794	(24)
Specific ownership taxes	10,260	12,042	1,782
Net investment income	24,000	32,406	8,406
Tap fees	34,650	235,042	200,392
Miscellaneous income / reimbursement	1,334,750	60,978	(1,273,772)
Total Revenues	2,170,478	1,115,102	(1,055,376)
EXPENDITURES			
Administrative			
Accounting and legal	23,000	14,431	8,569
Automobile	1,200	814	386
Bank charges	-	-	-
County Treasurer's fees	9,841	9,852	(11)
Directors fees	3,000	1,550	1,450
Employee benefits	34,300	31,375	2,925
Insurance	12,600	12,290	310
Miscellaneous	2,500	1,829	671
Membership fees and publications	18,000	11,117	6,883
Office labor	83,200	79,340	3,860
Office expense	3,600	4,411	(811)
Office rent	1,200	975	225
Payroll taxes	-	1,665	(1,665)
Seminars and training	1,200	2,204	(1,004)
Total Administration	193,641	171,853	21,788

(continued)

Winter Park Water and Sanitation District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)

WATER FUND

For the year ended December 31, 2016 (continued)

	Original Budgeted Amounts	Actual Amounts	Variance Favorable (Unfavorable)
Maintenance			
Automobile	2,000	1,206	794
Contract maintenance and project costs	77,700	59,809	17,891
Employee benefits	39,600	37,221	2,379
Engineering	52,000	17,949	34,051
Labor	97,400	111,096	(13,696)
Permits	1,500	4,968	(3,468)
Payroll taxes	-	1,654	(1,654)
Rehab and replacement	90,000	-	90,000
Seminars and training	3,000	1,024	1,976
Supplies	39,000	22,265	16,735
Utilities	60,000	58,403	1,597
Water rights professional services	40,000	26,179	13,821
Water testing	8,000	3,483	4,517
Total Maintenance	510,200	345,257	164,943
Debt service - principal	66,000	66,000	-
Debt service - interest	25,400	25,400	-
Capital outlay	6,076,465	105,537	5,970,928
Total Expenditures	6,871,706	714,047	6,157,659
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(4,701,228)	401,055	5,102,283
BEGINNING FUNDS AVAILABLE	4,727,228	4,336,726	(390,502)
ENDING FUNDS AVAILABLE	$ 26,000	$ 4,737,781	$ 4,711,781

Winter Park Water and Sanitation District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)

SEWER FUND

For the year ended December 31, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance Favorable (Unfavorable)
REVENUES			
Charges for services	$ 705,000	$ 714,220	$ 9,220
Property taxes	105,419	105,404	(15)
Specific ownership taxes	3,840	6,446	2,606
Net investment income	21,000	22,637	1,637
Tap fees	34,650	235,043	200,393
Miscellaneous income	4,000	6,651	2,651
Total Revenues	873,909	1,090,401	216,492
EXPENDITURES			
Administrative			
Accounting and legal	23,000	14,431	8,569
Automobile	1,200	814	386
Bank charges	-	-	-
County Treasurer's fees	5,271	5,276	(5)
Directors fees	3,000	1,550	1,450
Employee benefits	34,300	31,375	2,925
Insurance	12,600	12,290	310
Licenses and permits	-	1,305	(1,305)
Membership fees and publications	5,000	4,263	737
Miscellaneous	2,500	0	2,500
Office labor	83,200	79,340	3,860
Office expense	3,600	4,837	(1,237)
Office rent	1,200	975	225
Payroll taxes	-	1,665	(1,665)
Seminars and training	1,200	1,165	35
Total Administration	176,071	159,286	16,785

(continued)

Winter Park Water and Sanitation District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)

SEWER FUND

For the year ended December 31, 2016
(continued)

	Original and Final Budgeted Amounts	Actual Amounts	Variance Favorable (Unfavorable)
Maintenance			
Automobile	3,000	1,596	1,404
Contract maintenance and project costs	84,800	75,029	9,771
Employee benefits	39,600	37,221	2,379
Engineering	46,400	11,452	34,948
Labor	97,400	70,472	26,928
Permits	1,500	4,249	(2,749)
Payroll taxes	-	1,654	(1,654)
Rehab and replacement	96,000	-	96,000
Seminars and training	3,000	330	2,670
Supplies	49,000	30,531	18,469
Testing	1,000	1,023	(23)
Utilities	130,000	118,465	11,535
Total Maintenance	551,700	352,022	199,678
Capital outlay	4,846,595	120,602	4,725,993
Total Expenditures	5,574,366	631,910	4,942,456
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(4,700,457)	458,491	5,158,948
BEGINNING FUNDS AVAILABLE -	4,732,457	4,986,022	253,565
ENDING FUNDS AVAILABLE	$ 32,000	$ 5,444,513	$ 5,412,513

Winter Park Water and Sanitation District

RECONCILIATION OF ACTUAL (BUDGETARY BASIS) TO STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

WATER AND SEWER FUNDS

For the year ended December 31, 2016

Revenues (budgetary basis)	$ 2,205,503
Unrealized gain (loss) on investments	(14,760)
Total revenues per Statement of Revenues, Expenses and Changes in Net Position	2,190,743
Expenditures (budgetary basis)	1,345,957
Depreciation and amortization	585,091
Bad debt	0
Debt service - principal	(66,000)
Capital outlay	(226,139)
Total expenses per Statement of Revenues, Expenses and Changes in Net Position	1,638,909
Change in net position per Statement of Revenues, Expenses and Changes in Net Position	$ 551,834