

WESTWOOD LAKES WATER DISTRICT
FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2017

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May 25, 2018

OSBORNE, PARSONS & ROSACKER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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OSBORNE, PARSONS & ROSACKER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Westwood Lakes Water District
Woodland Park, Colorado

We have audited the accompanying financial statements of Westwood Lakes Water District (District) as of and for the year ended December 31, 2017, 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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Westwood Lakes Water District as of December 31, 2017, and the respective changes in financial position and, where applicable, 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 6 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 an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information consisting of the schedule of revenue, expenditure/expense and changes in net position - proprietary fund budget (non-GAAP basis) and actual, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of revenue, expenditure/expense, and changes in net position - proprietary fund, budget (non-GAAP basis), actual, is the responsibility of management, were 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/expense 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.



Colorado Springs, Colorado
May 10, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

**WESTWOOD LAKES WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

This management's discussion and analysis (MD&A) of the Westwood Lakes Water District's (District) financial performance provides an overall review of the District's financial activities for the year ended December 31, 2017. 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 the Colorado Statutes to provide water and related services to property owners and residents located within the District. The District is a primary governmental agency.

Overview of the financial statements

The MD&A is intended to serve as an introduction to the District's financial statements, which are comprised of:

- Statement of fund net position – proprietary fund
- Statement of revenue, expense, and changes in fund net position – proprietary fund
- Statement of cash flows – proprietary fund
- Summary of significant accounting policies and notes to the financial statements
- Schedule of revenue, expenditure/expense, and changes in fund net position – proprietary fund – budget (non-GAAP basis) and actual

Current financial issues

The District receives revenue from two primary sources:

- The sale of water to the owners and residents whose property resides within the water district boundaries
- Property taxes are collected and disbursed by the Teller 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.

Secondary sources of revenue are:

- Late fees
- Capital reserve fees and bond payment fees
- Investment income

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

**WESTWOOD LAKES WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

STATEMENT OF NET POSITION – PROPRIETARY FUND

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:

Assets	2017	2016	Increase (Decrease)
Current assets	\$ 416,971	\$ 394,162	\$ 22,809
Capital assets	480,021	515,810	(35,789)
Total assets	<u>\$ 896,992</u>	<u>\$ 909,972</u>	<u>\$ (12,980)</u>
Liabilities			
Current liabilities	\$ 13,066	\$ 7,593	\$ 5,473
Long-term liabilities			
Due within one year	29,694	28,543	1,151
Due in more than one year	149,190	178,882	(29,692)
Total liabilities	<u>191,950</u>	<u>215,018</u>	<u>(23,068)</u>
Deferred inflow of resources			
Property tax	56,685	55,137	1,548
Net position			
Invested in capital asset, net of related debt	301,137	308,385	(7,248)
Restricted for emergencies	4,319	3,739	580
Unrestricted	342,901	327,693	15,208
Total net position	<u>648,357</u>	<u>639,817</u>	<u>8,540</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 896,992</u>	<u>\$ 909,972</u>	<u>\$ (12,980)</u>

Assets

Capital Assets changed due to the effects of capital expenditures of \$4,461 resulting from the installation of a new locator and LMI B9 Pump, which increased capital assets. However, depreciation expense for the year, decreased capital assets by \$40,250.

Liabilities

Total liabilities decreased approximately \$23,000 because of payments made on the debt.

**WESTWOOD LAKES WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

STATEMENT OF NET POSITION- Continued

Net position

The increase in total net position of approximately \$8,500 is a result of the District's revenue over expenses.

STATEMENT OF REVENUE, EXPENSE, AND CHANGES IN NET POSITION

Comparative statements and comments relating to significant changes:

	<u>2017</u>	<u>2016</u>	Net Income Increase (Decrease)
Operating revenue	\$ 95,325	\$ 95,974	\$ (649)
Operating expense	151,784	133,766	(18,018)
Operating income (loss)	<u>(56,459)</u>	<u>(37,792)</u>	<u>(18,667)</u>
 Non-operating revenue (expense)	 <u>64,999</u>	 <u>53,503</u>	 <u>11,496</u>
 Change in net position	 <u>\$ 8,540</u>	 <u>\$ 15,711</u>	 <u>\$ (7,171)</u>

Operating and non-operating revenue (expense)

Operating revenue slightly decreased in 2017 due the introduction of a water conservation fee and less customer usage. Operating expenses increased due to additional repairs. Non-operating revenue increased due to the introduction of a new fee and a reduction in interest expense.

An analysis of budgeted amounts follows:

	<u>Budgeted Amounts</u>		Increase (Decrease)
	<u>Original</u>	<u>Final</u>	<u>(Decrease)</u>
Revenue	\$ 158,320	\$ 158,320	\$ -
Cost of sales	40,350	40,350	-
Expenditures/expense	<u>110,256</u>	<u>110,256</u>	<u>-</u>
 Change in net position	 <u>\$ 7,714</u>	 <u>\$ 7,714</u>	 <u>\$ -</u>

There were no changes to the budget as originally adopted.

**WESTWOOD LAKES WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

SCHEDULE OF REVENUE AND EXPENDITURE/EXPENSE AND CHANGES IN NET POSITION – BUDGET (NON-GAAP BASIS) AND ACTUAL

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

	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Operating and non-operating revenue	\$ 158,320	\$ 169,709	\$ 11,389
Cost of sales	40,350	60,880	(20,530)
Operating expenditures/expense	81,714	64,500	17,214
Note principal payment	28,542	28,541	1
Total expenditure/expense	150,606	153,921	(3,315)
Change in net position non-GAAP basis	\$ 7,714	\$ 15,788	\$ 8,074

MANAGEMENT OF THE DISTRICT

An elected Board of Directors manages the District. The Board has contracted with two outside vendors to perform specific duties. One of the vendors is a Class C water-treatment plant operator, responsible for the technical operations of the District. The other is a bookkeeping firm who handles the administrative duties for the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide readers with a general overview of the District's finances and to show the accountability for the money entrusted to it for the operation of the water delivery system. If you have questions about this report or need additional information, contact the District at Westwood Lakes Water District, P.O. Box 4486, Woodland Park, CO 80866.

FINANCIAL STATEMENTS

**WESTWOOD LAKES WATER DISTRICT
STATEMENT OF FUND NET POSITION - PROPRIETARY FUND
DECEMBER 31, 2017**

ASSETS

Current assets

Cash	\$	79,384
Investments		265,133
Property tax receivable		56,685
Accounts receivable - customers		8,512
Prepaid insurance		7,257
Total current assets		416,971

Capital assets

Land		59,983
Intangible asset		10,000
Wells and lakes		132,478
Machinery and equipment		462,139
Building		542,964
Accumulated depreciation		(727,543)
Total capital assets		480,021

Total assets	\$	896,992
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LIABILITIES AND DEFERRED INFLOW OF RESOURCES

Current liabilities

Accounts payable and other accrued expenses	\$	13,066
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Long-term liabilities

Due within one year		29,694
Due in more than one year		149,190
Total long-term liabilities		178,884

Deferred inflow of resources

Property tax		56,685
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Total liabilities and deferred inflow of resources	\$	248,635
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NET POSITION

Net investment in capital assets	\$	301,137
Restricted for emergencies		4,319
Unrestricted		342,901
Total net position	\$	648,357

See accompanying notes

**WESTWOOD LAKES WATER DISTRICT
STATEMENT OF REVENUE, EXPENSE,
AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2017**

OPERATING REVENUE

Water sales	\$ 64,892
Capital reserve fee	20,880
Bond payment fee	9,553
Total operating revenue	95,325

OPERATING EXPENDITURES/EXPENSE

Cost of goods sold	60,880
Office and administration	42,328
Insurance	8,326
Depreciation	40,250
Total operating expenditures/expense	151,784

Operating loss	(56,459)
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NON-OPERATING REVENUE (EXPENSE)

Property tax	55,055
Specific ownership tax	6,750
County Treasurer's fee	(1,561)
Interest income	2,932
Other revenue	9,647
Interest expense on capital debt	(7,824)
Total non-operating revenue	64,999

Change in net position	8,540
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Net position

Beginning of year	639,817
End of year	\$ 648,357

See accompanying notes

**WESTWOOD LAKES WATER DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 94,639
Cash paid to suppliers	(106,135)
Net cash used by operations	<u>(11,496)</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Collection of taxes from Teller County	60,244
Collection of other revenue	9,647
Net cash provided by non-capital financing activities	<u>69,891</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal payments on debt	(28,541)
Interest paid on debt	(7,824)
Purchase of fixed assets	(4,461)
Net cash used by capital and related financing activities	<u>(40,826)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Certificate of deposit	(2,765)
Interest received	2,932
Net cash provided by capital and related investing activities	<u>167</u>

Change in cash	17,736
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CASH

Beginning	61,648
Ending	<u><u>\$ 79,384</u></u>

**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED BY ACTIVITIES**

Operating loss	\$ (56,459)
Adjustments to reconcile operating income to net cash provided (used) by operations	
Noncash activity	
Depreciation	40,250
Changes in	
Accounts receivable - customers	(686)
Prepaid insurance	(74)
Accounts payable and other accrued expenses	5,473
Total adjustments	<u>44,963</u>

NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (11,496)</u></u>
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See accompanying notes

NOTES TO FINANCIAL STATEMENTS

**WESTWOOD LAKES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

History and Organization

Westwood Lakes Water District (District) was established by a decree of the District Court of Teller County, Colorado, in April 1957. The District is a special district governed by an elected five-member board.

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.

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.

**WESTWOOD LAKES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 September, 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.

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.

**WESTWOOD LAKES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 5-30 years.

Property taxes receivable and 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 Teller County Assessor. Assessed values are a percentage of actual values.

The taxes levied by December 15, 2017, reflect 2017 property taxes that will be collected in 2018 by Teller County. Taxes collected by Teller County are remitted to the District on a monthly basis. Teller County also acts as the billing and collection agency for the District. A lien was attached to the property taxes 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 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 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 positions 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 restricted and unrestricted.

**WESTWOOD LAKES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 2017 property tax levy that will be collected in 2018.

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.

Custodial credit risk deposits - Custodial credit risk is the risk that in the event of bank failure, the District'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, 2017, the District had no deposits exposed to custodial credit risk.

At December 31, 2017, the District's cashbook balance was \$79,384 and was fully insured by the FDIC.

At December 31, 2017, the District had \$245,023 invested in Colotrust. This local government investment pool is rated AAA, by Standard and Poor's, and operates similarly to a money market fund and each share is equal in value to \$1. The 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,

**WESTWOOD LAKES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – INVESTMENTS - Continued

- 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, supervised by participating governments, must comply with the same restrictions on cash deposits and investments, as described previously.

NOTE 3 – ACCOUNTS RECEIVABLE - CUSTOMERS

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

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Proprietary funds				
Land	\$ 59,983	\$ -	\$ -	\$ 59,983
Wells and lakes	132,478	-	-	132,478
Intangible assets	10,000	-	-	10,000
Machinery and equipment	457,678	4,461	-	462,139
Building	542,964	-	-	542,964
Total capital assets at historical cost	<u>1,203,103</u>	<u>4,461</u>	<u>-</u>	<u>1,207,564</u>
Less accumulated depreciation for				
Wells and lake improvements	(132,478)	-	-	(132,478)
Machinery and equipment	(327,890)	(22,190)	-	(350,080)
Building	(226,925)	(18,060)	-	(244,985)
Total accumulated depreciation	<u>(687,293)</u>	<u>(40,250)</u>	<u>-</u>	<u>(727,543)</u>
Proprietary activities, capital assets, net	<u>\$ 515,810</u>	<u>\$ (35,789)</u>	<u>\$ -</u>	<u>\$ 480,021</u>

Depreciation expense for the year was \$40,250.

**WESTWOOD LAKES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 – LONG-TERM DEBT

Long-term debt consists of a loan agreement with the Colorado Water Resources and Power Development Authority (CWRPDA).

A summary of changes in long-term debt is:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments & Reductions</u>	<u>Ending Balance</u>
Long-term term-debt Note payable	\$ 207,425	\$ -	\$ (28,541)	\$ 178,884

In 2003, the District entered into a loan agreement with the CWRPDA. The loan was for a total of \$500,000 with interest at 4% and a term of twenty-years. Loan proceeds were used for the construction of a water treatment plant with a storage tank and a booster pump station.

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

<u>Years ending December 31,</u>	<u>Loan</u>		
	<u>Total</u>	<u>Interest</u>	<u>Principal</u>
2018	36,556	6,861	29,694
2019	36,556	5,662	30,894
2020	36,555	4,414	32,142
2021	36,556	3,115	33,441
Thereafter	54,834	2,122	52,713
Total	<u>\$ 201,057</u>	<u>\$ 22,174</u>	<u>\$ 178,884</u>

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 \$4,319 has been established.

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.

**WESTWOOD LAKES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 – RISK MANAGEMENT - Continued

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 generally accepted accounting principles (GAAP). A reconciliation of the budgetary basis to GAAP is provided on the 'schedule of revenue, expenditure/expense and changes in fund net position - proprietary fund', budget (non-GAAP basis) and actual.

NOTE 10 – RELATED PARTY TRANSACTIONS

The District incurred expenses of approximately \$4,100 in consulting and courier fees from the relative of a board member.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 10, 2018, the date on which the financial statements were available to be released.

SUPPLEMENTARY INFORMATION

WESTWOOD LAKES WATER DISTRICT
SCHEDULE OF REVENUE, EXPENDITURE/EXPENSE
AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND
BUDGET (NON-GAAP BASIS) AND ACTUAL
YEAR ENDED DECEMBER 31, 2017

Revenue	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Water sales	\$ 63,000	\$ 63,000	\$ 64,892	\$ 1,892
Capital reserve fees	20,880	20,880	20,880	-
Bond payment fee	9,553	9,553	9,553	-
Property taxes	55,137	55,137	55,055	(82)
Specific ownership taxes	5,100	5,100	6,750	1,650
Interest income	1,040	1,040	2,932	1,892
Other revenue	3,610	3,610	9,647	6,037
Total revenue	158,320	158,320	169,709	11,389
Cost of goods sold				
Operator-in-charge	21,000	21,000	21,630	(630)
Utilities	8,500	8,500	7,667	833
Water meter hosting/reading	750	750	651	99
Repairs and maintenance	4,000	4,000	23,063	(19,063)
Tank maintenance	1,200	1,200	795	405
Lake maintenance	3,000	3,000	3,779	(779)
Chemicals	900	900	1,112	(212)
Water testing	1,000	1,000	2,183	(1,183)
Total cost of goods sold	40,350	40,350	60,880	(20,530)
Expenditures/expense				
Office and administration				
Legal, accounting, and consulting	8,400	8,400	7,500	900
Bank charges	50	50	20	30
Bookkeeping/secretarial	19,600	19,600	18,292	1,308
Compliance	600	600	315	285
Courier	3,800	3,800	3,602	198
Publication	200	200	-	200
Director fees	8,000	8,000	7,200	800
Election	-	-	26	(26)
Membership/registration	1,400	1,400	1,334	66
Miscellaneous	100	100	-	100
Office supplies/postage	1,100	1,100	1,359	(259)
Rent expense/record retention	900	900	860	40
Software	700	700	883	(183)
State required reporting	200	200	-	200
Telephone	700	700	807	(107)
Travel	600	600	-	600
Website	200	200	-	200
Education	1,000	1,000	30	970
Donations	-	-	100	(100)
Total office and administration	47,550	47,550	42,328	5,322

Continued on page 18

See accompanying independent auditors' report

**WESTWOOD LAKES WATER DISTRICT
SCHEDULE OF REVENUE, EXPENDITURE/EXPENSE
AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND
BUDGET (NON-GAAP BASIS) AND ACTUAL
YEAR ENDED DECEMBER 31, 2017**

Continued from page 17

	<u>Budgeted Amounts</u>		<u>Actual Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures/expense (continued)				
Insurance				
Insurance	\$ 9,600	\$ 9,600	\$ 8,326	\$ 1,274
Total insurance	<u>9,600</u>	<u>9,600</u>	<u>8,326</u>	<u>1,274</u>
Interest expense				
Interest on debt	8,014	8,014	7,824	190
Total interest expense	<u>8,014</u>	<u>8,014</u>	<u>7,824</u>	<u>190</u>
Capital improvement expense				
Capital improvement fund disbursement	15,000	15,000	4,461	10,539
Total capital improvement	<u>15,000</u>	<u>15,000</u>	<u>4,461</u>	<u>10,539</u>
Treasurers fees				
Treasurers fees	1,550	1,550	1,561	(11)
Total Treasurers fees	<u>1,550</u>	<u>1,550</u>	<u>1,561</u>	<u>(11)</u>
Term debt expenditures				
Debt principal payment	28,542	28,542	28,541	1
Total term debt expenditures	<u>28,542</u>	<u>28,542</u>	<u>28,541</u>	<u>1</u>
Total expenditure/expense	<u>110,256</u>	<u>110,256</u>	<u>93,041</u>	<u>17,215</u>
Change in net position				
Non-GAAP basis	<u>\$ 7,714</u>	<u>\$ 7,714</u>	15,788	<u>\$ (8,074)</u>
GAAP adjustments				
Capital outlay			4,461	
Depreciation			(40,250)	
Note principal payment			28,541	
Change in net position GAAP basis			<u>\$ 8,540</u>	

See accompanying independent auditor's report