

**WOODMOOR WATER AND SANITATION DISTRICT NO.1**

**BASIC FINANCIAL STATEMENTS**

**December 31, 2017**

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July 31, 2018

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## **FINANCIAL SECTION**



## JOHN CUTLER & ASSOCIATES

Board of Trustees  
Woodmoor Water and Sanitation District No.1  
Monument, Colorado

### INDEPENDENT AUDITORS' REPORT

#### Report on the Financial Statements

We have audited the accompanying financial statements of the business activities and each major fund of the Woodmoor Water and Sanitation District No.1, as of and for the year ended December 31, 2017, which collectively comprise the basic financial statements of the District, 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.

#### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business activities and each major fund of the Woodmoor Water and Sanitation District No.1, as of December 31, 2017, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity 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 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 Woodmoor Water and Sanitation District No.1's basic financial statements. The individual fund financial schedule listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial schedule is fairly stated in all material respects in relation to the financial statements as a whole.

The information in Appendix A is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This information has not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion.

*John Cutler & Associates, LLC*

May 23, 2018

Woodmoor Water and Sanitation District No. 1  
P.O. Box 1407  
Monument, CO 80132  
(719) 488-2525

Management's Discussion and Analysis

Introduction

The Woodmoor Water and Sanitation District No. 1's management discussion and analysis is intended to provide the reader and user of these financial statements, with; a) an understanding of the financial aspects of the District, b) an overview of the District's financial activities, c) an explanation of the changes in the District's financial position, d) an explanatory analysis of significant variations from the annual, approved budget and e) an assessment of any future financial or operating issues of the District.

Because this discussion and analysis is intended to focus on 2017 District activities, resulting changes and currently known facts/conditions, it should be read in conjunction and with reference to the accompanying audited financial statements and related notes to the financial statements beginning on page 1 of this report.

Overview of the Financial Statements of the District

The audited financial statements of the District are:

Statement of Net Position  
Statement of Revenues, Expenses, and Changes in Net Position  
Statement of Cash Flows  
Notes to Financial Statements

These statements are on pages 1 through 17. These and other supplementary information, *Budgetary Comparison Schedule* on pages 16 and 17 provide information about the District's financial position as of December 31, its results of operations and the resulting cash flows for the year ended December 31, and information comparing actual revenues and expenditures with budgeted revenues and expenditures for the year. For purposes of Management's discussion herein, condensed comparative financial information (as audited) has been developed by management illustrating financial performance for the current year ending December 31 in comparison to the prior year ending December 31<sup>st</sup>. In addition, the District has included certain financial information and operational data (collectively referred to as "Continuing Disclosure Statements") in appendix A of the audited financial statements. These Continuing Disclosure Statements have been included for the benefit of the owners of the District's Enterprise Water and Wastewater Revenue Bonds, Series 2011 and are provided herein and in conjunction with the Districts financial statements for filing with the Municipal Securities Rulemaking Board.

The **Statement of Net Position** provides information about what is owned (assets) by the District, what is owed (liabilities) by the District, and what the District's equity position is relative to its assets (net position). Over time, the comparison of changes in net position may provide a useful method of evaluating whether the financial position of the District is improving, deteriorating or maintaining the status quo.

The **Statement of Revenues, Expenses, and Changes in Net Position** provides information about the components – Operating Revenues, Operating Expenses, Non-Operating Revenues and Expenses, and Capital Contributions – of the District’s annual operating activities and how those activities affected Net Assets of the District.

The **Statement of Cash Flows** provides an analysis about the sources and uses of District cash during the year and how the operating and investment activities affected the District’s cash balances.

The **Notes to Financial Statements** provides additional, required disclosures about the District, its accounting policies and practices, its financial position and operating activities, and other required information. The information included in these notes is essential to a full understanding of the information contained in the financial statements.

The **Budgetary Comparison Schedule** provides information comparing the budgeted revenue and expenditures activities with the actual revenue and expenditure activities. When applicable, the comparison is shown for both the originally approved budget and, if amended, the final budget.

### Condensed Comparative Financial Information

#### Statement of Net Position

	2017	2016
<b>Current Assets</b>		
Cash and cash equivalents	\$24,974,553	\$20,568,585
Investments	1,916,670	1,919,371
Other	599,326	613,493
<b>Total Current Assets</b>	27,490,549	23,101,449
<b>Non Current Assets</b>		
Capital assets	51,188,039	52,223,230
Tri-Lakes WWTF	2,488,031	2,584,253
Other assets	163,588	177,473
<b>Total Noncurrent Assets</b>	53,839,658	54,984,956
<b>Total Assets</b>	81,330,207	78,086,405
<b>Current Liabilities</b>	995,207	1,180,349
<b>Noncurrent Liabilities</b>	24,779,856	25,651,299
<b>Total Liabilities</b>	25,775,063	26,831,648
<b>Net Position</b>		
Invested in capital assets	25,762,385	25,944,361
Unrestricted	29,792,759	25,310,396
<b>Total Net Position</b>	\$55,555,144	\$51,254,757

## Statement of Revenues, Expenses, and Changes in Net Position

	2017	2016
<b>Operating Revenues</b>	\$6,903,900	\$6,575,818
<b>Operating Expenses</b>	5,538,744	5,612,954
<b>Operating Income (Loss)</b>	1,365,156	962,864
 <b>Non Operating Revenues (Expenses)</b>	 2,935,231	 3,616,367
<b>Change in Net Position</b>	4,300,387	4,579,231
 <b>Net Position, beginning of year</b>	 51,254,757	 46,675,526
 <b>Net Position, End of Year</b>	 \$55,555,144	 \$51,254,757

## Statement of Cash Flows

	2017	2015
<b>Cash from Operating Activities</b>	\$2,530,690	\$2,438,482
<b>Cash from Non Capital Financing</b>	3,965,135	4,322,564
<b>Cash from (for) Capital and Related Financing Activities</b>	(2,258,361)	(3,120,919)
<b>Cash from (to) Investing Activities</b>	168,504	873,110
 <b>Increase (Decrease) in cash/cash equivalents</b>	 4,405,968	 4,513,237
 <b>Cash and cash equivalents, beginning of year</b>	 20,568,585	 16,055,348
 <b>Cash and cash equivalents, end of year</b>	 \$24,974,553	 \$20,568,585

This information is a summary of the financial information contained in the District's financial statements ending December 31, 2017 and the previous years audited financial statements. For more about the information contained in this condensed, comparative financial information, we recommend a close review of the audited financial statements for the year ending December 31, 2017 which begin on page 1 together with the audited financial statements for the previous years noted.

## Analysis

### Financial Position

The District's net position increased in 2017 by \$4,300,387. This was primarily the result of the gain in non-operating revenues over the year due to the amount of tap fees collected.

Cash and cash equivalents of the District at December 31, 2017 totaled \$24,974,553, an increase of \$4,405,968 from 2016 primarily as a result of the non-operating revenue collected for tap fees. Cash and cash investments at end of 2017 represents approximately 45% of the District's total net position which provides significant financial liquidity and flexibility to the District for construction of future needed assets due to growth, operations, maintenance and renewal and replacement requirements.

### Operating Results

During 2017, the District's operating income totaled \$1,365,156 a gain of \$402,292 over 2016 is attributable to lower than expected maintenance, replacement, personnel and services costs.

### Budgetary Discussion

Actual revenues exceeded budgeted revenues by \$1,828,701 largely due to the unanticipated quantity of tap fees received vs. those budgeted and actual expenditures were significantly less than budgeted expenditures primarily as a result of deferred facilities construction. Overall actual revenues were greater than that of budgeted revenues by 19.9% and overall actual expenditures were 33.5% under budgeted expenditures although some individual line items differed significantly due to unforeseen circumstances (i.e. utilities, cross connection/meter expense, etc.).

### Capital Assets

During the year of 2017 modest amounts of capital funds were expended on construction projects primarily as follows:

<u>Projects</u>	<u>Amount</u>	<u>Expected Completi Complete</u>
Well Pump Replacement	\$103,683	

These projects were completed using General Fund resources and were not financed.

In 2017 the District budgeted approximately \$200,000 for these construction projects and improvements.

The District depreciates its capital assets, including infrastructure. See Note 1 and 4 in the Notes to Financial Statements on page 5 and 11 respectively.

### Debt

During 2017 no new debt was issued by the District, however outstanding debt of the District continues to be the Enterprise Water and Wastewater Revenue Bonds, series 2011 that was used to finance the purchase and acquisition of Land, Water Rights and a reservoir in southern El Paso County as well as the construction of water wells and other water system improvements. See Note 5 of the Notes to the Financial Statements- Long-Term Debt on pages 11 and 12.

### Other:

At this time, there are no other known decisions, events and conditions that would substantially affect future operations and financial condition of the District.

## **BASIC FINANCIAL STATEMENTS**

## WOODMOOR WATER AND SANITATION DISTRICT NO.1

STATEMENT OF NET POSITION  
PROPRIETARY FUND  
As of December 31, 2017

	TOTALS	
	2017	2016
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 24,974,553	\$ 20,568,585
Investments - Restricted	1,916,670	1,919,371
Accounts Receivable, net	491,609	515,288
Other Receivable	12,214	150
Prepaid Insurance	95,503	98,055
Total Current Assets	<u>27,490,549</u>	<u>23,101,449</u>
Noncurrent Assets		
Deposits	19,578	19,578
Investment in Tri-Lakes Joint Venture	2,488,031	2,584,253
Other Assets	163,588	177,473
Capital Assets, not depreciated	33,188,494	33,188,494
Capital Assets, net of accumulated depreciation	17,979,967	19,015,158
Total Noncurrent Assets	<u>53,839,658</u>	<u>54,984,956</u>
TOTAL ASSETS	<u>81,330,207</u>	<u>78,086,405</u>
Current Liabilities		
Accounts Payable	88,995	308,712
Deposits	306	731
Bond Interest Payable	105,906	105,906
Current Portion of Long Term Debt	800,000	765,000
Total Current Liabilities	<u>995,207</u>	<u>1,180,349</u>
Noncurrent Liabilities		
Post Pumping Depletion	4,500	4,500
Compensated Absences	169,280	152,508
Bonds Payable	24,606,076	25,494,291
Total Noncurrent Liabilities	<u>24,779,856</u>	<u>25,651,299</u>
TOTAL LIABILITIES	<u>25,775,063</u>	<u>26,831,648</u>
NET POSITION		
Net Investment in Capital Assets	25,762,385	25,944,361
Unrestricted	29,792,759	25,310,396
TOTAL NET POSITION	<u>\$ 55,555,144</u>	<u>\$ 51,254,757</u>

The accompanying notes are an integral part of the financial statements.

WOODMOOR WATER AND SANITATION DISTRICT NO.1

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
PROPRIETARY FUND

Year Ended December 31, 2017

	TOTALS	
	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Charges for Services	\$ 6,799,963	\$ 6,486,280
Miscellaneous Income	103,937	89,538
	<u>6,903,900</u>	<u>6,575,818</u>
TOTAL OPERATING REVENUES		
OPERATING EXPENSES		
Personnel Services	1,241,552	1,185,007
Purchased Services	934,084	719,345
Materials and Supplies	2,008,371	2,372,900
Depreciation and Amortization	1,354,737	1,335,702
	<u>5,538,744</u>	<u>5,612,954</u>
TOTAL OPERATING EXPENSES		
OPERATING INCOME	<u>1,365,156</u>	<u>962,864</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	165,803	83,403
Tap Fees	3,965,135	4,322,564
Equity Interest in Tri-Lakes Joint Venture income (loss)	(96,222)	340,285
Interest Expense	(1,099,485)	(1,129,885)
	<u>2,935,231</u>	<u>3,616,367</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)		
Change in Net Position	4,300,387	4,579,231
NET POSITION, Beginning	<u>51,254,757</u>	<u>46,675,526</u>
NET POSITION, Ending	<u>\$ 55,555,144</u>	<u>\$ 51,254,757</u>

The accompanying notes are an integral part of the financial statements.

WOODMOOR WATER AND SANITATION DISTRICT NO.1

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND

Year Ended December 31, 2017

Increase (Decrease) in Cash and Cash Equivalents

	<u>TOTALS</u>	
	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers and Others	\$ 6,915,515	\$ 6,695,510
Cash Paid to Suppliers	(3,160,045)	(3,018,958)
Cash Paid to Employees	(1,224,780)	(1,238,070)
Net Cash Provided by Operating Activities	<u>2,530,690</u>	<u>2,438,482</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of Capital Assets	(305,661)	(1,172,819)
Payments on Long Term Debt	(765,000)	(730,000)
Interest Payments	(1,187,700)	(1,218,100)
Net Cash Used by Capital and Related Financing Activities	<u>(2,258,361)</u>	<u>(3,120,919)</u>
<b>CASH FLOWS FROM NON CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Tap Fees	3,965,135	4,322,564
Net Cash Provided by Non Capital and Related Financing Activities	<u>3,965,135</u>	<u>4,322,564</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received	165,803	83,403
(Purchase) Sale of Investments	2,701	789,707
Net Cash Provided by Investing Activities	<u>168,504</u>	<u>873,110</u>
Net Increase in Cash and Cash Equivalents	4,405,968	4,513,237
CASH AND CASH EQUIVLENTS, Beginning	<u>20,568,585</u>	<u>16,055,348</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 24,974,553</u>	<u>\$ 20,568,585</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Income	<u>\$ 1,365,156</u>	<u>\$ 962,864</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation and Amortization	1,354,737	1,335,702
Changes in Assets and Liabilities		
Accounts Receivable	11,615	119,692
Prepaid Expenses	2,552	(77,565)
Accounts Payable	(219,717)	153,777
Deposits Held	(425)	(2,925)
Compensated Absences	16,772	(53,063)
Total Adjustments	<u>1,165,534</u>	<u>1,475,618</u>
Net Cash Provided by Operating Activities	<u>\$ 2,530,690</u>	<u>\$ 2,438,482</u>

The accompanying notes are an integral part of the financial statements.

# WOODMOOR WATER AND SANITATION DISTRICT NO.1

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Woodmoor Water and Sanitation District No. 1 is a Special District (a local government unit) that was established to provide the water and sanitary sewer services to the community of Woodmoor, an unincorporated area located in northern El Paso County that operates under the laws of the State of Colorado.

The accounting policies of the Woodmoor Water and Sanitation District No.1 (the “District”) conform to generally accepted accounting principles as applicable to governments. Following is a summary of the more significant policies.

#### **Reporting Entity**

In accordance with governmental accounting standards, the District has considered the possibility of inclusion of additional entities in its basic financial statements.

The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if District officials appoint a voting majority of the organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. The District may also be financially accountable for governmental organizations that are fiscally dependent upon it.

Based on the application of these criteria, the District does not include additional organizations in its reporting entity.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The District uses one fund to report on its financial position and activities. Fund accounting is designed to segregate transactions related to certain government functions and activities. The District’s fund is classified as an enterprise fund type. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The 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 related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

WOODMOOR WATER AND SANITATION DISTRICT NO.1

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**  
(Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating 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. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The District reports the following major proprietary fund:

The *Water & Sanitation Enterprise Fund* accounts for the financial activities associated with the provision of water and wastewater operations.

**Cash and Investments**

Cash equivalents include investments with original maturities of three months or less. Investments are recorded at fair value.

**Receivables**

Accounts Receivable consists of amounts owed by residents for water and wastewater treatment services as well as vacant lot fees. The District considers all accounts receivable as collectible, therefore no allowance has been recorded as of December 31, 2016.

**Capital Assets**

Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities columns in the statement of net position. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

WOODMOOR WATER AND SANITATION DISTRICT NO.1

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Capital Assets** (Continued)

Property and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

Buildings and Improvements	20 – 30 years
Water and Sewer System	10 – 50 years
Machinery and Equipment	5 – 40 years

**Compensated Absences**

Employees of the District earn 16 to 26 days of discretionary leave per year, depending on the length of service. Discretionary leave may be carried over at year end, but may not exceed 760 hours. Once an employee has accrued the maximum hours allowed, the employee may receive payment for up to 96 hours of discretionary leave at the employee's current rate of pay. An Employee may also choose to receive payment for any accrued but unused discretionary leave at a rate of one-half the employee's current rate of pay any time during the employee's employment. Upon termination, accrued but unused discretionary leave will be paid at the employee's current rate of pay.

Eligible employees of the District earn up to 4 hours of sick leave per month. Sick leave may be accumulated from year to year. Employee may accrue a maximum of 320 hours of sick leave. Once an employee has accrued the maximum allowed, the employee will either be paid for the accumulated sick leave at the current rate of pay or the employee may choose to take the hours as discretionary leave or transfer the hours to accrued discretionary leave. Upon separation of employment, an employee may receive payment for up to 160 hours of sick leave at the employee's current rate of pay. Any accrued but unused sick leave in excess of 160 hours will be paid at one and one-half times the employee's current rate of pay.

Eligible non-exempt employees of the District may be compensated in compensatory time of one and one-half hours of each overtime hour worked. Employees may accrue a maximum of 24 hours of compensatory time. Upon termination of employment, accrued but unused compensatory time will be paid at the employee's current rate of pay.

The District recognizes these compensated absences as a liability when earned.

**Long-Term Obligations**

In the proprietary fund statement of net position, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

WOODMOOR WATER AND SANITATION DISTRICT NO.1

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Net Position**

The business-type fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted. Investment in capital assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. Restricted net position are liquid assets, which have third party limitations on their use. Unrestricted net position represents assets that do not have any third party limitations on their use.

**Comparative Data**

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting**

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- In October, the District staff submits to the District Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- Any revisions that alter the total expenditures of any fund must be approved by the District Board of Directors.

WOODMOOR WATER AND SANITATION DISTRICT NO.1

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**(Continued)

- Budgets are legally adopted for the enterprise fund of the District. The Budgetary comparison presented for the Water & Sewer Enterprise is presented on a non-GAAP budgetary basis. Capital outlay and debt payments are budgeted as expenditures. Depreciation expense is not budgeted.
- Budgeted amounts in the financial statements are as originally adopted or as amended by the District Board of Directors. All appropriations lapse at year end. Colorado governments may not exceed budgeted appropriations at the fund level.

**NOTE 3: DEPOSITS AND INVESTMENTS**

A summary of deposits and investments as of December 31, 2017 follows:

Cash Deposits	\$ 3,994,786
Investments	<u>22,896,437</u>
Total	<b><u>\$ 26,891,223</u></b>

The above amounts are classified in the statement of net position as follows:

Cash and Investments	\$ 24,974,553
Restricted Cash and Investments	<u>1,916,670</u>
Total	<b><u>\$ 26,891,223</u></b>

**Deposits**

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. 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 regulations. At December 31, 2017, State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. 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.

The District has no policy regarding custodial credit risk for deposits.

WOODMOOR WATER AND SANITATION DISTRICT NO.1

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

**NOTE 3: DEPOSITS AND INVESTMENTS (Continued)**

At December 31, 2017, the District had deposits with financial institutions with a carrying amount of \$3,994,786. The bank balances with the financial institutions were \$4,013,585. Of these balances \$581,084 was covered by federal depository insurance and \$3,432,501 was covered by collateral held by authorized escrow agents in the financial institution's name (PDPA).

**Investments**

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District does follow the policies required by the State of Colorado regarding types of investments and maturity dates.

Credit Risk

Colorado statutes specify in which instruments the units of local government may invest which includes:

- Obligations of the United States and certain U.S. government agency securities
- General obligation and revenue bonds of U.S. local government entities
- Local government investment pools
- Certain money market funds
- Guaranteed investment contracts

The above investments are authorized for all funds and fund types used by Colorado municipalities.

The District had invested \$10,015,899 in the Colorado Surplus Asset Fund Trust (CSAFE). CSAFE is considered to be a 2a7 like investments and is valued using the NAV per share (or its equivalent) of the investments. The 2a-7 like investments do not have any unfunded commitments, redemption restrictions or redemption notice periods. The 2a-7 like investments conform to Colorado Statutes CRS 24-75-601 et. seq. and therefore invests primarily in securities of the United States Treasury, United States Agencies, Primary Dealer Repurchase Agreements, highly rated commercial paper, highly rated corporate bonds, Colorado depositories collateralized at 102% of market value according to the guidelines of the Public Deposit Protection Act. The investments will conform to its Permitted Investments and will meet Standard & Poor's investment guidelines to achieve a AAAM rating, the highest attainable rating for a Local Government Investment Pool.

WOODMOOR WATER AND SANITATION DISTRICT NO.1

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

**NOTE 3: DEPOSITS AND INVESTMENTS (Continued)**

**Investments** (Continued)

The District had invested \$4,714 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAM by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

ColoTrust is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables.

**Fair Value**

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; Level 3 inputs are significant unobservable inputs.

At December 31, 2017, the District held investments in U.S. Government Agency Securities and Commercial Paper in the amount of \$11,388,890 and \$1,486,934, respectively, with maturity dates of less than one and four years. Given the low risk of this type of investment, the District has not established a policy limiting the amount of investments in this type of security and deems it unnecessary at this time. These investments are valued with Level 1 inputs.

**Restricted Cash**

At December 31, 2017, cash in the amount of \$1,916,670 is restricted for bond projects and debt service.

WOODMOOR WATER AND SANITATION DISTRICT NO.1

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

**NOTE 4: CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2017 is summarized below:

	Balances <u>12/31/16</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>12/31/17</u>
<b>Business-Type Activities</b>				
Capital Assets, not depreciated				
Land and Water Rights	\$ 33,188,494	\$ -	\$ -	\$ 33,188,494
Total Capital Assets, not depreciated	<u>33,188,494</u>	<u>-</u>	<u>-</u>	<u>33,188,494</u>
Capital Assets, depreciated				
Buildings and Improvements	711,517	47,907	-	759,424
Water and Sewer System	36,181,988	147,512	-	36,329,500
Machinery and Equipment	<u>1,323,110</u>	<u>110,242</u>	<u>-</u>	<u>1,433,352</u>
Total Capital Assets, depreciated	<u>38,216,615</u>	<u>305,661</u>	<u>-</u>	<u>38,522,276</u>
Less Accumulated Depreciation				
Buildings	313,226	20,981	-	334,207
Water and Sewer System	18,413,156	1,201,446	-	19,614,602
Machinery and Equipment	<u>475,075</u>	<u>118,425</u>	<u>-</u>	<u>593,500</u>
Total Accumulated Depreciation	<u>19,201,457</u>	<u>1,340,852</u>	<u>-</u>	<u>20,542,309</u>
Total Capital Assets, depreciated, Net	<u>19,015,158</u>	<u>(1,035,191)</u>	<u>-</u>	<u>17,979,967</u>
Business-Type Activities, Capital Assets, Net	<u>\$ 52,203,652</u>	<u>\$ (1,035,191)</u>	<u>\$ -</u>	<u>\$ 51,168,461</u>

**NOTE 5: LONG-TERM DEBT**

**Business-Type Activities**

Following is a summary of long-term debt transactions for the business-type activities for the year ended December 31, 2017.

	Balance <u>12/31/16</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>12/31/17</u>	Due In <u>One Year</u>
2011 Revenue Bonds	\$ 24,495,000	\$ -	\$ 765,000	\$ 23,730,000	\$ 800,000
Bond Premium	<u>1,764,291</u>	<u>-</u>	<u>88,215</u>	<u>1,676,076</u>	<u>-</u>
Total	<u>\$ 26,259,291</u>	<u>\$ -</u>	<u>\$ 853,215</u>	<u>\$ 25,406,076</u>	<u>\$ 800,000</u>

WOODMOOR WATER AND SANITATION DISTRICT NO.1

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

**NOTE 5: LONG-TERM DEBT** (Continued)

**2011 Revenue Bonds**

In November of 2011, the District issued \$27,915,000 in Series 2011 Revenue Bonds to finance the purchase of land, water rights, and the construction, acquisition, and installation of water wells and other water system improvements. The bonds carry interest rates ranging from 2.0% to 5.0%. Semi-annual principal and interest payments are due on June 1 and December 1 through 2036.

The bonds maturing on or before December 1, 2021 are not subject to redemption prior to maturity at the option of the District. The Bonds maturing on and after December 1, 2022 are subject to redemption prior to maturity, at the option of the District, in whole or in part, in integral multiples of \$5,000, from such maturities and interest rates as are selected by the District and by lot within a maturity and interest rate.

The term bonds maturing on December 1, 2026 and December 1, 2036 are subject to mandatory sinking fund redemption at a redemption price equal the principal amount thereof plus accrued interest to the redemption date.

Estimated annual debt service requirements for the outstanding debt at December 31, 2017 are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 800,000	\$ 1,149,450	\$ 1,949,450
2019	830,000	1,118,450	1,948,450
2020	875,000	1,076,950	1,951,950
2021	910,000	1,041,950	1,951,950
2022	955,000	996,450	1,951,450
2023 – 2027	5,500,000	4,241,500	9,741,500
2028 – 2032	6,945,000	2,797,450	9,742,450
2033 – 2036	<u>6,915,000</u>	<u>885,250</u>	<u>7,800,250</u>
Total Debt Service Requirements	<b><u>\$23,730,000</u></b>	<b><u>\$13,307,450</u></b>	<b><u>\$37,037,450</u></b>

WOODMOOR WATER AND SANITATION DISTRICT NO.1

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

**NOTE 6: RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. Commercial insurance coverage is purchased to handle these risks of loss.

The District is a participant in the Colorado Special District Association Property and Liability Pool. The Pool was formed by an agreement of member special districts of the Special District Association as a separate and independent governmental entity pursuant to the provisions of Article XIV, Section 18(2) of the Colorado Constitution and Sections 29-1-201 et seq., 8-44-101(1)(c) and (3), 8-44-204, 24-10-115.5, and 29-13-102, C.R.S, as amended. Membership is restricted to Colorado special districts, which are members of the Special District Association.

The purpose of the Pool is to provide defined property, liability, workers' compensation and associated coverage, and claims and risk management services related hereto, for member special districts through a self-insurance pool.

The Pool has contracted with third parties to operate, administer, and manage the Pool. In the event aggregate losses incurred by the Pool exceed amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, additional contributions may be required from the Pool members.

**NOTE 7: COMMITMENTS AND CONTINGENCIES**

**Tri-Lakes Joint Venture and Joint Use Agreement**

The District provides its wastewater treatment at the Tri-Lakes Wastewater Treatment Facility (the "Facility"), which is operated as a joint venture under the Amended Joint Use of Facilities Agreement dated February 9, 2010, among the District, Monument Sanitation District, and Palmer Lake Sanitation District.

The Facility's real property, personal property, and fixtures are commonly owned by each district in undivided one-third interests. Since November 9, 1999, the Facility's capacity is allocated 64.28% to the District, 19.79% to Monument, and 15.93% to Palmer Lake, and is subject to change with future Facility expansions. Operating expenses are billed monthly to the respective Districts in accordance with each District's pro rata contribution to the monthly flows and BOD loadings discharged into the Facility. For the year ended December 31, 2017, the District paid \$632,657 to the Tri-Lakes Wastewater Facility under the terms of the agreement.

WOODMOOR WATER AND SANITATION DISTRICT NO.1

NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

**NOTE 7: COMMITMENTS AND CONTINGENCIES** (Continued)

In February 2015, the District and Palmer Lake Sanitation District have entered into an Offer of Settlement Agreement. The purpose of the agreement is to ensure that the state mandated improvements to the Trilakes Wastewater Facility are not delayed and that the Facility's grant funds for the improvements are not jeopardized despite the ongoing dispute among the participating districts regarding the cost sharing of the capital improvements (Phase I). The agreement establishes preliminary cost allocation, whereas the District agrees to cover 66.66% of the project costs until a settlement among the districts can be reached. The agreement was amended in July 2015. In the amended agreement, the District has agreed to provide gap funds to the Palmer Lake Sanitation District in the event that the grant funds are not received. For the year ended December 31, 2017, the District has paid \$21,135 towards the capital improvements at the Trilakes Wastewater Facility.

A final court ruling was issued on May 23, 2016 granting the District's motion for summary judgment for costs of the Phase I improvements to be allocated 1/3 to Palmer Lake Sanitation District, 1/3 to Monument Sanitation District, and 1/3 to Woodmoor Water and Sanitation District. Subsequent to the ruling, the defendants (Monument Sanitation District and Palmer Lake Sanitation District) filed an appeal with the appellate courts on June 22<sup>nd</sup>, 2016. The District Court ruled against the defendants and in favor of the District on September 15, 2017.

For the year ended December 31, 2017, the District's share of the Facility's real property, personal property, and fixtures is \$2,488,031 and is reported as Investment in Tri-Lakes Joint Venture in the Statement of Net Position.

In addition, the District purchased additional capacity in the Facility in 1999 for \$416,535. The purchase price is amortized over 30 years. For the year ended December 31, 2017 the carrying value of the additional capacity is \$163,588 and is reported as Other Assets in the Statement of Net Position.

**Tabor Amendment**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the Amendment.

WOODMOOR WATER AND SANITATION DISTRICT NO.1

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

**NOTE 8: EMPLOYEE RETIREMENT PLAN**

The District offers a 457(b) non-qualified deferred compensation plan to its employees. The District contributes 2.5% of employee wages on behalf of the employee. In addition, the District will match up to a maximum additional 2.5% of contributions made by the employee.

The assets in the plan are not subject to the District's creditors and are therefore not included in the District's financial statements.

For the year ended December 31, 2017, the District contributed \$42,091 to the Plan.

**NOTE 9: SUBSEQUENT EVENT**

On January 1, 2018, the District entered into an Agreement for Payment of Judgment (the "Agreement") with Monument Sanitation District related to the final court ruling described in Note 7. Under the terms of the Agreement, Monument Sanitation District is required to pay \$337,203 with statutory interest of 8% per annum to the District for costs related to Phase I improvements to the Trilakes Wastewater Treatment Facility. The Monument Sanitation District has certified a Judgment Mill Levy for collection in 2018 in order to pay the judgment in full by December 31, 2018.

**INDIVIDUAL FUND SCHEDULE**

WOODMOOR WATER AND SANITATION DISTRICT NO.1

WATER & SANITATION ENTERPRISE  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended December 31, 2017

	2017		VARIANCE Positive (Negative)	2016 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Water and Sewer Tap Fees	\$ 2,592,160	\$ 3,965,135	\$ 1,372,975	\$ 4,322,564
Water Use Fees	2,859,105	2,853,653	(5,452)	2,880,992
Sewer Use Fees	1,408,486	1,468,903	60,417	1,397,719
Availability of Service Fees	22,950	30,495	7,545	30,600
Renewable Water Investment Fee	1,974,737	2,061,769	87,032	2,016,824
Permit Processing Fees	21,000	31,450	10,450	31,000
Interest Income	151,199	165,803	14,604	83,403
Miscellaneous Income	88,000	103,937	15,937	89,538
Cross Connection/Meter Income	24,000	49,830	25,830	44,586
Sale of Assets	5,000	-	(5,000)	-
Inclusion Fees	-	9,083	9,083	-
Supplemental Water	32,000	262,100	230,100	31,727
Lease Income	27,500	32,680	5,180	52,832
TOTAL REVENUES	9,206,137	11,034,838	1,828,701	10,981,785

(Continued)

See the accompanying independent auditors' report.

WOODMOOR WATER AND SANITATION DISTRICT NO.1

WATER & SANITATION ENTERPRISE  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended December 31, 2017

	2017		VARIANCE Positive (Negative)	2016 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
EXPENDITURES				
Salaries	\$ 1,083,501	\$ 981,217	\$ 102,284	\$ 927,545
Employee Benefits	186,650	178,336	8,314	173,543
Payroll Taxes	88,327	78,817	9,510	80,557
Unemployment Compensation Insurance	3,464	3,182	282	3,362
Professional Fees	877,000	695,919	181,081	460,321
Chilcott Ditch Co Share & Carriage Assessments	140,000	141,567	(1,567)	143,442
Insurance	97,321	96,598	723	115,582
Renewal and Replacement	486,400	424,345	62,055	521,997
Building Maintenance	55,500	35,134	20,366	14,181
Vehicle Expenses	130,000	113,151	16,849	73,137
Sewer Treatment Plant Expenses	705,437	632,657	72,780	1,049,258
Utilities	535,843	596,663	(60,820)	512,960
Small Tools	15,000	3,285	11,715	16,462
Training and Education	18,000	13,498	4,502	8,748
Travel	13,000	10,158	2,842	8,310
Cross Connection/Meter Expense	24,000	47,546	(23,546)	48,724
Directors Fees	8,000	5,700	2,300	7,700
Miscellaneous Expenses	32,000	29,586	2,414	17,094
Office Supplies and Expenses	120,860	96,448	24,412	94,129
Land/Easement Purchase	15,000	-	15,000	-
Equipment Purchases	136,000	110,242	25,758	696,287
Construction of Facilities	1,757,000	195,419	1,561,581	476,532
Bond Agents Fee	500	200	300	200
Interest on Bonds	1,187,700	1,099,485	88,215	1,129,885
Bond Principal Payment	765,000	765,000	-	730,000
TOTAL EXPENDITURES	<u>8,481,503</u>	<u>6,354,153</u>	<u>2,127,350</u>	<u>7,309,956</u>
NET INCOME, Budget Basis	<u>\$ 724,634</u>	4,680,685	<u>\$ 3,956,051</u>	3,671,829
GAAP BASIS ADJUSTMENTS				
Capital Outlay		305,661		1,172,819
Depreciation and Amortization Expense		(1,354,737)		(1,335,702)
Principal Paid on Long-Term Debt		765,000		730,000
Change in equity interest of Tri-Lakes Joint Venture		(96,222)		340,285
NET INCOME, GAAP Basis		4,300,387		4,579,231
NET POSITION, Beginning		51,254,757		46,675,526
NET POSITION, Ending		<u>\$ 55,555,144</u>		<u>\$ 51,254,757</u>

See the accompanying independent auditors' report.

## **APPENDIX A**

WOODMOOR WATER AND SANITATION DISTRICT NO. 1

History of Net Pledged Revenues and Pro-Forma Debt Service Coverage

December 31, 2017

	Actual <sup>(1)</sup>				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Gross Pledges Revenues <sup>(2)</sup></b>					
Operating Revenue	4,036,303	4,133,400	4,743,741	4,558,993	4,842,132
Investment Income <sup>(3)</sup>	118,910	75,159	50,914	83,403	165,803
Tap Fees	<u>1,081,391</u>	<u>1,314,393</u>	<u>2,761,583</u>	<u>4,322,564</u>	<u>3,965,135</u>
Total	<u>5,236,604</u>	<u>5,522,952</u>	<u>7,556,238</u>	<u>8,964,960</u>	<u>8,973,070</u>
<b>Operations and Maintenance Expenses <sup>(4)</sup></b>					
Expenses <sup>(4)</sup>	<u>2,914,129</u>	<u>3,030,813</u>	<u>3,821,553</u>	<u>4,133,811</u>	<u>4,184,008</u>
<b>Net Pledged Revenues</b>	<u>2,322,475</u>	<u>2,492,139</u>	<u>3,734,685</u>	<u>4,831,149</u>	<u>4,789,062</u>
<b>Maximum Annual Debt Service</b>	<u>1,952,700</u>	<u>1,952,700</u>	<u>1,952,700</u>	<u>1,952,700</u>	<u>1,952,700</u>
<b>Requirements <sup>(5)</sup></b>					
Pro-Forma Coverage	1.19x	1.28x	1.92x	2.47x	2.45x
Pro-Forma RWI Fee Revenue <sup>(6)</sup>	1,953,188	1,977,972	2,010,539	2,010,539	2,061,769
<b>Adjusted Net Pledged Revenues</b>	<u>4,275,663</u>	<u>4,470,111</u>	<u>5,745,224</u>	<u>6,841,688</u>	<u>6,850,831</u>
<b>Adjusted Pro-Forma Coverage</b>	2.19x	2.29x	2.95x	3.50x	3.51x

<sup>(1)</sup> All numbers shown are actual based upon audited financial statement for each year with the exception of the RWI fee as described in note 6 below.

<sup>(2)</sup> Gross Pledged Revenue excludes gains on sales of property and contributed assets from developers, which are non-cash items.

<sup>(3)</sup> Represents investment income from all District investments, not only investment income on the components of Gross Pledged Revenues. The amount of investment income earned on non-gross Pledged Revenues (which is therefore not pledged to the Bonds), however, is not a material amount.

<sup>(4)</sup> Includes System maintenance, operations and engineering expenses as well as general administrative expenses. Excludes non-operating expenses and depreciation.

<sup>(5)</sup> Represents the maximum annual debt service requirements of the Bond (\$1,952,700 in 2017). See "DEBT SERVICE REQUIREMENTS" in the Official Statement. If the District issues Parity Bonds in the future, the debt service requirements of the Parity Bonds would be added to this amount and could result in a lower coverage factor, depending on future revenues and operating expenses.

<sup>(6)</sup> The RWI Fee was made effective January 1, 2012.

WOODMOOR WATER AND SANITATION DISTRICT NO.1

History of Selected Residential User Rates

December 31, 2017

<u>Water Fees</u>					<u>Sewer Fees</u>	
<u>Year</u>	<u>Base Charge</u>	<u>%Change</u>	<u>Average Volume Rate PER 1000 GAL. <sup>(1)</sup></u>	<u>% Change</u>	<u>Base Charge</u>	<u>% Change</u>
2013	\$7.21	0.0%	\$7.53	3.0%	\$26.04	2.8%
2014	\$7.48	3.8%	\$7.70	2.3%	\$26.46	1.6%
2015	\$8.00	6.9%	\$8.11	5.3%	\$28.63	8.2%
2016	\$9.01	12.6%	\$8.56	6.0%	\$31.01	8.3%
2017	\$9.31	3.3%	\$8.57	0.1%	\$31.01	0.0%
2018 <sup>(2)</sup>	\$9.31	0.0%	\$9.04	5.5%	\$31.01	0.0%

<sup>(1)</sup> This average has been derived from actual charges collected from all District customers and actual metered usage for each year.

<sup>(2)</sup> Projected for the current year.

WOODMOOR WATER AND SANITATION DISTRICT NO.1

History of Water User Fee Revenue and Sewer User Fee Revenue

December 31, 2017

The following table shows a five year history of Water System user fees and Sewer System user fees.

History of Water and Sewer Rate Revenues

<u>Year</u>	<u>Water System User Fees</u>		<u>Sewer System User Fees</u>	
	<u>Amount</u>	<u>%Change</u>	<u>Amount</u>	<u>%Change</u>
2013	\$2,461,995	-29.07%	\$1,119,560	3.03%
2014	\$2,505,799	1.78%	\$1,153,407	3.02%
2015	\$2,533,839	1.11%	\$1,262,914	9.49%
2016	\$2,880,992	13.70%	\$1,397,719	10.67%
2017	\$2,853,653	-0.90%	\$1,468,903	5.10%
<sup>(1)</sup> 2018	\$3,020,372	5.84%	\$1,455,069	-0.94%

<sup>(1)</sup> Constitutes estimated data for 2018, based upon actual revenues through March 2018, and projections for the remainder of the year.

WOODMOOR WATER AND SANITATION  
DISTRICT NO.1  
December 31, 2017

**Renewable Water Investment Fee**

Following a public hearing at its October 17, 2011 meeting, the Board adopted a resolution creating the Renewable Water Investment Fee (the “RWI Fee”), which constituted a new charge of the District. The RWI Fee is intended to provide additional security for the Bonds and to be a component of the District’s overall plan to decrease reliance upon nonrenewable groundwater and increase reliance upon renewable surface water. The amount of the RWI FEE initially was calculated at the rate of \$45 per service tap equivalent per customer per month for all customers (including residential and nonresidential), and was added as a separate line item on each water customer’s bill. The amount of the RWI Fee will be calculated for each customer as shown in the table below. Customers which have purchased larger taps from the District will be charged at higher rates than those which have purchased smaller taps, since the service tap equivalent number is higher for such customers. One service tap equivalent is equal to the cross-sectional area of a ¾” diameter water service tap, which is the size of tap typically installed to provide water service to a single family residential customer. The District’s imposition of the RWI Fee occurred January 1, 2012.

2017 Renewable Water Investment Fee Schedule <sup>(2)</sup>

Tap Size	Tap Equivalents	Amount of RWI Fee (per month)
¾” MF (1)	0.75	\$32.25
¾”	1.00	43.00
1”	1.78	76.54
1.25”	2.79	119.97
1.5”	4.01	172.43
2”	7.11	305.73
2.5”	11.30	485.90
3”	16.03	689.29
4”	28.44	1,222.92

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(1) This tap size refers to multi-family unit customers. The District defines a multi-family customer as a dwelling unit which is separated from another dwelling unit by a party wall, such as an apartment or condominium.

(2) Renewable Water Investment Fee per this schedule was implemented on January 1, 2012

WOODMOOR WATER AND SANITATION DISTRICT NO.1

History of Residential Tap Fees

December 31, 2017

<u>Year</u>	<u>Water Tap Fee</u>		<u>Sewer Tap Fee</u>	
	<u>Amount</u>	<u>%Change</u>	<u>Amount</u>	<u>%Change</u>
2013	\$21,123	3.0%	\$7,112	0.0%
2014	\$24,186	14.5%	\$7,112	0.0%
2015	\$24,186	0.0%	\$7,621	7.16%
2016	\$24,186	0.0%	\$7,834	2.79%
2017	\$24,186	0.0%	\$8,216	4.87%

WOODMOOR WATER AND SANITATION DISTRICT NO.1

December 31, 2017

History of Tap Fees Collected

Year	Type	Tap Fee Revenues		Number of Connections		Total Collections	
		Residential	Commercial	Residential	Commercial	Amount	%Change
2013	Water	\$811,135		36		\$1,081,391	57.0%
	Sewer	\$270,256					
2014	Water	\$819,261	\$171,962	34	1	\$1,314,393	21.5%
	Sewer	\$241,808	\$81,362				
2015	Water	\$2,055,810	\$43,031	85	1	\$2,761,583	110.1%
	Sewer	\$647,785	\$14,957				
2016	Water	\$3,219,851	\$59,856	134	1	\$4,322,564	56.5%
	Sewer	\$1,042,857					
2017	Water	\$2,993,018		125		\$3,965,135	-8.27%
	Sewer	\$972,117					
<sup>(1)</sup> 2018	Water	\$2,418,600		100		\$3,262,100	-17.73%
	Sewer	\$843,500					

<sup>(1)</sup> Constitutes estimated tap fee data for 2018 based upon actual connections through March 31, 2018 and projections for the remainder of the 2018 calendar year.

WOODMOOR WATER AND SANITATION DISTRICT NO.1

December 31, 2017

The following table describes the District's Water System customer base for 2017

Water System Customer Information - 2017

<u>Customer Class</u>	<u>Accounts</u>		<u>Gallons Sold</u>		<u>Revenue</u>	
	<u>Number of Accounts<sup>(1)</sup></u>	<u>% of Total</u>	<u>Number of Gallons Sold</u>	<u>% of Total</u>	<u>Amount of Revenue<sup>(2)</sup></u>	<u>% of Total</u>
Residential	3,784	97.6%	242,931,135	73.1%	\$ 2,140,762	75.0%
Non-residential	47	1.2%	13,060,100	3.9%	115,268	4.0%
Irrigation	21	0.5%	15,508,300	4.7%	212,598	7.5%
Bulk Water	18	0.5%	19,401,900	5.8%	171,583	6.0%
Extra-Territorial bulk water	1	0.1%	1,668,400	0.5%	18,551	0.7%
Non-Potable	3	0.1%	37,754,700	11.4%	182,484	6.4%
Augmentation	2	0.1%	1,863,900	0.6%	12,406	0.4%
<b>Total</b>	<b>3,876</b>	<b>100.0%</b>	<b>332,188,435</b>	<b>100.0%</b>	<b>\$ 2,853,652</b>	<b>100.0%</b>

<sup>(1)</sup> Represents the average number of customer accounts during 2017. The number of accounts varies throughout the year.

<sup>(2)</sup> Revenue shown is the amount billed.

The following table describes the Sewer System customers for 2017.

<u>Customer Class</u>	<u>Number of Accounts<sup>(1)</sup></u>	<u>% of Total</u>	<u>Revenue<sup>(2)</sup></u>	<u>% of Total</u>
Residential	3,791	97.8%	\$ 1,368,345	93.2%
Commercial	57	1.5%	57,585	3.9%
Bulk	8	0.2%	35,324	2.4%
Extra-Territorial bulk	1	0.1%	7,649	0.5%
<b>Total</b>	<b>3,857</b>	<b>100.0%</b>	<b>\$ 1,468,903</b>	<b>100.0%</b>

<sup>(1)</sup> Represents the average number of customer accounts during 2017. The number of accounts varies throughout the year. The number of Sewer System accounts shown in this table does not exactly match the number of Water System accounts shown in the previous table because some Water System customers have more than a single account, while most Sewer System customers have only one account.

<sup>(2)</sup> Revenue shown is the amount billed.

WOODMOOR WATER AND SANITATION DISTRICT NO.1

December 31, 2017

Largest System Customers. Set forth in the following table is a list of the ten largest customers (based upon total service charges paid) of the District for the twelve-month period ending on December 31, 2017. Information on water usage by those customers also is provided. State law protects personal financial information of utility users unless that information is presented in an aggregate or statistical form that prevents the identification, location or habits of individuals. Accordingly, the information set forth below does not identify customers by name; it includes only the type of business. No independent investigation has been made of, and consequently there can be no representation as to, the financial condition of the customers listed below, the likelihood that such customers will remain in the District or continue to be served by the District, or their continued usage of the System. The District expects that the largest customers for 2018 will be materially similar to the largest customers for 2017.

Largest System Customers for 2017

<u>Customer Description</u>	<u>Gallons Used</u>	<u>% of Total<sup>(1)</sup></u>	<u>Water Revenue</u>	<u>Sewer Revenue</u>	<u>Other Revenue</u>	<u>Total Revenue</u>	<u>% of Total<sup>(2)</sup></u>
Public Schools <sup>(4)</sup>	\$ 30,101,200	9.0%	\$ 211,157	\$ 23,229	\$ -	\$ 234,386	8.2%
Homeowners association	6,283,200	1.9%	85,752	n/a	150	85,902	3.0%
Commercial (non-retail) <sup>(3)</sup>	23,233,700	7.0%	83,132	6,066	-	89,198	3.1%
Homeowners association	4,166,200	1.3%	59,238	n/a	-	59,238	2.1%
Homeowners association	6,717,300	2.0%	52,239	n/a	-	52,239	1.8%
Spa/Health Club	3,683,800	1.1%	31,753	10,047	-	41,800	1.5%
Commercial (retail)	2,439,500	0.7%	22,100	10,949	-	33,049	1.2%
Commercial (retail)	1,758,600	0.5%	18,995	4,062	10	23,067	0.8%
Commercial (retail)	1,866,500	0.6%	15,692	7,657	10	23,359	0.8%
Commercial (retail)	1,466,200	0.4%	11,563	6,034	-	17,597	0.6%
<b>Total</b>	<b>\$ 81,716,200</b>	<b>24.5%</b>	<b>\$ 591,621</b>	<b>\$ 68,044</b>	<b>\$ 170</b>	<b>\$ 659,835</b>	<b>23.1%</b>

<sup>(1)</sup> Based on total gallons sold of 333,188,435

<sup>(2)</sup> Based on total revenues of \$2,853,653

<sup>(3)</sup> This customer used 7.0% of the water in 2017 but only generated 3.1% of total revenues because most of this customer's use was for irrigation purposes, and non-potable water is less expensive than treated water.

<sup>(4)</sup> The District serves Lewis Palmer School District No. 38, including two high schools, one middle school, one elementary school and a charter academy located within the District's boundaries, and one elementary school located outside of the District's boundaries (water only). The water use and revenue of all these schools has been consolidated for this table.

# WOODMOOR WATER AND SANITATION DISTRICT

## Budget Summary and Comparison December 31, 2017

### **Budget Summary and Comparison**

The following tables set forth a comparison of the original budgets for the District for 2016-17 as compared to actual results for 2016 and 2017. These tables are presented in budgetary format and are not intended to comply with Generally Accepted Accounting Principles (“GAAP”). For example, the table does not include beginning fund balances (which also are available for expenditure in each year) or ending fund balances.

In the course of formulating its budget and adjusting its rates and charges for services within the District has made certain assumptions regarding continued growth in demand within its service area. Numerous factors over time, including business activity, commercial development activity and interest rates, among others, may affect the District’s assumptions concerning demand and growth.

WOODMOOR WATER AND SANITATION DISTRICT NO.1

December 31, 2017

	2016		2017	
	Original Budget	Actual <sup>(2)</sup>	Original Budget	Actual <sup>(2)</sup>
<b>Revenue</b>				
Tap Fees	2,401,500	4,322,564	2,592,160	3,965,135
Water Use Fees	2,711,208	2,880,992	2,859,105	2,853,653
Sewer Use Fees	1,351,905	1,397,719	1,408,486	1,468,903
Renewable Water Investment Fee	2,012,261	2,016,824	1,974,737	2,061,769
Avail of Service Fee	16,000	30,600	22,950	30,495
Permit Processing Fees	21,800	31,000	21,000	31,450
Interest Income	84,839	83,403	151,199	165,803
Other Income <sup>(4)</sup>	88,000	89,538	88,000	103,937
Lease Income	37,000	52,832	27,500	32,680
Inclusion Fees	9,000	0	0	9,083
Cross Conn/Meter Fees	22,500	44,586	24,000	49,830
Sale of Land/Equipment	2,500	0	5,000	0
Supplemental Water Sales	222,500	31,727	32,000	262,100
<b>Total Revenue</b>	<b>8,981,013</b>	<b>10,981,785</b>	<b>9,206,137</b>	<b>11,034,838</b>
<b>Expenditures</b>				
Salaries	1,054,696	927,545	1,083,501	981,217
Employee Benefits	178,356	173,543	190,114	178,336
Payroll Taxes	89,250	83,919	88,327	81,999
Professional Fees	595,000	460,321	877,000	695,919
Chilcott Ditch Co	143,000	143,442	140,000	141,567
Insurance	110,227	115,582	97,321	96,598
Renewal and Replacement	495,000	521,997	486,400	424,344
Building Maintenance	19,500	14,181	55,500	35,135
Vehicle Expense	128,560	73,137	130,000	113,151
Sewer Treatment Plant Expense	556,595	1,049,258	705,437	632,657
Utilities	594,000	512,960	535,843	596,663
Small Tools	10,500	16,462	15,000	3,285
Training and Education	22,000	8,748	18,000	13,498
Travel	13,000	8,310	13,000	10,158
Cross Connection/Meter Expense	22,200	48,724	24,000	47,546
Director Fees	8,000	7,700	8,000	5,700
Miscellaneous Expense	54,500	17,094	32,000	29,586
Office Supplies	120,925	94,129	120,860	96,448
Land/Easement Purchases	15,000	0	15,000	0
Equipment Purchases	525,000	696,287	136,000	110,242
Construction of Facilities	1,342,722	476,532	1,757,000	195,419
Bond Agent Fee <sup>(3)</sup>	500	200	500	200
Interest on Bonds <sup>(3)</sup>	1,218,100	1,129,885	1,187,700	1,099,485
Bond Principal Payment	730,000	730,000	765,000	765,000
<b>Total Expenditures</b>	<b>8,046,631</b>	<b>7,309,956</b>	<b>8,481,503</b>	<b>6,354,153</b>
<b>Revenues Over (Under) Expenditures</b>	<b>934,382</b>	<b>3,671,829</b>	<b>724,634</b>	<b>4,680,685</b>

<sup>(1)</sup> Constitutes a representation of the General Fund on a budgetary (non-GAAP) basis.

<sup>(2)</sup> Actual based upon audited financial statements through Dec. 31, 2017.

<sup>(3)</sup> These items are not part of the gross Pledged Revenues and Operations and Maintenance Expenses.

<sup>(4)</sup> This revenue consists primarily of late fees and penalty charges.

Source: The District's 2016 financial statements and 2017 financial statements.

WOODMOOR WATER AND SANITATION DISTRICT NO.1

December 31, 2017

**Statement of Revenues, Expenses and Changes in Net Position**

Set forth in the following table is a five-year comparative statement of revenues, expenses and changes in net position. The information in this table is presented in accordance with GAAP. The information should be read together with the the District's audited financial statements for the year ended December 31, 2017, and the accompanying notes. Financial statements for prior years can be obtained from the District.

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Operating Revenue</b>					
Charges and fees	\$ 5,914,213	\$ 5,966,251	\$ 6,654,289	\$ 6,486,280	\$ 6,799,963
Total operating revenue	<u>5,914,213</u>	<u>5,966,251</u>	<u>6,654,289</u>	<u>6,486,280</u>	<u>6,799,963</u>
<b>Operating Expenses</b>					
Personnel services	961,775	1,001,142	1,064,610	1,185,007	1,241,552
Purchase of services	501,925	580,391	681,037	719,345	934,084
Materials and supplies	1,473,629	1,449,280	2,075,906	2,372,900	2,008,371
Depreciation	<u>1,244,207</u>	<u>1,236,953</u>	<u>1,242,396</u>	<u>1,321,817</u>	<u>1,340,852</u>
Total operating expenses	<u>4,181,536</u>	<u>4,267,766</u>	<u>5,063,949</u>	<u>5,599,069</u>	<u>5,524,859</u>
<b>Income (Loss) From Operations</b>	<u>1,732,677</u>	<u>1,698,485</u>	<u>1,590,340</u>	<u>887,211</u>	<u>1,275,104</u>
<b>Non-operating Revenue (Expenses)</b>					
Property and other taxes <sup>(4)</sup>	1,521	0	0	0	0
Interest Income	118,910	75,159	50,914	83,403	165,803
Other revenue	75,279	90,037	84,913	89,538	103,937
Sale of Assets	25,654	12,526	0	0	0
Tap Fees	1,081,391	1,314,393	2,761,583	4,322,564	3,965,135
Equity interest income (loss) <sup>(1)</sup>	(63,059)	34,089	548,620	340,285	(96,222)
Interest expense	(1,182,648)	(1,167,348)	(1,150,673)	(1,129,885)	(1,099,485)
Amortization	<u>(13,885)</u>	<u>(13,885)</u>	<u>(13,885)</u>	<u>(13,885)</u>	<u>(13,885)</u>
Total non-operating revenue	<u>43,163</u>	<u>344,971</u>	<u>2,281,472</u>	<u>3,692,020</u>	<u>3,025,283</u>
<b>Change in Net Position</b>	1,775,840	2,043,456	3,871,812	4,579,231	4,300,387
<b>Prior Period Adjustment</b>					
<b>Net Position Beginning of Year <sup>(2)</sup></b>	<u>38,984,418</u>	<u>40,760,258</u>	<u>42,803,714</u>	<u>46,675,526</u>	<u>51,254,757</u>
<b>Net Position End of Year <sup>(3)</sup></b>	<u>\$ 40,760,258</u>	<u>\$ 42,803,714</u>	<u>\$ 46,675,526</u>	<u>\$ 51,254,757</u>	<u>\$ 55,555,144</u>

<sup>(1)</sup> Reflects the District's income or loss from the Tri-Lakes Joint Venture.

<sup>(2)</sup> Net Position reflect the value of all assets attributable to the enterprise funds, not just those acquired during the year presented.

<sup>(3)</sup> Of this amount \$22,910,801 consists of cash, cash equivalents and investments. The remaining \$32,644,343 consist primarily of capital assets.

<sup>(4)</sup> Property and other taxes do not constitute Gross Pledged revenues and are not pledged to the payment of the Bonds.