

**WOMAN CREEK RESERVOIR AUTHORITY
WESTMINSTER, COLORADO**

BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017

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July 10, 2018

**WOMAN CREEK RESERVOIR AUTHORITY
WESTMINSTER, COLORADO**

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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Board of Directors
Woman Creek Reservoir Authority
Westminster, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Woman Creek Reservoir Authority, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Authority, 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 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 evaluation 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 governmental activities and each major fund of the Woman Creek Reservoir Authority, as of December 31, 2017, and the respective changes in financial position, 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 and the budgetary comparison information on page 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Woman Creek Reservoir Authority's basic financial statements. The individual fund schedule listed in the table of contents is presented for purposes 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 schedule is fairly stated in all material respects in relation to the financial statements as a whole.

John Cutler & Associates, LLC

May 21, 2018

WOMAN CREEK RESERVOIR AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2017

This section of the Authority's annual financial report presents our analysis of the Authority's financial performance during the year that ended on December 31, 2017.

THE AUTHORITY

The Woman Creek Reservoir Authority was formed in 1996 to oversee facilities constructed to protect the municipal drinking water supply in Standley Lake from any hazard from the former nuclear weapons manufacturing facility at Rocky Flats. Rocky Flats is located west of Denver, Colorado between the cities of Golden and Boulder. The U.S. Department of Energy funded this water protection project through a grant administered by the City of Westminster as sub grantee. In 1996, Westminster made a one-time lump sum payment of \$8,147,000 to the Authority. In consideration for this payment, the Authority took over ownership and operation of Woman Creek Reservoir and entered into an Operations Agreement with the U.S. Department of Energy. Pursuant to said Operations Agreement, U.S. Department of Energy acknowledged and agreed that the payment of funds by Westminster constituted a disbursement and qualified as a reimbursable expense under the terms of the grant. The grant was subsequently closed. The Authority utilizes its funds to provide a sufficient investment pool to generate investment earnings to cover the annual operating expenses and any large rehabilitation cost of the Authority.

The Cities of Northglenn, Westminster and Thornton participate equally in the administration and operation of the Authority. Each City appoints one member of the three-member board of directors for the Authority. The Authority has no employees.

FINANCIAL HIGHLIGHTS

- Interest earnings on investments are the only source of revenue for the Authority. During the year the Authority's revenue decreased \$41,955 or 40% in 2017 from 2016.
- During the year the Authority's expenses increased \$11,821, or 3.1 percent, in 2017 from 2016.
- The Authority's net position decreased by \$330,693 or 1 percent during 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes the Management's Discussion and Analysis, Financial Statements, and supplementary information. The Financial Statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on Pages 1 and 2) provide the information about the activities of the Authority as a whole. The fund financial statements (on Pages 3 and 4) focus on the individual parts of the Authority, reporting the Authority's operations in more detail. For governmental activities, this statement tells how these operations were financed in the short term as well as what remains for future spending.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The General Fund, required by accounting principles, is the chief operating fund of the Authority. Other funds may be established by the Board to control and manage money for particular purposes. In 2001, the Board created a separate contamination fund for clean-up of any contamination that might occur in Woman Creek.

FINANCIAL ANALYSIS OF THE AUTHORITY

The analysis of the Authority begins on page 1 of the Financial Statements. One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and Statement of Activities reports information about the Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the net position of the Authority and changes therein. The Authority's net position, the difference between assets and liabilities, is one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position is one indicator of whether its financial health is improving or deteriorating. Interest income is the major source of revenue for the Authority. Therefore, other non-financial factors such as changes in economic condition and the bias in the short-term interest rate market that is set by the Federal Reserve Board need to be considered to determine how much interest income will fluctuate.

NET POSITION

To begin the analysis, a summary of the Authority's Statements of Net Position is presented in Table A-1.

TABLE A-1
Condensed Statements of Net Position

	2017	2016
Current & Other Assets	\$ 9,312,663	\$ 9,404,540
Net Capital Assets	17,235,832	17,466,858
Total Assets	\$ 26,548,495	\$ 26,871,398
Other Liabilities	\$ 8,947	\$ 1,157
Total Liabilities	8,947	1,157
Invested in Capital Assets	17,235,832	17,466,858
Unrestricted	9,303,716	9,403,383
Total Net Position	\$ 26,539,548	\$ 26,870,241

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. At the close of 2017, the Authority's assets exceed liabilities by \$26,539,548. The largest portion of the Authority's net position (65%) is reflected in capital assets (primarily infrastructure improvements) which are critical to the primary objective of the Authority.

TABLE A-2
Condensed Statements of Activities

	2017	2016
General Revenues	\$ 62,513	\$ 104,468
Total Revenues	<u>62,513</u>	<u>104,468</u>
Depreciation Expense	237,746	237,634
Other Operating Expense	155,460	143,751
Total Expenses	<u>393,206</u>	<u>381,385</u>
Change in Net Position	(330,693)	(276,917)
Net Position, Beginning	<u>26,870,241</u>	<u>27,147,158</u>
Net Position, Ending	<u>\$ 26,539,548</u>	<u>\$ 26,870,241</u>

The Statement of Activities in Table A-2 provides an explanation as to why net position (Table A-1) increased or decreased during the year. During 2017, total expenses exceeded total revenue by \$330,693, decreasing net position. Operating expenditures increased \$11,821 from 2016 to 2017.

BUDGETARY HIGHLIGHTS

As required by Colorado state budget law, the Authority adopts an operating budget by resolution for the following year no later than December 31 of the current year. The budget remains in effect the entire year and may be amended by resolution. Budgets are appropriated in total and individual categories may exceed the budgeted amount in the line item as long as total expenditures do not exceed the total budget adopted by the Board.

Table A-3
Budget vs. Actual – General Fund

	2017	2017	Variance
	Final Budget	Actual	Favorable (Unfavorable)
Revenues:			
Non Operating	\$ 66,719	\$ 38,735	\$ (27,984)
Total Revenues	<u>66,719</u>	<u>38,735</u>	<u>(27,984)</u>
Operating Expenses:			
Utilities	27,931	26,592	1,339
Maintenance, Equipment Replacement & Repair	25,936	53,918	(27,982)
Other Services	79,206	70,364	8,842
Miscellaneous	200	217	(17)
Capital Outlay	-	6,720	(6,720)
Contingency	-	-	-
Total Expenses	<u>133,273</u>	<u>157,811</u>	<u>(24,538)</u>
Change in Fund Balance	<u>\$ (66,554)</u>	<u>\$ (119,076)</u>	<u>\$ (52,522)</u>

As can be seen from Table A-3, the Authority's General Fund revenues during 2017 were short of budget projections by \$27,984 due to the recognition of an unrealized loss on the market value of investments. Expenditures were over budget by \$24,538, as a necessary asphalt project was completed in late fall of 2017.

There was minimal activity in the Contamination Fund during 2017. As the Budgetary Comparison Schedule for the Contamination Fund on Page 13 illustrates, revenues in 2017, consisting of interest income from investments, were consistent with the budgeted amount. Expenditures, consisting of audit and investment fees, were also consistent with the budget. No clean-up was anticipated in 2017; therefore, no funds were budgeted for project expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of 2017, the Authority had no debt and does not anticipate issuing any debt in the future. All capital is paid for from current income or from reserves accumulated in prior years. Table A-4 displays the capital assets of the Authority.

Table A-4
Capital Assets

	2017	2016	Variance Positive (Negative)	Total % Change
Land	\$ 401,486	\$ 401,486	\$ -	0.0%
Buildings & Improvements	21,370,549	21,370,549	-	0.0%
Machinery & Equipment	111,307	104,587	6,720	6.4%
Subtotal	<u>21,883,342</u>	<u>21,876,622</u>	<u>6,720</u>	
Less Accumulated Depreciation	<u>(4,647,510)</u>	<u>(4,409,764)</u>	<u>(237,746)</u>	-5.4%
Net Property, Plant, & Equipment	<u>\$ 17,235,832</u>	<u>\$ 17,466,858</u>	<u>\$ (231,026)</u>	

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Table A-5
2018 Budget vs. 2017 Actual (All Funds)

	Budget 2018	Actual 2017	Variance Positive (Negative)	Total % Change
Non-operating Revenues	\$ 125,000	\$ 62,513	\$ 62,487	100.0%
Total Revenues	<u>125,000</u>	<u>62,513</u>	<u>62,487</u>	100.0%
Depreciation Expense*	-	237,746	(237,746)	-100.0%
Other Operating Expense	211,987	155,460	(56,527)	-36.4%
Total Expense	<u>211,987</u>	<u>393,206</u>	<u>(294,273)</u>	-74.8%
Change in Net Position	(86,987)	(330,693)	243,706	73.7%
Net Position, Beginning (Actual)	26,539,548	26,870,241	(330,693)	-1.2%
Net Position, Ending	<u>\$ 26,452,561</u>	<u>\$ 26,539,548</u>	<u>\$ (86,987)</u>	-0.3%

*Depreciation is not a required budget item in Colorado governmental budgeting.

For 2018, the Authority has budgeted for a decrease in net position of \$86,987 from 2017. Non-operating revenues budgeted reflect actual earnings anticipated to be received in 2018, whereas the actual 2017 balance includes an unrealized market value of investments held at December 31st. The decrease in

operating expenses predicts the return to normal operations following the 2014 completion of reservoir configuration modifications. If these budget estimates are realized, the Authority expects Net Position to be \$26,452,561 at the end of 2018.

CONTACTING THE AUTHORITY'S TREASURER

The chairmanship and the financial management of the Authority rotate every three years among the three cities that are members of the Authority. The City of Northglenn is responsible for financial management for 2017.

This financial report is designed to provide interested parties with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jason Loveland, City of Northglenn, 11701 Community Center Drive, Northglenn, CO 80233, 303-450-8817 or jloveland@northglenn.org.

BASIC FINANCIAL STATEMENTS

WOMAN CREEK RESERVOIR AUTHORITY

STATEMENT OF NET POSITION

Year Ended December 31, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 9,286,058
Interest Receivable	26,605
Capital Assets, Not Depreciated	401,486
Capital Assets, Depreciated, Net of Accumulated Depreciation	<u>16,834,346</u>
 TOTAL ASSETS	 <u><u>26,548,495</u></u>
LIABILITIES	
Accounts Payable	<u>8,947</u>
 TOTAL LIABILITIES	 <u>8,947</u>
NET POSITION	
Net Investment in Capital Assets	17,235,832
Unrestricted	<u>9,303,716</u>
 TOTAL NET POSITION	 <u><u>\$ 26,539,548</u></u>

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

WOMAN CREEK RESERVOIR AUTHORITY

STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

	<u>Governmental Activities</u>
EXPENSES	
Utilities	\$ 26,592
Maintenance, Equipment Replacement and Repair	53,918
Audit and Financial Services	16,843
Other Services	57,890
Miscellaneous	217
Depreciation Expense	<u>237,746</u>
TOTAL EXPENSES	<u>393,206</u>
GENERAL REVENUES	
Investment Earnings	<u>62,513</u>
CHANGE IN NET POSITION	(330,693)
NET POSITION, Beginning	<u>26,870,241</u>
NET POSITION, Ending	<u><u>\$ 26,539,548</u></u>

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

WOMAN CREEK RESERVOIR AUTHORITY

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2017

	<u>General Fund</u>	<u>Contamination Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Investments	\$ 6,528,207	\$ 2,757,851	\$ 9,286,058
Interest Receivable	21,256	5,349	26,605
TOTAL ASSETS	<u>\$ 6,549,463</u>	<u>\$ 2,763,200</u>	<u>\$ 9,312,663</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 8,947	-	\$ 8,947
TOTAL LIABILITIES	<u>8,947</u>	<u>-</u>	<u>8,947</u>
FUND BALANCE			
Fund Balance, Spendable			
Committed	-	2,763,200	2,763,200
Unassigned	6,540,516	-	6,540,516
TOTAL FUND BALANCE	<u>6,540,516</u>	<u>2,763,200</u>	<u>9,303,716</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,549,463</u>	<u>\$ 2,763,200</u>	
Amounts reported for governmental activities in the statement of activities are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			<u>17,235,832</u>
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES			<u>\$ 26,539,548</u>

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

WOMAN CREEK RESERVOIR AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended December 31, 2017

	<u>General Fund</u>	<u>Contamination Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Investment Earnings	\$ 38,735	\$ 23,778	\$ 62,513
EXPENDITURES			
Utilities	26,592	-	26,592
Maintenance, Equipment Replacement & Repair	53,918	-	53,918
Audit and Financial Services	12,474	4,369	16,843
Other Services	57,890	-	57,890
Miscellaneous	217	-	217
Capital Outlay	6,720	-	6,720
TOTAL EXPENDITURES	<u>157,811</u>	<u>4,369</u>	<u>162,180</u>
NET CHANGE IN FUND BALANCE	(119,076)	19,409	(99,667)
FUND BALANCE, Beginning	<u>6,659,592</u>	<u>2,743,791</u>	
FUND BALANCE, Ending	<u>\$ 6,540,516</u>	<u>\$ 2,763,200</u>	

Amounts reported for governmental activities in the statement of activities are different because:

Capitalization of Capital Assets

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount that depreciation expense (\$237,746) exceeded capital outlay (\$6,720) for the current year.

(231,026)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ (330,693)

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

WOMAN CREEK RESERVOIR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Woman Creek Reservoir Authority (the Authority) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. Following is a summary of the more significant policies:

Reporting Entity

The Authority is considered a primary government, since it is a special purpose government that is legally separate and is financially independent of other state and local governments. The Authority has no component units.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Authority's government-wide financial statements include a statement of net position and a statement of activities. These statements present summaries of governmental activities for the Authority. Governmental activities normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific program or function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

The government-wide financial statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all of the Authority's assets and liabilities, including capital assets, and infrastructure assets, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Available means collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The Authority reports the following major governmental funds:

General Fund – This is the Authority's operating fund. It accounts for all activities of the government.

Contamination Fund – This fund accounts for the accumulation of funds to cover the future costs of a major contamination of the reservoir.

WOMAN CREEK RESERVOIR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual appropriated budget is adopted for all funds. All annual appropriations lapse at fiscal year end.

The Authority adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Budgets are required by state law for all funds. The budget includes proposed expenditures and the means of financing them. All budgets lapse at year end.
- Public hearings are conducted by the Board of Directors to obtain citizen comments.
- Prior to December 31, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level.
- Revisions that alter the total expenditures of any fund must be approved by the Board of Directors. Budgeted amounts reported in the accompanying financial statements are as originally adopted by the Board of Directors.
- For the year ended December 31, 2017, actual expenditures in the General Fund exceeded budgeted amounts by \$24,538. This may be a violation of state statute.

Assets, Liabilities and Fund Equity

Cash and Investments – Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the Authority's investments.

The Authority's investment policy and the Colorado state statutes authorize the Authority to invest in U.S. Treasury Obligations, U.S. Agency securities and instrumentalities of government sponsored corporations, commercial bank and savings and loan certificates of deposit and certain local government investment pools. As of December 31, 2017, the Authority's investments consist of money market funds and investment in an external investment pool - Colorado Government Liquid Asset Trust (ColoTrust). The money market funds are reported at amortized cost. The external investment pool, ColoTrust, is not SEC registered and is regulated by the State of Colorado and is reported at amortized cost pursuant to the criteria set forth in GASB Statement No. 79.

Capital Assets – All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The Authority's policy is to record all assets with a cost of \$5,000 or more. Interest costs are expensed as incurred and therefore, not capitalized.

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. Improvements are capitalized and depreciated over the remaining useful lives

WOMAN CREEK RESERVOIR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Equity (Continued)

of the related capital assets, as applicable. Public domain (“infrastructure”) capital assets consisting of roads and drainage and irrigation systems are capitalized as part of building and improvements.

Capital assets are depreciated using the straight-line method over estimated useful lives ranging from 10 - 100 years.

Net Position/Fund Equity – In the government-wide financial statements, net position is restricted when constraints placed on the net assets are externally imposed.

Fund Balance Classification – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Authority is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Authority has no restricted resources as of December 31, 2017.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Authority had committed resources to cover the future costs of a major contamination of the reservoir.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Authority would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources.

WOMAN CREEK RESERVOIR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 2: CASH AND INVESTMENTS

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

Petty Cash	\$ 100
Cash Deposits	311,154
Investments	<u>8,974,805</u>
Total Cash and Investments	<u>\$ 9,286,059</u>

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 Authority 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.

At December 31, 2017, the Authority had deposits with financial institutions with a carrying amount of \$311,154. The bank balances with the financial institutions were \$313,768. \$250,000 of these balances, was covered by federal depository insurance.

Investments

As of December 31, 2017, the Authority has the following investments:

	<u>Investment Maturity (Years)</u>		
	<u>Fair Value</u>	<u>Less than One Year</u>	<u>1 to 5 Years</u>
Colotrust	\$ 389,786	\$ 389,786	\$ -
Governmental Agency Securities	<u>8,585,019</u>	<u>3,458,369</u>	<u>5,126,650</u>
Total	<u>\$ 8,974,805</u>	<u>\$ 3,848,155</u>	<u>\$ 5,126,650</u>

Investment Policy

The Authority follows a formal investment policy based on the Colorado State Statutes, sections 224-36-112 and 113. State Statutes establish restrictions and limits on securities permitted for investment to control interest rate and credit risk to ensure diversification and mitigate losses.

WOMAN CREEK RESERVOIR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 2: CASH AND INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk is mitigated by restricting the maturity length to a maximum of 5 years unless the investment is matched to a particular liability/outflow.

Credit Risk

Credit risk is mitigated in the types and allocations of securities held in the Authority's portfolio per Colorado State Statute. Below is a list of securities permissible for investment as outlined in the Authority's investment policy:

- U.S. Treasury Obligation (Bills and Notes)
- U.S. Government Agency Securities and Instrumentalities of Government sponsored corporations (No collateralized mortgage obligations shall be purchased)
- Bankers' acceptances of certain banks
- Commercial paper meeting the requirements of Colorado Revised Statutes (C.R.S.) for Authorities
- Commercial Bank Certificates of Deposit
- Savings and Loan Certificates of Deposit
- Investment Pools of funds from entities established pursuant to the provisions of C.R.S. section 24-75-601 and 701, ET SEQ., as amended, and C.R.S. section 24-75-702 ET SEQ., as amended.
- No corporate medium term notes or bonds shall be purchased

The Authority had invested \$389,786 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AA+ by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is registered with the State Securities Commissioner. The Fund 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.

Fair Value

The Authority 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. State statutes limit the investments in money market funds to the highest rating issued by nationally recognized statistical rating organizations (NRSRO's), with a constant share price, and that invest only in securities allowed by State statutes. At December 31, 2017, the Authority had \$8,585,018 invested in a money market fund. The fund invests only in U.S. Treasury obligations and Agency Funds and is rated AA+ by Standard and Poor's. These investments are valued using Level 2 inputs.

WOMAN CREEK RESERVOIR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 2: CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk

The Authority places no limit on the amount that may be invested in one issuer. More than 5% of the Authority's investments are with the following issuers:

Federal Home Loan Bank	22.41%
Federal Farm Credit Bank	6.63%
Federal Home Loan Mortgage Corporation	19.67%
Federal National Mortgage Association	16.76%
Treasury Notes	34.53%

NOTE 3: CAPITAL ASSETS

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

CAPITAL ASSETS

	<u>Balance</u> <u>12/31/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/17</u>
Capital Assets, not depreciated				
Land, not depreciated	\$ 401,486	\$ -	\$ -	\$ 401,486
Capital Assets, depreciated				
Building and Improvements	21,370,549	-	-	21,370,549
Machinery and Equipment	104,587	6,720	-	111,307
Total Capital Assets, depreciated	<u>21,475,136</u>	<u>6,720</u>	<u>-</u>	<u>21,481,856</u>
Accumulated Depreciation				
Building and Improvements	4,305,177	237,634	-	4,542,811
Machinery and Equipment	104,587	112	-	104,699
Total Accumulated Depreciation	<u>4,409,764</u>	<u>237,746</u>	<u>-</u>	<u>4,647,510</u>
Capital Assets, depreciated, net	<u>17,065,372</u>	<u>(231,026)</u>	<u>-</u>	<u>16,834,346</u>
Capital Assets, net	<u>\$ 17,466,858</u>	<u>\$ (231,026)</u>	<u>\$ -</u>	<u>\$ 17,235,832</u>

WOMAN CREEK RESERVOIR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 4: COMMITMENTS AND CONTINGENCIES

TABOR Amendment – In November 1992, Colorado voters passed the TABOR Amendment to the State Constitution which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and growth. Revenue received in excess of the limitations may be required to be refunded unless the electorate votes to retain the revenue. The TABOR Amendment is subject to many interpretations, but the Authority believes it is not subject to the Amendment.

NOTE 5: RISK MANAGEMENT

The Authority is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For these risks of loss, the Authority is involved with the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by intergovernmental agreement by member municipalities pursuant to the provision of 24-10-115.5, Colorado Revised Statutes (1982 Replacement Volume) and Colorado Constitution, Article XIV, Section 18(2). The purposes of CIRSA are to provide members defined liability and property coverages and to assist members to prevent and reduce losses and injuries to municipal property and to persons or property which might result in claims being made against members of CIRSA, their employees and officers.

CIRSA provides insurance coverage for property, liability, fiduciary, crime, police professional and errors and omissions. A member-selected deductible shall apply to each of the member's claims/occurrences. The deductible amounts selected by the Authority are: \$500/\$1000 (Liability), \$500 (Auto Liability), \$500 (Property), \$1,000 (Police Professional and Errors and Omissions) and \$500 (Auto Physical Damage). Payment of the deductible shall reduce the amount otherwise payable under the applicable CIRSA retention. Coverage is as follows:

1. Property/excess property/auto liability: total insured value for Authority property up to the \$500,500,000 per claim/occurrence.
2. General liability (claims subject to the Governmental Immunity Act): to \$150,000 per person and \$1,000,000 per occurrence. (Claims not subject to Governmental Immunity Act up to \$5,500,000 limit)
3. Excess public officials' errors and omissions and class action suits arising out of discrimination liability coverage: to \$5,000,000 each claim/\$10,000,000 annual aggregate per member
4. Crime: to \$150,000 any one claim and annual aggregate

Coverage is provided through pooling of self-insured losses and the purchase of excess insurance coverage. CIRSA has a legal obligation for claims against its members to the extent that funds are available from insurance providers and under excess specific and aggregate insurance contracts. Losses incurred in excess of loss funds and amounts recoverable from excess insurance are direct liabilities of the participating members. CIRSA has indicated that the amount of any excess losses would be billed to members in proportion to their contributions in the year such excess occurs although it is not legally required to do so.

WOMAN CREEK RESERVOIR AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 5: **RISK MANAGEMENT** (Continued)

It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of CIRSA against stated liability of loss, to the limit of the financial resources of CIRSA. It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverages at reasonable costs. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members.

CIRSA is a separate legal entity and the Authority does not approve budgets nor does it have ability to significantly affect the operations of the unit.

REQUIRED SUPPLEMENTARY INFORMATION

WOMAN CREEK RESERVOIR AUTHORITY

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Investment Earnings	\$ 100,000	\$ 66,719	\$ 38,735	\$ (27,984)
EXPENDITURES				
Utilities	30,450	27,931	26,592	1,339
Maintenance, Equipment Replacement & Repair	83,215	25,936	53,918	(27,982)
Audit and Financial Services	12,691	12,472	12,474	(2)
Other Services	87,900	66,734	57,890	8,844
Miscellaneous	1,000	200	217	(17)
Capital Outlay	-	-	6,720	(6,720)
Contingency	21,526	-	-	-
TOTAL EXPENDITURES	<u>236,782</u>	<u>133,273</u>	<u>157,811</u>	<u>(24,538)</u>
NET CHANGE IN FUND BALANCE	(136,782)	(66,554)	(119,076)	(52,522)
FUND BALANCE, Beginning	<u>6,597,591</u>	<u>6,429,351</u>	<u>6,659,592</u>	<u>169,877</u>
FUND BALANCE, Ending	<u>\$ 6,460,809</u>	<u>\$ 6,362,797</u>	<u>\$ 6,540,516</u>	<u>\$ 117,355</u>

See the accompanying Independent Auditors' Report.

INDIVIDUAL FUND FINANCIAL STATEMENT

WOMAN CREEK RESERVOIR AUTHORITY

CONTAMINATION FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Investment Earnings	\$ 40,000	\$ 23,677	\$ 23,778	\$ 101
EXPENDITURES				
Audit and Financial Services	4,459	4,368	4,369	(1)
Contingency	446	437	-	437
TOTAL EXPENDITURES	<u>4,905</u>	<u>4,805</u>	<u>4,369</u>	<u>436</u>
NET CHANGE IN FUND BALANCE	35,095	18,872	19,409	537
FUND BALANCE, Beginning	<u>2,735,560</u>	<u>2,734,353</u>	<u>2,743,791</u>	<u>14,662</u>
FUND BALANCE, Ending	<u><u>\$ 2,770,655</u></u>	<u><u>\$ 2,753,225</u></u>	<u><u>\$ 2,763,200</u></u>	<u><u>\$ 15,199</u></u>

See the accompanying Independent Auditors' Report.