

***WESTWOOD LAKES WATER DISTRICT***  
***FINANCIAL STATEMENTS***  
***AND***  
***REQUIRED SUPPLEMENTARY INFORMATION***  
***AND***  
***SUPPLEMENTARY INFORMATION***  
***WITH***  
***INDEPENDENT AUDITORS' REPORT***  
***DECEMBER 31, 2018***

**OSBORNE, PARSONS & ROSACKER, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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**OSBORNE, PARSONS & ROSACKER, LLP**  
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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Westwood Lakes Water District  
Woodland Park, Colorado

We have audited the accompanying financial statements of the business-type activities and each major fund of Westwood Lakes Water District (District), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## INDEPENDENT AUDITORS' REPORT – Continued

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### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Westwood Lakes Water District as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other matters

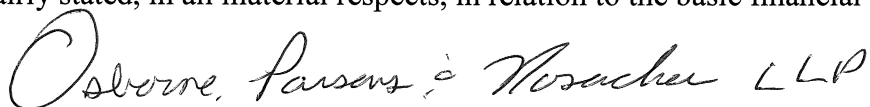
#### *Required supplementary information*

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

#### *Other information*

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

The schedule of revenue, expenditure/expense, and changes in net position - proprietary fund, budget (non-GAAP basis), actual, is the responsibility of management, were derived from, and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenue, expenditure/expense and changes in net position - proprietary fund, budget (non-GAAP basis) and actual, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Colorado Springs, Colorado  
July 25, 2019

***MANAGEMENT'S DISCUSSION AND ANALYSIS***

**WESTWOOD LAKES WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2018**

This management's discussion and analysis (MD&A) of the Westwood Lakes Water District's (District) financial performance provides an overall review of the District's financial activities for the year ended December 31, 2018. The intent of this MD&A is to look at the District's financial performance as a whole. The MD&A should be read in conjunction with the District's financial statements with notes, to enhance understanding of the District's financial performance. The MD&A is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB).

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

**Overview of the financial statements**

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

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

**Current financial issues**

The District receives revenue from two primary sources:

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

Secondary sources of revenue are:

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

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

**WESTWOOD LAKES WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2018**

**STATEMENT OF NET POSITION – PROPRIETARY FUND**

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

Condensed comparative statements of net position and comments relating to significant changes follow:

<b>Assets</b>	<b>2018</b>	<b>2017</b>	<b>Increase (Decrease)</b>
Current assets	\$ 434,662	\$ 416,971	\$ 17,691
Capital assets	445,499	480,021	(34,522)
<b>Total assets</b>	<u>\$ 880,161</u>	<u>\$ 896,992</u>	<u>\$ (16,831)</u>
<b>Liabilities</b>			
Current liabilities	\$ 7,246	\$ 13,066	\$ (5,820)
Long-term liabilities			
Due within one year	30,894	29,694	1,200
Due in more than one year	<u>118,295</u>	<u>149,190</u>	<u>(30,895)</u>
<b>Total liabilities</b>	<u>156,435</u>	<u>191,950</u>	<u>(35,515)</u>
<b>Deferred inflow of resources</b>			
Property tax	<u>58,318</u>	<u>56,685</u>	<u>1,633</u>
<b>Net position</b>			
Invested in capital asset, net of related debt	296,310	301,137	(4,827)
Restricted for emergencies	4,319	4,319	-
Unrestricted	<u>364,779</u>	<u>342,901</u>	<u>21,878</u>
<b>Total net position</b>	<u>665,408</u>	<u>648,357</u>	<u>17,051</u>
<b>Total liabilities, deferred inflow of resources and net position</b>	<u>\$ 880,161</u>	<u>\$ 896,992</u>	<u>\$ (16,831)</u>

**Assets**

Capital Assets changed because of capital expenditures of \$10,638 resulting from the installation of a new variable frequency drive control panel and upgrades to the data collection unit which increased capital assets. However, depreciation expense for the year and the removal of planning fees from an extension project that was not pursued, decreased capital assets by \$45,160.

**WESTWOOD LAKES WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2018**

**STATEMENT OF NET POSITION- Continued**

**Liabilities**

Total liabilities decreased approximately \$35,500 primarily because of payments made on the debt.

**Net position**

The increase in total net position of approximately \$17,000 is a result of the District's revenue over expenses.

**STATEMENT OF REVENUE, EXPENSE, AND CHANGES IN NET POSITION**

Condensed comparative statements and comments relating to significant changes:

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Operating revenue			
Water sales	\$ 64,812	\$ 64,892	\$ (80)
Fees	30,433	30,433	-
Total operating revenue	<u>95,245</u>	<u>95,325</u>	<u>(80)</u>
Operating expense			
Cost of sales	47,580	60,880	(13,300)
Office and insurance	53,187	50,654	2,533
Depreciation	35,160	40,250	(5,090)
Total operating expense	<u>135,927</u>	<u>151,784</u>	<u>(15,857)</u>
Operating loss	<u>(40,682)</u>	<u>(56,459)</u>	<u>15,777</u>
Non-operating revenue (expense)			
Taxes	63,633	61,805	1,828
Fees	(1,598)	(1,561)	(37)
Investment earnings	5,338	2,932	2,406
Other (expense) revenue	(2,977)	9,647	(12,624)
Interest expense	(6,663)	(7,824)	1,161
Total non-operating revenue (expense)	<u>57,733</u>	<u>64,999</u>	<u>(7,266)</u>
Change in net position	<u>\$ 17,051</u>	<u>\$ 8,540</u>	<u>\$ 8,511</u>

**WESTWOOD LAKES WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2018**

**STATEMENT OF REVENUE, EXPENSE, AND CHANGES IN NET POSITION – Continued**

**Operating and non-operating revenue (expense)**

Operating revenue slightly decreased in 2018 due the introduction of a water conservation fee and less customer usage. Operating expenses decreased due to additional repairs made in 2017. Non-operating revenue increased due to the continuance of a fee that was introduced in 2017 and a reduction in interest expense.

An analysis of budgeted amounts follows:

	<b>Budgeted Amounts</b>		<b>Increase</b>
	<b>Original</b>	<b>Final</b>	<b>( Decrease )</b>
Revenue	\$ 170,568	\$ 170,568	\$ -
Cost of sales	(45,650)	(45,650)	-
Expenditures/expense	(122,266)	(122,266)	-
 Change in net position	 \$ 2,652	 \$ 2,652	 \$ -

There were no changes to the budget as originally adopted.

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

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

	<b>Final</b>	<b>Actual</b>	<b>Variance</b>
	<b>Budget</b>	<b>Budgetary</b>	<b>Favorable</b>
		<b>Basis</b>	<b>(Unfavorable)</b>
Operating and non-operating revenue	\$ 170,568	\$ 171,239	\$ 671
Cost of sales	45,650	47,580	(1,930)
Operating expenditures/expense	92,571	72,086	20,485
Note principal payment	29,695	29,694	1
Total expenditure/expense	167,916	149,360	18,556
 Change in net position non-GAAP basis	 \$ 2,652	 \$ 21,879	 \$ 19,227

**MANAGEMENT OF THE DISTRICT**

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

**WESTWOOD LAKES WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2018**

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

***FINANCIAL STATEMENTS***

**WESTWOOD LAKES WATER DISTRICT  
STATEMENT OF FUND NET POSITION - PROPRIETARY FUND  
DECEMBER 31, 2018**

**ASSETS**

**Current assets**

Cash	\$	110,739
Investments		250,170
Property tax receivable		58,318
Accounts receivable - customers		7,773
Prepaid insurance		7,662
<b>Total current assets</b>		434,662

**Capital assets**

Land		59,983
Wells and lakes		132,478
Machinery and equipment		472,777
Building		542,964
Accumulated depreciation		(762,703)
<b>Total capital assets</b>		445,499

<b>Total assets</b>	<b>\$</b>	<b>880,161</b>
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**LIABILITIES AND DEFERRED INFLOW OF RESOURCES**

**Current liabilities**

Accounts payable and other accrued expenses	\$	7,246
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**Long-term liabilities**

Due within one year		30,894
Due in more than one year		118,295
<b>Total long-term liabilities</b>		149,189

<b>Total liabilities</b>		<b>156,435</b>
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**Deferred inflow of resources**

Property tax		58,318
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<b>Total liabilities and deferred inflow of resources</b>	<b>\$</b>	<b>214,753</b>
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**NET POSITION**

Net investment in capital assets	\$	296,310
Restricted for emergencies		4,319
Unrestricted		364,779
<b>Total net position</b>	<b>\$</b>	<b>665,408</b>

See accompanying notes

**WESTWOOD LAKES WATER DISTRICT  
STATEMENT OF REVENUE, EXPENSE,  
AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND  
YEAR ENDED DECEMBER 31, 2018**

**OPERATING REVENUE**

Water sales	\$ 64,812
Capital reserve fee	20,880
Bond payment fee	9,553
<b>Total operating revenue</b>	<b>95,245</b>

**OPERATING EXPENSE**

Cost of sales	47,580
Office and administration	44,160
Insurance	9,027
Depreciation	35,160
<b>Total operating expense</b>	<b>135,927</b>

<b>Operating loss</b>	<b>(40,682)</b>
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**NON-OPERATING REVENUE (EXPENSE)**

Property tax	56,688
Specific ownership tax	6,945
County Treasurer's fee	(1,598)
Interest income	5,338
Other revenue	7,023
Loss on disposal of assets	(10,000)
Interest expense on capital debt	(6,663)
<b>Total non-operating revenue</b>	<b>57,733</b>

<b>Change in net position</b>	17,051
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**Net position**

<b>Beginning of year</b>	<b>648,357</b>
<b>End of year</b>	<b>\$ 665,408</b>

See accompanying notes

**WESTWOOD LAKES WATER DISTRICT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
YEAR ENDED DECEMBER 31, 2018**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 95,984
Cash paid to suppliers	(106,794)
<b>Net cash used by operating activities</b>	<u>(10,810)</u>

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES**

Collection of taxes from Teller County	62,035
Collection of other revenue	7,023
<b>Net cash provided by non-capital financing activities</b>	<u>69,058</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Principal payments on debt	(29,695)
Interest paid on debt	(6,861)
Purchase of fixed assets	(10,638)
<b>Net cash used by capital and related financing activities</b>	<u>(47,194)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Redemption of certificate of deposit	20,109
Interest received	5,338
Interest reinvested	(5,146)
<b>Net cash provided by capital and related investing activities</b>	<u>20,301</u>

<b>Change in cash</b>	31,355
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**CASH**

<b>Beginning</b>	79,384
<b>Ending</b>	<u>\$ 110,739</u>

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

Operating loss	\$ (40,682)
Adjustments to reconcile operating income to net cash used by operating activities	
Noncash activity	
Depreciation	35,160
Changes in	
Accounts receivable - customers	739
Prepaid insurance	(405)
Accounts payable and other accrued expenses	(5,622)
Total adjustments	<u>29,872</u>

**NET CASH USED BY OPERATING ACTIVITIES**

	<u>\$ (10,810)</u>
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See accompanying notes

***NOTES TO FINANCIAL STATEMENTS***

# WESTWOOD LAKES WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### History and Organization

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

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

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

#### Government-wide and fund financial statements

**Government-wide financial statements** - The government-wide financial statements (i.e., the 'statement of net position', and the 'statement of activities') report information on all of the non-fiduciary activities of the government.

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

Since the District is a special purpose government engaged only in business-type activities, the government-wide financial statements are not presented.

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

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

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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

The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position. All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

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

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

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

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

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

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Investments** – Investments for the District are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment.

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

**Capital assets** - Capital assets are reported in the proprietary fund financial statements. Capital assets are defined as assets having an estimated life in excess of one year and over \$1,000. Such assets are recorded at cost if purchased or constructed. Donated capital assets are recorded at fair value at the date of donation.

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

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

Depreciable capital assets are depreciated using the straight-line method over estimated useful lives of 5-30 years.

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

The taxes levied by December 15, 2018, reflect 2018 property taxes that will be collected in 2019 by Teller County. Taxes collected by Teller County are remitted to the District on a monthly basis. Teller County also acts as the billing and collection agency for the District. A lien was attached to the property taxes on January 1 and may be paid in full by April 30 or, in equal installments, by February 28 and June 15.

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

**Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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

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

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

**NOTE 1 – DEPOSITS**

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

**Custodial credit risk deposits** - Custodial credit risk is the risk that in the event of bank failure, the District’s deposits will not be returned to it. The District does not currently have a policy related to custodial credit risk. As of December 31, 2018, the District had no deposits exposed to custodial credit risk.

At December 31, 2018, the District's cashbook balance was \$110,739 and was fully insured by the FDIC.

**NOTE 2 – INVESTMENTS**

The District is subject to the provisions of the Colorado Revised statutes 24-75-601, which is entitled “Concerning Investments in Securities by Public Entities.” The District has not adopted a formal investment policy but does follow state statutes regarding investments.

**NOTE 2 – INVESTMENTS - Continued**

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

Revenue bonds of local government securities, corporate and bank securities, and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

Colorado statutes specify investment instruments, meeting defined rating and risk criteria, in which local governments may invest, which include:

- Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- General obligation and revenue bonds of U.S. local government entities

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

**NOTE 2 – INVESTMENTS - Continued**

- Certain securities lending agreements
- Certain certificates of participation
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

The COLOTRUST PLUS+ is rated AAAM by Standard and Poor's and the weighted average maturity to reset (WAM)(R) is kept under 60 days.

As of December 31, 2018, the District had the following investments:

<b>Investment</b>	<b>Maturity</b>	<b>Restriction</b>	<b>Amount</b>
COLOTRUST PLUS+	Weighted Average under 60 Days	None	\$ 250,170

Certain investments are required to be measured at fair value on a recurring basis and categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: 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.

The District's investments are not categorized within the fair value hierarchy. Instead the District's investments are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments. The District held investments in COLOTRUST at year-end for which the investment valuations were determined as follows.

COLOTRUST determines the NAV of the shares of each portfolio as of the close of business of each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of COLOTRUST, are accrued daily. The NAV is calculated at fair value using various inputs in determine value in accordance with FASB guidance. It is the goal of the Trust to maintain a NAV of \$1 per share, however changes in interest rates may affect the fair value of the securities held by COLOTRUST and there can be no assurance that the NAV will not vary from \$1 per share. The investment pool financial statements can be obtained at [www.colotruster.com](http://www.colotruster.com).

**NOTE 3 – ACCOUNTS RECEIVABLE - CUSTOMERS**

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

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

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2018, follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Proprietary funds				
Land	\$ 59,983	\$ -	\$ -	\$ 59,983
Wells and lakes	132,478	-	-	132,478
Intangible assets	10,000	-	(10,000)	-
Machinery and equipment	462,139	10,638	-	472,777
Building	542,964	-	-	542,964
Total capital assets at historical cost	<u>1,207,564</u>	<u>10,638</u>	<u>(10,000)</u>	<u>1,208,202</u>
Less accumulated depreciation for				
Wells and lake improvements	(132,478)	-	-	(132,478)
Machinery and equipment	(350,080)	(17,100)	-	(367,180)
Building	(244,985)	(18,060)	-	(263,045)
Total accumulated depreciation	<u>(727,543)</u>	<u>(35,160)</u>	<u>-</u>	<u>(762,703)</u>
Proprietary funds, capital assets, net	<u>\$ 480,021</u>	<u>\$ (24,522)</u>	<u>\$ (10,000)</u>	<u>\$ 445,499</u>

Depreciation expense for the year was \$35,160.

**NOTE 5 – LONG-TERM DEBT**

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

The loan constitutes a general obligation secured by the District's full faith and credit payable from any available moneys of the District including but not limited to, ad valorem taxes on all taxable real property within its boundaries unlimited as to rate in an amount does not exceed \$42,000 annually.

As part of a covenant, the District has agreed to maintain an operations and maintenance reserve in an amount equal to three months of operation and maintenance expenses, excluding depreciation, of the system as set forth in the annual budget for the current fiscal year. Said reserve may be in the form of unobligated fund balances or other unobligated cash or securities (i.e., capital reserves) or may be in a separate segregated fund. If the operations and maintenance reserve falls below this requirement, the shortfall shall be made up in 24 substantially equal monthly installments beginning the second month after such shortfall. As of December 31, 2018, the District was in compliance with the covenant.

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

**NOTE 5 – LONG-TERM DEBT – Continued**

A summary of changes in long-term debt is:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Payments &amp; Reductions</b>	<b>Ending Balance</b>
Long-term term-debt				
Note payable	\$ 178,884	\$ -	\$ (29,695)	\$ 149,189

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

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

<b>Years ending December 31,</b>	<b>Loan</b>		
	<b>Total</b>	<b>Interest</b>	<b>Principal</b>
<b>2019</b>	\$ 36,556	\$ 5,662	\$ 30,894
<b>2020</b>	36,556	4,414	32,142
<b>2021</b>	36,556	3,115	33,441
<b>2022</b>	36,556	1,764	34,792
<b>2023</b>	18,278	358	17,920
<b>Total</b>	\$ 164,502	\$ 15,313	\$ 149,189

**NOTE 6 – TAX SPENDING AND DEBT LIMITATIONS**

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

TABOR is complex and subject to interpretation. Ultimate implementation may depend upon litigation and legislative guidance. The District believes it has complied with all aspects of the TABOR amendment and an emergency reserve of \$4,319 has been established.

**NOTE 7 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance.

There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**NOTE 8 – FAIR VALUE OF FINANCIAL STATEMENTS**

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

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

**NOTE 9 – RECONCILIATION OF BUDGET TO ACTUAL**

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

**NOTE 10 – RELATED PARTY TRANSACTIONS**

The District incurred expenses of approximately \$5,695 in consulting and courier fees from the relative of a board member.

**NOTE 11 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through July 25, 2019, the date on which the financial statements were available to be released.

***SUPPLEMENTARY INFORMATION***

**WESTWOOD LAKES WATER DISTRICT  
SCHEDULE OF REVENUE, EXPENDITURE/EXPENSE  
AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND  
BUDGET (NON-GAAP BASIS) AND ACTUAL  
YEAR ENDED DECEMBER 31, 2018**

Revenue	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Water sales	\$ 67,000	\$ 67,000	\$ 64,812	\$ (2,188)
Capital reserve fees	20,880	20,880	20,880	-
Bond payment fee	9,553	9,553	9,553	-
Property taxes	56,685	56,685	56,688	3
Specific ownership taxes	5,100	5,100	6,945	1,845
Interest income	2,640	2,640	5,338	2,698
Other revenue	8,710	8,710	7,023	(1,687)
<b>Total revenue</b>	<b>170,568</b>	<b>170,568</b>	<b>171,239</b>	<b>671</b>
<b>Cost of sales</b>				
Operator-in-charge	22,200	22,200	23,415	(1,215)
Utilities	8,500	8,500	7,895	605
Water meter hosting/reading	750	750	688	62
Repairs and maintenance	5,000	5,000	5,483	(483)
Tank maintenance	1,500	1,500	1,110	390
Lake maintenance	5,000	5,000	4,069	931
Chemicals	1,500	1,500	-	1,500
Water testing	1,200	1,200	4,920	(3,720)
<b>Total cost of sales</b>	<b>45,650</b>	<b>45,650</b>	<b>47,580</b>	<b>(1,930)</b>
<b>Expenditures/expense</b>				
Office and administration				
Legal, accounting, and consulting	9,200	9,200	7,871	1,329
Bank charges	50	50	131	(81)
Bookkeeping/secretarial	19,600	19,600	19,007	593
Compliance	600	600	181	419
Courier	4,000	4,000	4,106	(106)
Publication	200	200	32	168
Director fees	10,000	10,000	6,400	3,600
Election	1,000	1,000	260	740
Membership/registration	1,400	1,400	1,003	397
Miscellaneous	100	100	4	96
Office supplies/postage	1,100	1,100	2,660	(1,560)
Rent expense/record retention	900	900	900	-
Software	700	700	-	700
State required reporting	200	200	-	200
Telephone	700	700	715	(15)
Travel	600	600	-	600
Website	200	200	200	-
Education	3,000	3,000	690	2,310
<b>Total office and administration</b>	<b>53,550</b>	<b>53,550</b>	<b>44,160</b>	<b>9,390</b>

Continued on page 20

See accompanying independent auditors' report

**WESTWOOD LAKES WATER DISTRICT  
SCHEDULE OF REVENUE, EXPENDITURE/EXPENSE  
AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND  
BUDGET (NON-GAAP BASIS) AND ACTUAL  
YEAR ENDED DECEMBER 31, 2018**

Continued from page 19

	<u>Budgeted Amounts</u>		<u>Actual Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures/expense (continued)</b>				
<b>Insurance</b>				
Insurance	\$ 10,600	\$ 10,600	\$ 9,027	\$ 1,573
<b>Total insurance</b>	<u>10,600</u>	<u>10,600</u>	<u>9,027</u>	<u>1,573</u>
<b>Interest expense</b>				
Interest on debt	6,861	6,861	6,663	198
<b>Total interest expense</b>	<u>6,861</u>	<u>6,861</u>	<u>6,663</u>	<u>198</u>
<b>Capital improvement expense</b>				
Capital improvement fund disbursement	20,000	20,000	10,638	9,362
<b>Total capital improvement</b>	<u>20,000</u>	<u>20,000</u>	<u>10,638</u>	<u>9,362</u>
<b>Treasurers fees</b>				
Treasurers fees	1,560	1,560	1,598	(38)
<b>Total Treasurers fees</b>	<u>1,560</u>	<u>1,560</u>	<u>1,598</u>	<u>(38)</u>
<b>Term debt expenditures</b>				
Debt principal payment	29,695	29,695	29,694	1
<b>Total term debt expenditures</b>	<u>29,695</u>	<u>29,695</u>	<u>29,694</u>	<u>1</u>
<b>Total expenditure/expense</b>	<u>122,266</u>	<u>122,266</u>	<u>101,780</u>	<u>20,486</u>
<b>Change in net position</b>				
Non-GAAP basis	<u>\$ 2,652</u>	<u>\$ 2,652</u>	21,879	<u>\$ 19,227</u>
<b>GAAP adjustments</b>				
Capital outlay			10,638	
Depreciation			(35,160)	
Loss on project			(10,000)	
Note principal payment			29,694	
<b>Change in net position GAAP basis</b>			<u>\$ 17,051</u>	

See accompanying independent auditors' report