Winter Park Water and Sanitation District
Grand County, Colorado

FINANCIAL STATEMENTS

With Independent Auditor's Report

December 31, 2018 and 2017

Winter Park Water and Sanitation District

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Winter Park Water and Sanitation District (the District) as of and for the years ended December 31, 2018 and 2017 and the related notes to the financial statements as listed in the table of contents

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Winter Park Water and Sanitation District, as of December 31, 2018 and 2017, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Fiscal Focus Partners, LLC

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303.202.1800 Office 303.237.0155 Fax www.ffpcpa.com

Other Matters

Required Supplementary Information

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

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and legal requirements, and is not a required part of the basic financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Fiscal Focus Partners, LLC

Greenwood Village, Colorado
June 25, 2019

Winter Park Water and Sanitation District
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

The discussion and analysis of Winter Park Water and Sanitation District's financial performance provides an overall review of the District's financial activities for the year ended December 31, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should review the information presented here in conjunction with the basic financial statements and the notes to financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

- Assets of the District exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $21,172,308 (net position). Of this amount, $12,526,670 (unrestricted net position) may be used to meet the government's ongoing obligations to its citizens and creditors.

- The District's total net position increased by $807,783 over the prior fiscal year.

- Operating revenues were consistent with the prior year. The District collected $37,426 (3%) more in water and sewer service fees than in the prior year.

- Operating expenses increased $144,215, or 9%, over the prior year.

- Revenues from tap fees decreased $267,036 from the prior year, though local construction activity remained fairly strong.

- The District invested $512,227 in water rights via an intergovernmental agreement.

Overview of the Financial Statements

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

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

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

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

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

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

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

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Winter Park Water and Sanitation District, assets exceeded liabilities and deferred inflows of resources by $21,172,308 at the close of the most recent fiscal year.

Statements of Net Position

	December 31,		
	2018	**2017**	**2016**
Current assets	$ 12,982,610	$ 12,269,303	$ 10,848,533
Capital assets	8,920,038	8,885,335	9,312,833
Other assets	13,551	1,051	1,051
Total assets	21,916,199	21,155,689	20,162,417
Current liabilities	159,439	134,524	153,559
Long-term liabliites	255,000	332,000	405,000
Total liabilities	414,439	466,524	558,559
Deferred inflows of resources	329,452	324,640	309,933
Net position:			
Net investment in capital assets	8,588,038	8,480,335	8,837,833
Restricted	57,600	53,500	52,000
Unrestricted	12,526,670	11,830,690	10,404,092
Net position	$ 21,172,308	$ 20,364,525	$ 19,293,925

Winter Park Water and Sanitation District
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018
(continued)

The District has 41 percent of its net position invested in capital assets (e.g., infrastructure, plant, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, this net position is *not* available for future spending.

Changes in Net Position

	For the Years Ended December 31,		
	2018	**2017**	**2016**
Revenues			
Operating revenue			
Water and sewer services	$ 1,356,191	$ 1,318,765	$ 1,292,060
Miscellaneous income	49,155	36,027	67,629
Nonoperating revenue			
Taxes	341,279	334,727	320,686
Net investment income	174,381	90,585	40,283
Capital contributions			
Tap fees	665,280	932,316	470,085
Total revenues	2,586,286	2,712,420	2,190,743
Expenses			
Operating expenses			
Water operations	620,689	533,747	507,258
Sewer operations	563,396	495,171	506,032
Depreciation	564,287	575,239	585,091
Nonoperating expenses			
County Treasurer fees	11,706	15,663	15,128
Loan interest	18,425	22,000	25,400
Total expenses	1,778,503	1,641,820	1,638,909
Change in net position	807,783	1,070,600	551,834
Net position - beginning	20,364,525	19,293,925	18,742,091
Net position - ending	$ 21,172,308	$ 20,364,525	$ 19,293,925

Budgetary Highlights

The District prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of capital outlay and debt repayment in addition to operations and nonoperating revenue and expenses and contributions. Depreciation is not reflected in the budget since it does not affect funds available. Funds available (current assets, exclusive of property taxes receivable less current liabilities, exclusive of the current portion of long-term obligations) increased $680,173 during 2018.

Growth in 2018 did not require water or wastewater treatment plant expansion. Tap fee revenues will be reserved for future capital projects.

Capital Assets

The District's net investment in capital assets as of December 31, 2018, 2017 and 2016 was as follows:

Capital Assets

	December 31,		
	2018	**2017**	**2016**
Land	$ 105,793	$ 105,793	$ 105,793
Water rights	965,509	453,282	453,282
Construction in progress	299,876	286,079	138,338
Plant and improvements	11,315,925	11,315,925	11,315,925
Water storage tanks	2,488,304	2,488,304	2,488,304
Infrastructure	3,619,466	3,619,466	3,619,466
Vehicles	207,674	164,728	164,728
Equipment	719,483	689,462	689,462
Total assets	19,722,030	19,123,039	18,975,298
Accumulated depreciation	(10,801,992)	(10,237,704)	(9,662,465)
Net capital assets	$ 8,920,038	$ 8,885,335	$ 9,312,833

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

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

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

Debt Administration

As of December 31, 2018 the District had total debt obligations of $332,000, all of which is general obligation bonded (G.O.) debt. During 2018, $73,000 of G.O. debt was retired.

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

Economic Factors and Next Year's Budget

We are anticipating moderate growth, so tap fee revenue budgeted for 2018 is $231,000. As always, the budget is created with Total Budgeted Revenue (less tap revenue) covering Budgeted Operation/Maintenance expenses and Debt Retirement payments.

The District budgeted to receive approximately $1,300,000 in 2019 pursuant to an agreement with Denver Water and Grand County. These funds will be used for additions and upgrades to the existing water system.

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

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

Requests for Information

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

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

BASIC FINANCIAL STATEMENTS

Winter Park Water and Sanitation District

STATEMENTS OF NET POSITION

December 31, 2018 and 2017

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 4,832,354	$ 5,373,624
Cash and cash equivalents - restricted	57,600	53,500
Investments	7,579,266	6,330,688
Accounts receivable - users	118,363	133,970
Accounts receivable - County Treasurer	2,711	11,770
Accrued interest receivable	38,836	23,781
Property taxes receivable	329,452	317,233
Prepaid expenses	24,028	24,737
Total current assets	12,982,610	12,269,303
Capital assets, net	8,920,038	8,885,335
Other assets		
Deposits	13,551	1,051
Total other assets	13,551	1,051
Total assets	$ 21,916,199	$ 21,155,689
LIABILITIES		
Current liabilities		
Accounts payable	$ 47,371	$ 37,324
Accrued salaries, benefits and related liabilities	35,068	24,200
Current portion of long-term debt	77,000	73,000
Total current liabilities	159,439	134,524
Long-term obligations	255,000	332,000
Total liabilities	414,439	466,524
DEFERRED INFLOWS OF RESOURCES		
Deferred property taxes	329,452	324,640
Total deferred inflows of resources	329,452	324,640
NET POSITION		
Net investment in capital assets	8,588,038	8,480,335
Restricted	57,600	53,500
Unrestricted	12,526,670	11,830,690
Total net position	$ 21,172,308	$ 20,364,525

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

Winter Park Water and Sanitation District

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the years ended December 31, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Water and sewer services	$ 1,356,191	$ 1,318,765
Miscellaneous income	49,155	36,027
Total operating revenues	1,405,346	1,354,792
OPERATING EXPENSES		
Water operations - administrative	156,354	160,949
Water operations - maintenance	464,335	372,798
Sewer operations - administrative	146,854	152,338
Sewer operations - maintenance	416,542	342,833
Depreciation	564,287	575,239
Total operating expenses	1,748,372	1,604,157
OPERATING INCOME (LOSS)	(343,026)	(249,365)
NONOPERATING REVENUES		
Property taxes	322,569	312,746
Specific ownership taxes	18,710	21,981
Net investment income	174,381	90,585
Total nonoperating revenues	515,660	425,312
NONOPERATING EXPENSES		
County Treasurer fees	11,706	15,663
Loan interest	18,425	22,000
Total nonoperating expenses	30,131	37,663
INCOME BEFORE CAPITAL CONTRIBUTIONS	142,503	138,284
CAPITAL CONTRIBUTIONS		
Tap fees	665,280	932,316
CHANGE IN NET POSITION	807,783	1,070,600
NET POSITION - beginning of year	20,364,525	19,293,925
NET POSITION - end of year	$ 21,172,308	$ 20,364,525

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

Winter Park Water and Sanitation District

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 1,420,952	$ 1,339,660
Payments to suppliers for goods and services	(742,573)	(592,582)
Payments to employees for services	(419,888)	(464,500)
Net cash provided (used) by operating activities	258,491	282,578
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes	331,628	302,414
Specific ownership taxes	18,710	21,981
County Treasurer's fees	(11,706)	(15,663)
Net cash provided (used) by noncapital financing activities	338,632	308,732
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Tap fees	665,280	932,316
Acquisition of fixed assets	(598,991)	(147,741)
Deposit - reservoir maintenance	(12,500)	-
Debt principal payments	(73,000)	(70,000)
Interest paid on debt	(18,425)	(22,000)
Net cash provided (used) by capital and related financing activities	(37,636)	692,575
CASH FLOWS FROM INVESTING ACTIVITIES		
Net redemption/(purchase) of investments	(1,248,578)	(1,644,365)
Interest earnings received	151,921	82,112
Net cash provided (used) by investing activities	(1,096,657)	(1,562,253)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(537,170)	(278,368)
CASH AND CASH EQUIVALENTS - beginning of year	5,427,124	5,705,492
CASH AND CASH EQUIVALENTS - end of year	$ 4,889,954	$ 5,427,124

(continued)

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

Winter Park Water and Sanitation District

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2018 and 2017
(continued)

	2018	2017
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	$ (343,026)	$ (249,365)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation and amortization	564,287	575,239
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	15,606	(15,132)
Prepaid expenses	709	(6,129)
Increase (decrease) in:		
Accounts payable	10,047	(12,359)
Accrued salaries, benefits and related liabilities	10,868	(9,676)
Total adjustments	601,517	531,943
Net cash provided (used) by operating activities	$ 258,491	$ 282,578

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

Note 1 – Definition of reporting entity

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

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

Note 2 – Summary of significant accounting policies

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

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

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

Basis of Accounting

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

Operating revenues and expenses

The District distinguishes between operating revenues and expenses from nonoperating items in the Statements of Revenues, Expenses and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing water and sewer services to its customers. Operating revenues consist of charges to customers for service provided. Operating expenses include the cost of service, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Cash equivalents

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

Accounts receivable, allowance for doubtful accounts

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

Property Taxes

Property taxes are levied based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or in equal installments, at the taxpayer’s election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November and December. The County Treasurer remits the taxes collected monthly to the District.

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

Capital assets

Capital assets include land, water rights, water and sewer plants and systems, equipment and vehicles. Capital assets are defined by the District as those assets with an initial, individual cost of $3,000 or greater. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation or at the developer's cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

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

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

Water rights

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

Compensated absences

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

Capital contributions

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

Debt issue costs

Debt issuance costs are expensed in the period incurred.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The total appropriation can only be modified upon completion of notification and publication requirements.

Note 3 – Cash and investments

Cash and investments are reflected on the December 31, 2018 and 2017 Statements of Net Position as follows:

	2018	2017
Cash and cash equivalents	$ 4,832,354	$ 5,373,624
Cash and cash equivalents - restricted	57,600	53,500
Investments	7,579,266	6,330,688
Total cash and investments	$ 12,469,220	$ 11,757,812

Cash and investments as of December 31, 2018 and 2017 consist of the following:

	2018	2017
Deposits with financial institutions	$ 4,889,954	$ 5,427,124
Investments	7,579,266	6,330,688
Total cash and investments	$ 12,469,220	$ 11,757,812

At December 31, 2018 and 2017, the District's cash deposits had bank balances of $4,914,512 and $5,470,192, respectively, and carrying balances of $4,889,954 and $5,427,124, respectively.

Deposits with financial institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. As of December 31, 2018 and 2017, the federal insurance limit was $250,000. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Custodial credit risk - deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has not adopted a deposit policy for custodial credit risk. As of December 31, 2018 and 2017, the District's bank balances and carrying balances were insured or collateralized as follows:

	2018	2017
Bank balances:		
Federally insured	$ 2,950,055	$ 3,355,669
Collateralized	1,964,457	2,114,523
Total bank balances	$ 4,914,512	$ 5,470,192
Carrying balances:		
Federally insured	$ 2,950,055	$ 3,355,669
Collateralized	1,939,899	2,071,455
Total carrying balances	$ 4,889,954	$ 5,427,124

Investments

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

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

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

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

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

Fair Value Measurement and Application

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

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

As of December 31, 2018 and 2017, the District had the following investments, recorded at fair value:

Investment	Maturity	2018	2017
U.S. government/agency securities	Less than 5 years	$ 2,935,873	$ 3,164,400
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	2,246,347	1,707,328
Colorado Liquid Asset Trust (Colotrust)	Less than 1 year	2,397,046	1,458,960
Total investments		$ 7,579,266	$ 6,330,688

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

As of December 31, 2018, the District invested $2,935,873 in U.S. Government agency securities rated AAA by Fitch and Aaa by Moody’s. These investments are valued using Level 1 inputs.

CSAFE

During 2018 and 2017, the District invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The trust is similar to a money market fund, with each share valued at $1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

COLOTRUST

During 2018 and 2017, the District invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to $1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Restricted cash and investments

The District had restricted cash of $57,600 and $53,500 for emergencies as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 8), as of December 31, 2018 and 2017.

Winter Park Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS
(continued)

December 31, 2018 and 2017

Note 4 – Capital assets

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

	Balance at December 31, 2017	Increases	Adjustments/ Decreases	Balance at December 31, 2018
Capital assets, not being depreciated				
Land	$ 105,793	$ -	$ -	$ 105,793
Construction in progress	286,079	13,797	-	299,876
Water rights	453,282	512,227	-	965,509
Total capital assets, not being depreciated	845,154	526,024	-	1,371,178
Capital assets being depreciated				
Plant, buildings and improvements	11,315,925	-	-	11,315,925
Water storage tanks	2,488,304	-	-	2,488,304
Infrastructure	3,619,466	-	-	3,619,466
Vehicles	164,728	42,946	-	207,674
Office and other equipment	689,462	30,021	-	719,483
Total capital assets being depreciated	18,277,885	72,967	-	18,350,852
Less accumulated depreciation for				
Plant and improvements	6,323,895	373,215	-	6,697,110
Water storage tanks	1,244,845	38,290	-	1,283,135
Infrastructure	1,921,606	113,519	-	2,035,125
Vehicles	149,240	7,744	-	156,984
Office and other equipment	598,118	31,520	-	629,638
Total accumulated depreciation	10,237,704	564,288	-	10,801,992
Total capital assets being depreciated, net	8,040,181	(491,321)	-	7,548,860
Capital assets, net	$ 8,885,335	$ 34,703	$ -	$ 8,920,038

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

	Balance at December 31, 2016	Increases	Adjustments/ Decreases	Balance at December 31, 2017
Capital assets, not being depreciated				
Land	$ 105,793	$ -	$ -	$ 105,793
Construction in progress	138,338	147,741	-	286,079
Water rights	453,282	-	-	453,282
Total capital assets, not being depreciated	697,413	147,741	-	845,154
Capital assets being depreciated				
Plant and improvements	11,315,925	-	-	11,315,925
Water storage tanks	2,488,304	-	-	2,488,304
Infrastructure	3,619,466	-	-	3,619,466
Vehicles	164,728	-	-	164,728
Office and other equipment	689,462	-	-	689,462
Total capital assets being depreciated	18,277,885	-	-	18,277,885
Less accumulated depreciation for				
Plant and improvements	5,948,648	375,247	-	6,323,895
Water storage tanks	1,206,555	38,290	-	1,244,845
Infrastructure	1,805,150	116,456	-	1,921,606
Vehicles	134,356	14,884	-	149,240
Office and other equipment	567,756	30,362	-	598,118
Total accumulated depreciation	9,662,465	575,239	-	10,237,704
Total capital assets being depreciated, net	8,615,420	(575,239)	-	8,040,181
Capital assets, net	$ 9,312,833	$ (427,498)	$ -	$ 8,885,335

Depreciation expense of $564,288 and $575,239 for the years ended December 31, 2018 and 2017, respectively, was charged to water and sewer operations.

Note 5 – Long term obligations

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2018:

	Balance at December 31, 2017	Additions	Reductions	Balance at December 31, 2018	Due Within One Year
General Obligation Water Bonds	$ 405,000	$ -	$ 73,000	$ 332,000	$ 77,000
	$ 405,000	$ -	$ 73,000	$ 332,000	$ 77,000

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2017:

	Balance at December 31, 2016	Additions	Reductions	Balance at December 31, 2017	Due Within One Year
General Obligation Water Bonds	$ 475,000	-	$ 70,000	$ 405,000	$ 73,000
	$ 475,000	-	$ 70,000	$ 405,000	$ 73,000

General Obligation Refunding Water Bonds

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

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

Annual debt service requirements are as follows:

Year Ended December 31,	Principal	Interest	Total
2019	$ 77,000	$ 14,675	$ 91,675
2020	81,000	10,725	91,725
2021	81,000	6,575	87,575
2022	93,000	2,225	95,225
	$ 332,000	$ 34,200	$ 366,200

Debt authorization

At December 31, 2018, the District had no authorized but unissued indebtedness.

Note 6 – Deferred compensation plans

The District maintains a MetLife 457(b) Deferred Compensation Plan in which all of its full time employees are eligible to participate. Under the Plan, employees may elect to defer an amount each year which does not exceed the lesser of $18,500 or 100% of includible compensation in accordance with Section 457 of the Internal Revenue Code. The District matches 100% of the first 5% of the employees' contributions. The contributions for each employee vest immediately. The employees may withdraw funds from the plan as allowed under IRC Section 457. Plan provisions and contribution requirements are established and may be amended by the District Board of Directors. In accordance with Internal Revenue Code Section 457(b), all plan assets and income are held in trust for the exclusive benefit of the participants and their beneficiaries. During the years ended December 31, 2018 and 2017, employees' contributions totaled $18,576 and $26,994, respectively, and the District's matching contributions totaled $14,283 and $17,210, respectively.

Effective January 1, 2011, the District established the WPWSD 401(a) Plan, which serves as a replacement plan for social security. Employees are eligible to participate effective the first day of the month after the date of hire. Employees make a mandatory contribution of 6.2% of compensation. The District makes a matching contribution of 6.2% of compensation. District contributions are subject to a 3-year cliff vesting schedule. Distributions from the Plan are available upon termination of employment, retirement, or for disability. Loans from the plan are prohibited. Hardship withdrawals are available for emergencies as defined by the Plan. All plan assets and income are held in trust for the exclusive benefit of the participants and their beneficiaries. During the year ended December 31, 2018 and 2017, employees' contributions totaled $18,548 and $21,874 and the District's contributions totaled $18,548 and $21,874, respectively.

Note 7 – Risk management

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District carries commercial insurance for these risks of loss, including workers compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the past three fiscal years.

Note 8 – Tax, spending and debt limitations

Article X, Section 20 of the Colorado constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. While the District receives more than 10% of its revenue from government sources, the District's management believes a significant portion of its operations qualifies for this exclusion.

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

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualification as an Enterprise will require judicial interpretation.

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

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SUPPLEMENTAL INFORMATION

Winter Park Water and Sanitation District

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

WATER FUND

For the year ended December 31, 2018

	Original and Final Budgeted Amounts	Actual Amounts	Variance Favorable (Unfavorable)
REVENUES			
Charges for services	$ 587,000	$ 613,202	$ 26,202
Property taxes	231,354	228,303	(3,051)
Specific ownership taxes	14,500	10,407	(4,093)
Net investment income	45,000	107,829	62,829
Tap fees	115,500	332,640	217,140
Miscellaneous income / reimbursement	1,501,350	37,794	(1,463,556)
Total Revenues	2,494,704	1,330,175	(1,164,529)
EXPENDITURES			
Administrative			
Accounting and legal	20,000	22,135	(2,135)
Automobile	1,200	1,091	109
County Treasurer's fees	11,568	5,853	5,715
Directors fees	3,000	1,650	1,350
Employee benefits	33,225	31,395	1,830
Insurance	13,650	11,801	1,849
Miscellaneous	2,500	4,079	(1,579)
Membership fees and publications	13,000	11,539	1,461
Office labor	61,332	64,485	(3,153)
Office expense	7,500	4,623	2,877
Office rent	1,200	1,200	-
Payroll taxes	-	1,297	(1,297)
Seminars and training	1,200	1,059	141
Total Administration	169,375	162,207	7,168

(continued)

Winter Park Water and Sanitation District

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

WATER FUND

For the year ended December 31, 2018
(continued)

	Original Budgeted Amounts	Actual Amounts	Variance Favorable (Unfavorable)
Maintenance			
Automobile	3,000	3,101	(101)
Contract maintenance and project costs	74,650	52,151	22,499
Employee benefits	32,759	30,353	2,406
Engineering	25,800	18,427	7,373
Labor	79,878	79,047	831
Permits	2,500	400	2,100
Payroll taxes	-	1,577	(1,577)
Rehab and replacement	90,000	118,781	(28,781)
Seminars and training	3,000	2,359	641
Supplies	40,000	32,474	7,526
Utilities	70,000	64,679	5,321
Water rights professional services	30,000	33,032	(3,032)
Water purchase	-	25,189	(25,189)
Water testing	8,000	2,765	5,235
Total Maintenance	459,587	464,335	(4,748)
Debt service - principal	73,000	73,000	-
Debt service - interest	18,425	18,425	-
Capital outlay	6,287,603	560,436	5,727,167
Total Expenditures	7,007,990	1,278,403	5,729,587
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(4,513,286)	51,772	4,565,058
BEGINNING FUNDS AVAILABLE	4,539,286	4,737,781	198,495
ENDING FUNDS AVAILABLE	$ 26,000	$ 4,789,553	$ 4,763,553

Winter Park Water and Sanitation District

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

SEWER FUND

For the year ended December 31, 2018

	Original and Final Budgeted Amounts	Actual Amounts	Variance Favorable (Unfavorable)
REVENUES			
Charges for services	$ 735,000	$ 742,989	$ 7,989
Property taxes	93,286	94,266	980
Specific ownership taxes	6,000	8,303	2,303
Net investment income	40,000	64,306	24,306
Tap fees	115,500	332,640	217,140
Miscellaneous income	4,000	11,361	7,361
Total Revenues	993,786	1,253,865	260,079
EXPENDITURES			
Administrative			
Accounting and legal	20,000	22,134	(2,134)
Automobile	1,200	1,091	109
County Treasurer's fees	4,664	5,853	(1,189)
Directors fees	3,000	1,650	1,350
Employee benefits	33,225	31,395	1,830
Insurance	13,650	11,800	1,850
Licenses and permits	-	1,593	(1,593)
Membership fees and publications	5,000	4,128	872
Miscellaneous	2,500	1,572	928
Office labor	61,332	63,502	(2,170)
Office expense	7,500	4,613	2,887
Office rent	1,200	1,200	-
Payroll taxes	-	1,297	(1,297)
Seminars and training	1,200	879	321
Total Administration	154,471	152,707	1,764

(continued)

Winter Park Water and Sanitation District

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

SEWER FUND

For the year ended December 31, 2018
(continued)

	Original and Final Budgeted Amounts	Actual Amounts	Variance Favorable (Unfavorable)
Maintenance			
Automobile	4,000	3,149	851
Contract maintenance and project costs	103,350	99,265	4,085
Employee benefits	32,759	30,353	2,406
Engineering	25,200	13,123	12,077
Labor	79,878	103,095	(23,217)
Permits	1,500	-	1,500
Payroll taxes	-	1,577	(1,577)
Rehab and replacement	96,000	-	96,000
Seminars and training	3,000	1,749	1,251
Supplies	49,000	35,126	13,874
Testing	1,000	266	734
Utilities	130,000	128,839	1,161
Total Maintenance	525,687	416,542	109,145
Capital outlay	6,651,661	38,555	6,613,106
Total Expenditures	7,331,819	607,804	6,724,015
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(6,338,033)	646,061	6,984,094
BEGINNING FUNDS AVAILABLE -	6,370,033	5,444,513	(925,520)
ENDING FUNDS AVAILABLE	$ 32,000	$ 6,090,574	$ 6,058,574

Winter Park Water and Sanitation District

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

WATER AND SEWER FUNDS

For the year ended December 31, 2018

Revenues (budgetary basis)	$ 2,584,040
Unrealized gain (loss) on investments	2,246
Total revenues per Statement of Revenues, Expenses and Changes in Net Position	2,586,286
Expenditures (budgetary basis)	1,886,207
Depreciation and amortization	564,287
Debt service - principal	(73,000)
Capital outlay	(598,991)
Total expenses per Statement of Revenues, Expenses and Changes in Net Position	1,778,503
Change in net position per Statement of Revenues, Expenses and Changes in Net Position	$ 807,783