

**WIDEFIELD WATER AND SANITATION DISTRICT**

**Management's Discussion and Analysis**

**and Financial Statements**

**For the Years Ended December 31, 2017 and 2016,**

**Supplementary Information**

**For the Year Ended December 31, 2017**

**And**

**Independent Auditors' Report**

# **WIDEFIELD WATER AND SANITATION DISTRICT**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Widefield Water and Sanitation District

We have audited the accompanying financial statements of Widefield Water and Sanitation District (the District) as of and for the years ended December 31, 2017 and 2016, 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 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Widefield Water and Sanitation District as of December 31, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 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.

## **Report on Other Supplemental Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary schedule of revenues, expenses and changes in net position compared to budget is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary schedule of revenues, expenses and changes in net position compared to budget is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Stockman Kast Ryan & Co., LLP*

May 18, 2018

# WIDEFIELD WATER AND SANITATION DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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This section of the District's annual financial report presents an analysis of the District's financial performance during the fiscal years ended December 31, 2017 and 2016. The information is presented in conjunction with the audited basic financial statements, which follow this section.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the following three parts: Management's Discussion and Analysis, Financial Statements, and Supplementary Information. The Financial Statements include notes which explain in detail some of the information included in the financial statements.

### REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the District report information utilizing the full accrual basis of accounting. The Financial Statements conform to accounting principles, which are generally accepted in the United States of America. The Statement of Net Position includes information on the District's assets, deferred outflows and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors. The Statement of Revenue, Expenses and Changes in Net Position identifies the District's revenues and expenses for the fiscal years ended December 31, 2017 and 2016. This statement provides information on the District's operations over the past two fiscal years and can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the Statement of Cash Flows. This statement provides information on the District's cash receipts, cash payments, and changes in cash resulting from operations, investments, and financing activities. From the Statement of Cash Flows, the reader can obtain comparative information on the sources and uses of cash and the change in the cash balance for each of the last two fiscal years.

### FINANCIAL POSITION AND RESULTS FROM OPERATIONS

Operating and Non-Operating Revenue and Expenses were as follows:

|   | <b>2017</b>         | <b>2016</b>         | <b>2015</b>         |
|---|---------------------|---------------------|---------------------|
| Operating revenues  | \$ 9,335,677        | \$ 9,294,965        | \$ 8,571,450        |
| Operating expenses  | <u>7,347,383</u>    | <u>6,928,823</u>    | <u>6,726,504</u>    |
| Operating income  | 1,988,294           | 2,366,142           | 1,844,946           |
| Non-operating revenue, net  | <u>4,378,344</u>    | <u>2,127,216</u>    | <u>2,900,152</u>    |
| Change in net position before<br>contributions for capital assets | 6,366,638           | 4,493,358           | 4,745,098           |
| Contributions for capital assets                                  | <u>267,979</u>      | <u>249,602</u>      | <u>31,840</u>       |
| Change in net position  | <u>\$ 6,634,617</u> | <u>\$ 4,742,960</u> | <u>\$ 4,776,938</u> |

Operating revenues are received primarily from customers receiving water and wastewater services from the District.

The District made no adjustments to the Water and the Wastewater base rate in 2017. In 2017, 80% of the District's customers used 6,000 gallons per month or less of water and wastewater. These customers saw no impact to their water or wastewater charges.

At the end of 2017, the number of water accounts served by the District was 7,765. This compares to 7,469 accounts at the end of 2016. (Note: water volume information is in the Economic and Other Factors section). At the end of 2017, the number of wastewater accounts served by the District was 8,345. This compares to 8,049 accounts at the end of 2016.

The District's operating expenses tend to be relatively fixed in nature with annual increases expected for inflation. Controlling operating expenses continues to be a priority of the District. In 2017, operating expenses increased by \$418,560 over 2016 expenses or 6%.

Non-operating revenue consists of tap fees, water resource acquisition fees, and interest earnings. Non-operating expenses are interest payments for outstanding debt and water acquisition costs. Collection of tap fees and water resource acquisition fees occur when new connections are added to the District. In 2017, the District collected 301.5 water tap fees, 297.5 wastewater tap fees, and 222.5 water acquisition fees. This compares to 2016 when the District collected 247 water tap fees, 248 wastewater tap fees, and 159 water acquisition fees. The \$5,750 per water tap and \$5,750 per wastewater tap remained consistent for 2017 and 2016. The \$7,000 per tap for water resource acquisition remained consistent for 2017 and 2016. A developer may provide a permanent supply of water in lieu of paying a water resource acquisition fee pursuant to the District's water policy.

The assets, deferred outflows, liabilities, and net position were as follows:

|  | <b>2017</b>          | <b>2016</b>          | <b>2015</b>          |
|--|----------------------|----------------------|----------------------|
| <b>ASSETS, DEFERRED OUTFLOWS<br/>AND LIABILITIES</b> |                      |                      |                      |
| Current assets                                       | \$ 23,971,437        | \$ 21,400,521        | \$ 19,222,820        |
| Capital assets, net                                  | 26,773,962           | 24,556,158           | 22,345,005           |
| Other non-current assets                             | 21,904,183           | 21,923,810           | 9,547,200            |
| Deferred outflows                                    | 595,306              | 645,613              | 779,442              |
| Current liabilities                                  | (2,916,755)          | (3,052,586)          | (1,893,327)          |
| Non-current liabilities                              | <u>(22,705,000)</u>  | <u>(24,485,000)</u>  | <u>(13,755,584)</u>  |
| Net position   | <u>\$ 47,623,133</u> | <u>\$ 40,988,516</u> | <u>\$ 36,245,556</u> |
| <b>NET POSITION</b>                                  |                      |                      |                      |
| Net investment in capital assets                     | \$ 14,479,152        | \$ 11,355,840        | \$ 8,558,863         |
| Unrestricted   | <u>33,143,981</u>    | <u>29,632,676</u>    | <u>27,686,693</u>    |
| Total  | <u>\$ 47,623,133</u> | <u>\$ 40,988,516</u> | <u>\$ 36,245,556</u> |

Current assets increased in 2017, primarily due to cash generated from operations and collections of tap and water acquisition fees. Capital asset information is available in Note 3 of the financial statements.

Non-current liabilities decreased primarily as a result of principal payments made on the District's Water and Sewer Revenue Refinancing Bonds, Series 2012, and the District's Water and Sewer Revenue Refunding Bonds, Series 2016. Further debt information is available in Note 4 of the financial statements.

#### CONTRIBUTIONS FROM DEVELOPER / GRANT

Developers requesting service from the District are required to build the water and sewer infrastructure for their development. Following a two year warranty period, title to the infrastructure is transferred to the District and recorded as Contributions from Developer. These contributions vary widely from year to year, dependent on development. No transfers of infrastructure to the District by developers took place in 2017. In 2016 the District received a contribution by a developer for \$92,002 for sewer infrastructure. In 2017 Schlage Companies transferred by contribution a PCE treatment facility valued at \$72,300 to the District. Grant transfers from the State of Colorado were received by the District in 2017 for \$195,679 and in 2016 for \$157,600.

#### BUDGETS

See Supplemental Schedule of Revenues, Expenses and Changes in Net Position, compared to Budget on last page of the report. The schedule shows the District's operating budget for 2017, as adopted on November 15, 2016 by Board resolution. Actual Operating Revenue for the District in 2017 was \$9,335,677, 7.45% above the projected revenue total of \$8,688,240. Actual Operating Expenses for the District in 2017 were \$7,347,383, 4.05% below the projected operating expense total of \$7,657,469.

For non-operating revenue (primarily tap fees and water resource acquisition fees) the District received \$5,018,697, 47.7% above the projected revenue total of \$3,398,200. The non-operating expense (interest and water acquisition costs) total in 2017 was \$640,353, 2% below the projection of \$653,150. Overall, the net non-operating revenue was more than the budget amount by \$1,633,294.

#### ECONOMICS AND OTHER FACTORS

District revenues tend to vary according to weather conditions and water usage from lawn irrigation, which has a significant impact on revenue. In 2017, the District had water sales of about 712.66 million gallons compared to 2016 water sales of about 751.21 million gallons, a decrease of 5.13%.

A total of \$3,197,891 and \$3,134,122 were expended for capital projects in 2017 and 2016, respectively.

Accomplishments in 2017 were completion of the ion exchange facility for removal of Perfluorinated Compounds (PFCs), completion of the lower west to east transmission line, substantial work on wastewater improvements related to Regulation 85 testing and a new wastewater treatment plant, and preliminary planning for pipeline installation to serve the Pikes Peak National Veteran's Cemetery.

#### ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the District's customers, investors, and other interested parties with an overview of the District's financial operations and condition. Should the reader have any questions regarding the information included in this report, or wish to request additional financial information, please contact the District's Finance Director at 8495 Fontaine Blvd., Colorado Springs, Colorado 80925.

# WIDEFIELD WATER AND SANITATION DISTRICT

## STATEMENTS OF NET POSITION

DECEMBER 31, 2017 AND 2016

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|  | 2017                 | 2016                 |
|--|----------------------|----------------------|
| <b>ASSETS</b>                                    |                      |                      |
| <b>CURRENT ASSETS</b>                            |                      |                      |
| Cash and cash equivalents                        |                      |                      |
| Non-designated                                   | \$ 12,151,887        | \$ 10,178,806        |
| Designated                                       | 10,653,065           | 10,172,454           |
| Accounts receivable                              | 775,440              | 671,445              |
| Prepaid expenses                                 | 375,207              | 362,883              |
| Current portion of receivables — Peaceful Valley | <u>15,838</u>        | <u>14,933</u>        |
| Total current assets                             | <u>23,971,437</u>    | <u>21,400,521</u>    |
| <b>NON-CURRENT ASSETS</b>                        |                      |                      |
| Capital assets, net                              | <u>26,773,962</u>    | <u>24,556,158</u>    |
| Other non-current assets                         |                      |                      |
| Water rights                                     | 18,079,334           | 18,079,334           |
| Receivables — Peaceful Valley                    | 162,766              | 182,393              |
| Contract rights                                  | <u>3,662,083</u>     | <u>3,662,083</u>     |
| Total other non-current assets                   | <u>21,904,183</u>    | <u>21,923,810</u>    |
| Total non-current assets                         | <u>48,678,145</u>    | <u>46,479,968</u>    |
| Total assets                                     | 72,649,582           | 67,880,489           |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>            |                      |                      |
| Deferred amount on refunding                     | <u>595,306</u>       | <u>645,613</u>       |
| <b>TOTAL</b>                                     | <u>\$ 73,244,888</u> | <u>\$ 68,526,102</u> |

(continued)

# WIDEFIELD WATER AND SANITATION DISTRICT

## STATEMENTS OF NET POSITION DECEMBER 31, 2017 AND 2016

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|                                     | 2017                 | 2016                 |
|-------------------------------------|----------------------|----------------------|
| <b>LIABILITIES AND NET POSITION</b> |                      |                      |
| <b>CURRENT LIABILITIES</b>          |                      |                      |
| Accounts payable                    | \$ 287,807           | \$ 284,677           |
| Accrued expenses                    | 539,203              | 625,695              |
| Customer deposits                   | 309,745              | 352,214              |
| Current portion of bonds payable    | <u>1,780,000</u>     | <u>1,790,000</u>     |
| Total current liabilities           | 2,916,755            | 3,052,586            |
| <b>NON-CURRENT LIABILITIES</b>      |                      |                      |
| Bonds payable, net                  | <u>22,705,000</u>    | <u>24,485,000</u>    |
| Total liabilities                   | <u>25,621,755</u>    | <u>27,537,586</u>    |
| <b>NET POSITION</b>                 |                      |                      |
| Net investment in capital assets    | 14,479,152           | 11,355,840           |
| Unrestricted                        | <u>33,143,981</u>    | <u>29,632,676</u>    |
| Total net position                  | <u>47,623,133</u>    | <u>40,988,516</u>    |
| <b>TOTAL</b>                        | <u>\$ 73,244,888</u> | <u>\$ 68,526,102</u> |

(concluded)

See notes to financial statements.

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# WIDEFIELD WATER AND SANITATION DISTRICT

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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|   | 2017                 | 2016                 |
|---|----------------------|----------------------|
| OPERATING REVENUE   |                      |                      |
| Water revenue   | \$ 4,811,930         | \$ 4,766,975         |
| Wastewater revenue  | 3,833,956            | 3,638,391            |
| Other operating revenue   | <u>689,791</u>       | <u>889,599</u>       |
| Total operating revenue   | <u>9,335,677</u>     | <u>9,294,965</u>     |
| OPERATING EXPENSES  |                      |                      |
| Salaries and taxes  | 1,883,918            | 1,799,141            |
| Water   | 1,494,941            | 1,465,698            |
| Depreciation  | 1,225,356            | 1,172,571            |
| Employee benefits and insurance                                   | 528,589              | 541,609              |
| Office services   | 426,986              | 399,529              |
| Professional services   | 425,565              | 440,433              |
| Maintenance and repairs   | 392,056              | 397,068              |
| Other operating expenses  | <u>969,972</u>       | <u>712,774</u>       |
| Total operating expenses  | <u>7,347,383</u>     | <u>6,928,823</u>     |
| OPERATING INCOME  | <u>1,988,294</u>     | <u>2,366,142</u>     |
| NON-OPERATING REVENUE (EXPENSES)                                  |                      |                      |
| Tap fees  | 3,444,250            | 2,846,249            |
| Water acquisition fees  | 1,557,500            | 1,113,000            |
| Interest income   | 16,947               | 17,021               |
| Interest expense  | (640,353)            | (674,518)            |
| Water acquisition costs   |                      | (955,961)            |
| Bond issuance costs   |                      | <u>(218,575)</u>     |
| Total   | <u>4,378,344</u>     | <u>2,127,216</u>     |
| CHANGE IN NET POSITION BEFORE CONTRIBUTIONS<br>FOR CAPITAL ASSETS | 6,366,638            | 4,493,358            |
| CONTRIBUTIONS FOR CAPITAL ASSETS                                  | <u>267,979</u>       | <u>249,602</u>       |
| CHANGE IN NET POSITION  | 6,634,617            | 4,742,960            |
| NET POSITION, Beginning of year                                   | <u>40,988,516</u>    | <u>36,245,556</u>    |
| NET POSITION, End of year   | <u>\$ 47,623,133</u> | <u>\$ 40,988,516</u> |

See notes to financial statements.

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# WIDEFIELD WATER AND SANITATION DISTRICT

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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|   | 2017                 | 2016                 |
|---|----------------------|----------------------|
| OPERATING ACTIVITIES  |                      |                      |
| Receipts from customers                                     | \$ 9,192,023         | \$ 9,259,012         |
| Payments to suppliers                                       | (3,812,045)          | (3,200,068)          |
| Payments to employees                                       | <u>(2,405,668)</u>   | <u>(2,333,911)</u>   |
| Net cash provided by operating activities                   | <u>2,974,310</u>     | <u>3,725,033</u>     |
| CASH FLOWS FROM CAPITAL AND RELATED<br>FINANCING ACTIVITIES |                      |                      |
| Tap fees  | 3,444,250            | 2,846,251            |
| Water acquisition fees                                      | 1,557,500            | 1,113,000            |
| Water acquisition costs                                     |                      | (955,961)            |
| Acquisition and construction of capital assets              | (3,197,891)          | (3,134,122)          |
| Sale of capital assets                                      | 19,900               |                      |
| Interest paid on bonds and capital lease obligation         | (640,353)            | (674,518)            |
| Proceeds from receivables — Peaceful Valley                 | 18,722               | 14,081               |
| Principal payments on bonds                                 | (1,790,000)          | (1,140,000)          |
| Purchases of water rights                                   |                      | (413,686)            |
| Proceeds on bond issuance                                   |                      | 11,943,066           |
| Extinguishment of bonds                                     |                      | (11,070,584)         |
| Bond issuance costs   |                      | (218,575)            |
| Deferred loss on bond refunding                             | <u>50,307</u>        | <u>133,829</u>       |
| Net cash used in capital and related financing activities   | <u>(537,565)</u>     | <u>(1,557,219)</u>   |
| CASH FLOWS FROM INVESTING ACTIVITIES                        |                      |                      |
| Net cash provided by investing activities —                 |                      |                      |
| Interest on investments                                     | <u>16,947</u>        | <u>17,021</u>        |
| INCREASE IN CASH AND CASH EQUIVALENTS                       | 2,453,692            | 2,184,835            |
| CASH AND CASH EQUIVALENTS, Beginning of year                | <u>20,351,260</u>    | <u>18,166,425</u>    |
| CASH AND CASH EQUIVALENTS, End of year                      | <u>\$ 22,804,952</u> | <u>\$ 20,351,260</u> |

(continued)

# WIDEFIELD WATER AND SANITATION DISTRICT

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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### RECONCILIATION OF OPERATING INCOME

#### TO NET CASH PROVIDED BY OPERATING ACTIVITIES

|   |                     |                     |
|---|---------------------|---------------------|
| Operating income  | \$ 1,988,294        | \$ 2,366,142        |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                     |                     |
| Depreciation  | 1,225,356           | 1,172,571           |
| Other   | 2,810               |                     |
| Change in operating assets and liabilities:   |                     |                     |
| Accounts receivable   | (103,995)           | 5,269               |
| Prepaid expenses  | (12,324)            | 1,794               |
| Accounts payable and accrued expenses   | (83,362)            | 220,477             |
| Customer deposits   | <u>(42,469)</u>     | <u>(41,220)</u>     |
| Net cash provided by operating activities   | <u>\$ 2,974,310</u> | <u>\$ 3,725,033</u> |

### NON-CASH TRANSACTIONS

|  |                   |                      |
|--|-------------------|----------------------|
| Contribution of capital assets                             | <u>\$ 267,979</u> | <u>\$ 249,602</u>    |
| Water rights purchased through proceeds from bond issuance | <u>\$ —</u>       | <u>\$ 11,976,934</u> |

(concluded)

See notes to financial statements.

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# WIDEFIELD WATER AND SANITATION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity** — Widefield Water and Sanitation District of El Paso County, Colorado (the District), was organized on May 17, 1996 and is governed by a Board of Directors that is selected by an election of eligible electors within the District's legal boundaries. As required by generally accepted accounting principles, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District supplies water and sanitary sewer services for the geographical service area known as the Widefield Water and Sanitation District. The District has no component units.

**Basis of Accounting** — The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America, including all applicable statements of the Governmental Accounting Standards Board (GASB). The financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. An enterprise fund is used to account for operations that are financed and operated in a manner similar to a private business enterprise; (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Net Position** — The District's net position is classified in the following three components:

- **Net investment in capital assets** — This component consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** — This component consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets are assets which have restrictions placed on the use of the assets through external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- **Unrestricted** — This component consists of the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

**Budgets** — In the fall, the Budget officer is required to submit to the Board of Directors a budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted by the District to obtain public comments on the budget. Prior to December 31, the budget is officially adopted by the Board.

The District is authorized to transfer budgeted amounts between line items of the budget; however, any revisions that increase the total expenditures of the District must be approved by the Board of Directors.

**Capital Assets** — Capital assets, which consist primarily of water and sanitary sewer systems, are stated at historical cost or fair market value at the time of donation. Depreciation is calculated using the straight-line method over the estimated useful lives ranging from three to seventy-five years.

**Cash and Cash Equivalents** — Cash in excess of daily requirements is invested in money market accounts. Such accounts, demand deposits and cash on hand, are deemed to be cash equivalents for the purpose of the statement of cash flows.

**Accounts Receivable** — Accounts receivable as of December 31, 2017 and 2016 include unbilled customers' accounts of \$505,528 and \$441,768, respectively. Billed accounts receivable are stated at invoiced amounts. Management has determined that accounts receivable are collectible and no allowance for doubtful accounts is deemed necessary.

**Contract Rights** — Certain contract rights donated in 1997 are recorded at fair market value at the time of donation. No amortization of the contract rights is recognized since they are perpetual. Annually, the District evaluates the contract rights for impairment.

**Fair Value of Financial Instruments** — The District's financial instruments include cash and cash equivalents, accounts receivable, and accounts payable. The District estimates that the fair values of its financial instruments at December 31, 2017 and 2016 do not differ materially from the carrying values of its financial instruments recorded in the accompanying statements of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

**Operating Revenue and Expenses** — Operating revenue and expenses are those that result from providing services and producing and delivering goods and services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

**Use of Estimates** — Preparation of the District's financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 income and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent Events** — The District has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

## 2. RECEIVABLES — PEACEFUL VALLEY

The District installed a water transmission system for a subdivision known as Peaceful Valley Lake Estates (Peaceful Valley). The cost of the improvements was \$789,818 and was financed by the District's 1997 Series A bonds. Each homeowner within the subdivision was asked to pay a one-time charge equal to a pro-rata share of the overall cost or agree to a separate monthly assessment sufficient to amortize the pro-rata cost using a term and interest rate roughly equivalent to the 1997 Series A bonds. The amounts due from Peaceful Valley homeowners at December 31, 2017 and 2016 were \$178,604 and \$197,326, respectively. The receivables are secured by liens on each of the properties within Peaceful Valley.

After a one year warranty period, the District assumed ownership and maintenance responsibility for the system. Accordingly, the District has recorded the cost of the system as an asset and capital contribution. The receivables bear interest at 5.89% and are due as follows for the year ending December 31:

|             |                   |
|-------------|-------------------|
| 2018        | \$ 15,838         |
| 2019        | 16,798            |
| 2020        | 17,814            |
| 2021        | 18,893            |
| 2022        | 20,037            |
| 2023 – 2026 | <u>89,224</u>     |
| Total       | <u>\$ 178,604</u> |

## 3. CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2017 and 2016 is as follows:

|                                    | <b>Balance at<br/>January 1,<br/>2017</b> | <b>Increases</b>    | <b>Decreases</b>            | <b>Balance at<br/>December 31,<br/>2017</b> |
|------------------------------------|---|---------------------|-----------------------------|---|
| Land                               | \$ 804,876                                | \$ 10,240           |                             | \$ 815,116                                  |
| Equipment and systems              | 33,643,357                                | 4,072,756           | \$ (51,420)                 | 37,664,693                                  |
| Office furniture and equipment     | 8,794                                     | 50,548              |                             | 59,342                                      |
| Construction in progress           | <u>3,981,422</u>                          | <u>3,721,724</u>    | <u>(4,389,398)</u>          | <u>3,313,748</u>                            |
| Total capital assets               | <u>38,438,449</u>                         | <u>7,855,268</u>    | <u>(4,440,818)</u>          | <u>41,852,899</u>                           |
| Less accumulated depreciation for: |   |                     |                             |   |
| Equipment and systems              | (13,875,172)                              | (1,217,087)         | 28,710                      | (15,063,549)                                |
| Office furniture and equipment     | <u>(7,119)</u>                            | <u>(8,269)</u>      | <u>                    </u> | <u>(15,388)</u>                             |
| Total accumulated depreciation     | <u>(13,882,291)</u>                       | <u>(1,225,356)</u>  | <u>28,710</u>               | <u>(15,078,937)</u>                         |
| Capital assets, net                | <u>\$ 24,556,158</u>                      | <u>\$ 6,629,912</u> | <u>\$ (4,412,108)</u>       | <u>\$ 26,773,962</u>                        |

|                                    | <b>Balance at<br/>January 1,<br/>2016</b> | <b>Increases</b>    | <b>Decreases</b>   | <b>Balance at<br/>December 31,<br/>2016</b> |
|------------------------------------|---|---------------------|--------------------|---|
| Land                               | \$ 804,876                                |                     |                    | \$ 804,876                                  |
| Equipment and systems              | 36,786,084                                | \$ 83,755           | \$ (3,226,482)     | 33,643,357                                  |
| Office furniture and equipment     | 40,451                                    |                     | (31,657)           | 8,794                                       |
| Construction in progress           | <u>681,453</u>                            | <u>3,365,296</u>    | <u>(65,327)</u>    | <u>3,981,422</u>                            |
| Total capital assets               | <u>38,312,864</u>                         | <u>3,449,051</u>    | <u>(3,323,466)</u> | <u>38,438,449</u>                           |
| Less accumulated depreciation for: |   |                     |                    |   |
| Equipment and systems              | (15,930,384)                              | (1,171,270)         | 3,226,482          | (13,875,172)                                |
| Office furniture and equipment     | <u>(37,475)</u>                           | <u>(1,301)</u>      | <u>31,657</u>      | <u>(7,119)</u>                              |
| Total accumulated depreciation     | <u>(15,967,859)</u>                       | <u>(1,172,571)</u>  | <u>3,258,139</u>   | <u>(13,882,291)</u>                         |
| Capital assets, net                | <u>\$ 22,345,005</u>                      | <u>\$ 2,276,480</u> | <u>\$ (65,327)</u> | <u>\$ 24,556,158</u>                        |

#### 4. LONG-TERM DEBT

A summary of long-term debt is as follows:

|   | <b>Balance at<br/>January 1,<br/>2017</b> | <b>Increases</b>            | <b>Decreases</b>      | <b>Balance at<br/>December 31,<br/>2017</b> | <b>Amounts<br/>Due<br/>Within<br/>One Year</b> |
|---|---|-----------------------------|-----------------------|---|--|
| Water and Sewer<br>Revenue Refinancing<br>Bonds, Series 2012                  | \$ 3,255,000                              |                             | \$ (245,000)          | \$ 3,010,000                                | \$ 200,000                                     |
| Water and Sewer<br>Revenue Refunding and<br>Improvement Bonds,<br>Series 2016 | <u>23,020,000</u>                         | <u>                    </u> | <u>(1,545,000)</u>    | <u>21,475,000</u>                           | <u>1,580,000</u>                               |
| Total   | <u>\$26,275,000</u>                       | <u>\$ —</u>                 | <u>\$ (1,790,000)</u> | <u>\$24,485,000</u>                         | <u>\$ 1,780,000</u>                            |

|   | <b>Balance at<br/>January 1,<br/>2016</b> | <b>Increases</b>     | <b>Decreases</b>                 | <b>Balance at<br/>December 31,<br/>2016</b> | <b>Amounts<br/>Due<br/>Within<br/>One Year</b> |
|---|---|----------------------|----------------------------------|---|--|
| Water and Sewer<br>Revenue Refunding<br>and Improvement<br>Bonds, Series 2004 | \$ 11,005,000                             |                      | \$(11,005,000)                   |   |  |
| Water and Sewer<br>Revenue Refinancing<br>Bonds, Series 2012                  | 3,495,000                                 |                      | (240,000)                        | \$ 3,255,000                                | \$ 245,000                                     |
| Water and Sewer<br>Revenue Refunding and<br>Improvement Bonds,<br>Series 2016 |   | \$ 23,920,000        | (900,000)                        | 23,020,000                                  | 1,545,000                                      |
| Unamortized portion of<br>original issue premium                              | <u>65,584</u>                             |                      | <u>(65,584)</u>                  |   |  |
| <b>Total</b>  | <u>\$ 14,565,584</u>                      | <u>\$ 23,920,000</u> | <u><del>\$(12,210,584)</del></u> | <u>\$ 26,275,000</u>                        | <u>\$ 1,790,000</u>                            |

The following is a summary of bond principal maturities and interest requirements as of December 31, 2017:

| <b>Year Ending<br/>December 31,</b> | <b>Series 2016<br/>Bonds</b> | <b>Series 2012<br/>Bonds</b> | <b>Total</b>         |
|-------------------------------------|------------------------------|------------------------------|----------------------|
| 2018                                | \$ 2,058,893                 | \$ 320,592                   | \$ 2,379,485         |
| 2019                                | 2,058,659                    | 320,351                      | 2,379,010            |
| 2020                                | 2,057,644                    | 321,935                      | 2,379,579            |
| 2021                                | 2,060,849                    | 323,110                      | 2,383,959            |
| 2022                                | 2,058,162                    | 323,873                      | 2,382,035            |
| 2023 – 2029                         | <u>14,419,758</u>            | <u>2,259,016</u>             | <u>16,678,774</u>    |
| <b>Total</b>                        | 24,713,965                   | 3,868,877                    | 28,582,842           |
| <b>Less interest</b>                | <u>3,238,965</u>             | <u>858,877</u>               | <u>4,097,842</u>     |
| <b>Outstanding principal</b>        | <u>\$ 21,475,000</u>         | <u>\$ 3,010,000</u>          | <u>\$ 24,485,000</u> |

**Series 2012 Bonds:**

In 2012, the District issued Water and Sewer Revenue Refunding Bonds Series 2012 in order to defease the District's Series B Bonds. The Bonds have a face amount of \$4,170,000 with interest ranging from 2% to 3% plus the five-year LIBOR Swap Curve multiplied by .065.

**Series 2016 Bonds:**

In 2016, the District issued Water and Sewer Revenue Refunding and Improvement Bonds Series 2016 in order to extinguish the District's Series 2004 Bonds, as well as purchase the remaining shares related to the Cody water rights. The bonds have a face value of \$23,920,000 and bear interest at 2.23%.

The District's "Net Revenue" is pledged to pay the principal and interest of the Series 2016 and 2012 Bonds. Net Revenue is generally defined as all income and revenue derived by the District from the operation and use of the water and wastewater systems less all reasonable and necessary expenses incurred for operating, maintaining and repairing the Systems.

## **5. WATER RIGHTS**

As of December 31, 2017 and 2016, the District owns 241 shares of stock in Fountain Mutual Irrigation Company, which are recorded at cost. Each share provides a right to 0.7 acre feet of water. In addition, as of December 31, 2016, the District has 100% interest in certain water rights referred to as the Cody Water Rights (See Note 7), which are also recorded at cost. As of December 31, 2017 the District also has a \$1,096,584 interest in certain water rights referred to as the Westcliffe H2O Ranch Water Rights (see Note 7), which are also recorded at cost.

## **6. DEPOSITS**

The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash into eligible public depositories as determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA which allows the 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 aggregate uninsured deposits.

At December 31, 2017 and 2016, the carrying amount of the District's cash was \$22,804,952 and \$20,351,260, respectively, and the bank balances were \$23,148,124 and \$20,438,985, respectively. Of the bank balances, \$250,000 was covered by federal depository insurance and \$22,898,124 and \$20,188,985 as of December 31, 2017 and 2016, respectively is required by Colorado statutes to be collateralized with securities held by the pledging financial institution's trust department in the District's name.

## **7. WATER PURCHASE COMMITMENTS**

Fountain Valley Authority:

Fountain Valley Authority (the Authority) is a political subdivision of the State of Colorado formed in 1979 for the primary purpose of constructing and operating a water treatment plant for its five customers, each of which owns and operates a water system. The District has a 7.46% share in the Authority and is a customer of the Authority. The Authority has entered into a water treatment and delivery contract with its five customers in which each customer agrees to pay the Authority its proportionate share of all costs, including bonded indebtedness, whether or not such customer requests or receives any treated water.

In addition, the Authority has conveyance contracts with the United States Department of the Interior through the Southeastern Colorado Water Conservancy District which has constructed a conduit from the Pueblo Reservoir to the site of the water treatment plant. Construction costs of this project will be reimbursed with interest over a 40-year period by conveyance service rates based upon the scheduled acre feet of water to be conveyed for each customer.

The District's participation is 1,500 acre-feet (7.46% of the total). The Authority charges contract participants amounts necessary to recover its construction costs and to purchase and treat the raw water. Total expenses under this arrangement were \$988,828 and \$918,289 for the years ended December 31, 2017 and 2016, respectively.

#### 1997 Master Lease of Water:

In 1997, the District entered into a perpetual Master Lease of Water (Water Lease) that was subsequently amended in 2009, under which the District agreed to pay the lessor for the first six years of the lease a payment of \$125 per acre-foot at the bottom of the well for all water pumped. Terms of the Water Lease require the District to acquire a minimum of 1,000 acre feet annually. The lease provides that on March 1, 2003 and on each ten-year anniversary thereafter, the lease payment of \$125 per acre-foot is to be adjusted to the then market value. Each year after a market value determination has been made and until the next market value determination, annual adjustments shall be made to the lease rate pursuant to the CPI. Effective March 1, 2017 and 2016, the rate was \$198 and \$192 per acre foot, respectively.

#### 2006 Water Rights Agreement:

In December, 2006, the District, together with Security Water District (Security), entered into a perpetual Water Rights Agreement with Pikes Peak Community Foundation to lease approximately 1,350 acre feet of water per year for an initial payment of \$300,000 for years 2006 and 2007 and a minimum rent of \$216,563 beginning in 2008. Terms of the agreement provide for the District and Security each receiving, and paying for, one half of the water available and include future annual CPI adjustments to lease payments. Concurrent with the lease, the District and Security entered into a Water Rights Sublease with the City of Fountain (Fountain) to lease to Fountain approximately 1,125 acre feet of water per year through December 2011. Fountain made an initial payment of \$280,175 for years 2006 and 2007 and the minimum required sublease payments from 2008 through 2011. Payments under the sublease are subject to annual CPI adjustments. The agreement was amended in March 2012 to extend the initial sublease period through December 31, 2016. Commencing January 1, 2017, Fountain has the continuing right to lease water that the District and Security are unable to use or do not wish to use. Also, commencing January 1, 2017, Fountain is entitled to lease, in perpetuity, 10% of the amount of water available under the Water Rights Lease Agreement with Pikes Peak Community Foundation. The District and Security will share the remaining water 45% each. Additional terms of the Water Rights Sublease require Fountain to pay for the necessary well rehabilitation and pipeline installations with an understanding that the District and Security will reimburse Fountain for two-thirds of the costs of infrastructure that benefits them, at such time as the District and Security cease to sublet their water to Fountain.

#### Westcliffe Water:

In 2008, the District entered into an agreement with Fountain and the owner of H2O Ranch (the Ranch) in Westcliffe, Colorado, the owner of 486 acres and certain water rights. Terms of the agreement provided for Fountain to buy the Ranch and the appurtenant water rights for \$3,500,000, including \$2,000,000 at closing and a note for \$1,500,000 due in monthly installments of \$12,000 including interest at 7%. The District is a party to this agreement and, in a separate agreement with Fountain, agreed to reimburse Fountain for 50% of the costs incurred in the original deal in exchange for 50% of the water which becomes decreed for municipal use. An application has been filed with the Water Court by Fountain and the District as co-applicants to obtain a final non-appealable decree for the change of use to municipal. If the decree had not been entered within four years of the filing of the application, the seller had certain options which include allowing the Water Court case to continue; buy the property back; or require a sale of the property. In 2014, the Water Court ruled on the appropriate methodology to establish entitlement of water. Designation of the specific water

entitlement concluded in 2015 and the District received title to their allocation of the water rights. In September 2012, Fountain and the District entered into an agreement to lease 400 of the acres to be used for agricultural purposes through December 31, 2016.

During 2015, Fountain made a payment to Westcliffe Water of \$2,191,178 towards the \$3,500,000 agreed upon purchase price. As such, the District reimbursed the City of Fountain \$1,095,589 (50%). As a result of this payment by the District and fees paid in 2016, the amount of the interest in the Westcliffe Water Rights is \$1,096,584 as of December 31, 2016 and 2017.

#### Cody Water Rights:

On August 31, 2010, the District entered into a Water Rights Sale Agreement (the Agreement) with Widefield H2O Supply, LLC (WHS), a related entity owned by two members of the District's Board of Directors. The Agreement requires the District to purchase, and WHS to sell, certain water rights acquired by WHS (Cody Water Rights).

Concurrent with the Agreement between the District and WHS, WHS entered into a Purchase and Sale Contract (the Contract) with Cody Land and Water Wyoming, LLC and CLWA, LLC (collectively Cody), the owner of 1,273.93 acre feet of water rights located in the Fountain Creek Drainage Basin of El Paso County, Colorado. Under the terms of the Contract, WHS acquired Cody at a purchase price of \$15,000,000 consisting of a payment of \$500,000 paid at closing and a \$14,500,000 promissory note. The note bore interest at 6½% and was payable in minimum semi-annual payments of \$125,000 due at the end of each February and September through August 31, 2020; however, the note was paid in full in 2016 using the Series 2016 bond proceeds.

The Agreement between the District and WHS required the District to make payments to WHS equal to the minimum payments required of WHS to Cody pursuant to the Contract between WHS and Cody as described above, plus an additional 4% of all principal payments made to Cody from WHS (Re-Sale Mark-Up).

During 2010, the District made a payment to WHS of \$500,000, for amounts due Cody at closing, plus an additional \$20,000 Re-Sale Mark-Up in exchange for a 3 1/3% interest in the Cody Water Rights.

The remaining 96 2/3% of the Cody Water Rights and associated structures acquired by WHS from Cody were sold to the District in installments in the proportion that the amount of principal payment made as part of each respective payment bears to the \$15,000,000 purchase price plus the Re-Sale Mark-Up.

The District made its semi-annual payments to WHS in the amounts of \$401,560 and \$410,260 in February 2016 and 2015, respectively, and \$392,450 and \$405,972 in August 2016 and 2015, respectively, the full amount of interest accrued on the note from WHS to Cody at such dates, which exceeded the required minimum payments. As of December 31, 2015 the District recognized as a liability \$267,707 for the amount of interest owed as of that date which was paid on February 28, 2016. The District records the \$125,000 minimum semi-annual payment as the cost of water under operating expenses and any additional amount above the minimum payment as a reduction of Other Revenue in order to reflect the source from which the payments are to be paid. Accordingly, at December 31, 2015, the District recorded the annual payments totaling \$250,000 as an operating expense and additional payments and accruals of \$573,967, as non-operating expense. In October 2016, the District purchased the remaining shares related to the water rights leading to a prorated total of annual payments totaling \$187,500 as an operating expense and additional payments of \$955,962 as non-operating expense.

## **8. 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 worker's compensation and employee health and accident insurance. There were no claims resulting from these risks that exceeded commercial insurance coverage during 2017 and 2016.

## **9. TAX, SPENDING AND DEBT LIMITATIONS**

In November 1992 Colorado voters approved Amendment 1 to the state Constitution which is commonly known as the Taxpayer's Bill of Rights or the TABOR Amendment. The amendment applies to all units of local government and limits taxes, spending, revenue, and multi-year debt (excepting bond refundings to lower interest rates and adding employees to pension plans). The amendment does not apply to units of local government that are defined as an "Enterprise".

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. The District's management believes substantially all of its operations qualify for this exclusion. Therefore, the District adopted a resolution pursuant to CRS 37-45.1-101 et seq. to establish a water activity enterprise.

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 qualification as an Enterprise will require judicial interpretation.

## **10. PENSION PLAN**

The District contributes to the Colorado County Officials and Employees Retirement System (CCOERS), a cost-sharing multiple-employer defined contribution pension plan administered by the Colorado County Officials and Employees Retirement Association (CCOERA). CCOERS provides pension benefits and deferred compensation for members and beneficiaries. Employees regularly employed on a full-time basis for five months a year and having completed 90 days of service are eligible for the plan and participants become fully vested 12 months later. Plan members and the District are required to contribute at a rate set by statute. The contribution requirements of plan members and the District are established under Title 24, Article 54, Part 101 of the Colorado Revised Statutes (CRS), as amended. The District is required to contribute between 3% and 6% of the participant's compensation. The District's board approved rate is 5% of compensation. Total contributions made by the District and participants for the years ended December 31, 2017 and 2016 were \$160,220 and \$149,193, respectively. CCOERA issues a publicly available annual financial report that includes financial statements and required supplementary information for CCOERS. That report may be obtained by writing to CCOERA, 4949 South Syracuse Street, Suite 400, Denver, Colorado 80237 or by calling CCOERA at 1-800-352-0313.

## **11. JOINT FACILITIES OPERATING AGREEMENT**

The District has a Joint Facilities Operating Agreement (Agreement) with the City of Fountain (Fountain), Colorado. The purpose of the Agreement is to provide for the ownership, operation, and use of water storage tanks and related facilities. Under the Agreement, the facilities were constructed at a cost of \$2,623,177 shared equally by the District and Fountain.

The District provides day-to-day operational control and revenues and costs generally are shared equally.

## **12. WIDEFIELD AQUIFER RECHARGE ASSOCIATION**

During 2003, the District entered into an agreement with Security Water District (Security) to form the Widefield Aquifer Recharge Association (the Association), made up of the District and Security as members. The Association was formed to engage in the planning, evaluation, design and financial feasibility of jointly developing a public water treatment and supply facility that would utilize certain water rights controlled by the Members. In 2008, the agreement was amended for the purpose of including the City of Fountain (Fountain) into the Association. The Association's purpose continues to be the same and will ultimately utilize water rights of the Members to enhance each Member's developed water supply. The Association will continue until the earlier of: (a) the execution of a new agreement between the parties, (b) the withdrawal of a member, (c) the mutual agreement of the Members to dissolve or (d) December 31, 2016, unless the term of the Association is extended by mutual agreement of the Members. As of December 31, 2017, the agreement had not been extended, but it is the intention of the District to do so. The Association is governed by a Board of Directors which consists of a representative from each of the Member entities. Each member contributes one third (1/3) of the annual operating budget. There were no District contributions in both 2017 and 2016. The Association had \$62,131 and \$74,528 of cash remaining at December 31, 2017 and 2016, respectively.

## **13. COMMITMENTS AND CONTINGENCIES**

On December 18, 2007, the District entered into an operating agreement with the Security Water District and Fountain. The operating agreement details the responsibilities of each entity for operations of the Venetucci Well Field which is under lease by the District. Under the operating agreement, Fountain is responsible for the initial development, construction and ownership of a facility, which is eventually to be jointly owned, for the initial sublease period from January 1, 2007 through December 31, 2015. After the initial sublease period, the District is required to reimburse Fountain for 45% of cost incurred during the initial sublease period for development, construction and operations of the jointly owned facility and the District will have joint ownership in the facility. Upon termination of the initial sublease, all operating costs for the jointly owned facility are allocated based on the respective entity's ownership of the jointly owned facility and all operating costs for the jointly constructed facility are allocated based on use and benefit that the entities incur from the jointly constructed facility. The District will be responsible for 45% of operating cost for the jointly owned facility. The agreement was amended in March 2012 to extend the initial sublease period through December 31, 2016. However, due to water contamination issues, the lease of the Venetucci Well Field was suspended until resolved. In addition, the District is no longer responsible to reimburse Fountain for 45% of cost incurred during the initial sublease period as Fountain has not begun construction due to the water issue.

**WIDEFIELD WATER AND SANITATION DISTRICT**

**SUPPLEMENTAL SCHEDULE**

# WIDEFIELD WATER AND SANITATION DISTRICT

## SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION COMPARED TO BUDGET FOR THE YEAR ENDED DECEMBER 31, 2017

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|   | <b>Original<br/>Budget</b>  | <b>Final<br/>Budget</b>     | <b>Actual</b>       | <b>Variance<br/>between Final<br/>and Actual</b> |
|---|-----------------------------|-----------------------------|---------------------|--|
| <b>OPERATING REVENUE</b>                    |                             |                             |                     |  |
| Water revenue                               | \$ 4,441,800                | \$ 4,441,800                | \$ 4,811,930        | \$ 370,130                                       |
| Wastewater revenue                          | 3,660,060                   | 3,660,060                   | 3,833,956           | 173,896  |
| Other income                                | <u>586,380</u>              | <u>586,380</u>              | <u>689,791</u>      | <u>103,411</u>                                   |
| Total                                       | <u>8,688,240</u>            | <u>8,688,240</u>            | <u>9,335,677</u>    | <u>647,437</u>                                   |
| <b>OPERATING EXPENSES</b>                   |                             |                             |                     |  |
| Salaries and taxes                          | 1,978,470                   | 1,978,470                   | 1,883,918           | 94,552   |
| Water                                       | 1,464,485                   | 1,464,485                   | 1,494,941           | (30,456)   |
| Depreciation                                | 1,273,600                   | 1,273,600                   | 1,225,356           | 48,244   |
| Maintenance and repairs                     | 504,200                     | 504,200                     | 392,056             | 112,144  |
| Employee benefits and insurance             | 566,664                     | 566,664                     | 528,589             | 38,075   |
| Office services                             | 454,650                     | 454,650                     | 426,986             | 27,664   |
| Professional services                       | 400,000                     | 400,000                     | 425,565             | (25,565)   |
| Other operating expenses                    | <u>1,015,400</u>            | <u>1,015,400</u>            | <u>969,972</u>      | <u>45,428</u>                                    |
| Total                                       | <u>7,657,469</u>            | <u>7,657,469</u>            | <u>7,347,383</u>    | <u>310,086</u>                                   |
| OPERATING INCOME                            | 1,030,771                   | 1,030,771                   | 1,988,294           | 957,523  |
| <b>NON-OPERATING REVENUE<br/>(EXPENSES)</b> |                             |                             |                     |  |
|   | <u>2,745,050</u>            | <u>2,745,050</u>            | <u>4,378,344</u>    | <u>1,633,294</u>                                 |
| NET BEFORE CONTRIBUTIONS                    | 3,775,821                   | 3,775,821                   | 6,366,638           | 2,590,817  |
| <b>CONTRIBUTIONS FOR CAPITAL<br/>ASSETS</b> |                             |                             |                     |  |
|   | <u>                    </u> | <u>                    </u> | <u>267,979</u>      | <u>267,979</u>                                   |
| CHANGE IN NET POSITION                      | <u>\$ 3,775,821</u>         | <u>\$ 3,775,821</u>         | <u>\$ 6,634,617</u> | <u>\$ 2,858,796</u>                              |