stockman kast ryan + co LLP

WIDEFIELD WATER AND SANITATION DISTRICT

Management's Discussion and Analysis

and Financial Statements

For the Years Ended December 31, 2013 and 2012,

Supplementary Information

For the Year Ended December 31, 2013

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, 2013 and 2012, 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.

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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, 2013 and 2012, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, during 2013 the District changed its method of accounting, presentation and disclosure of bond issuance costs and deferred amounts on debt refunding as required by the provisions of Governmental Accounting Standards Board (GASB) Statement 65. Our opinion is not modified with respect to that matter.

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 activities 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 activities 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 20, 2014

WIDEFIELD WATER AND SANITATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2013 and 2012. 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 Activities and Changes in Net Position identifies the District's revenues and expenses for the fiscal years ended December 31, 2013 and 2012. 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:

	2013	2012	2011
Operating revenues	$ 8,180,929	$ 8,225,541	$ 7,149,425
Operating expenses	6,657,602	6,512,217	6,283,849
Operating income	1,523,327	1,713,324	865,576
Non-operating revenue	2,408,415	2,729,594	683,761
Change in net position before contributions for capital assets	3,931,742	4,442,918	1,549,337
Contributions for capital assets	80,000	89,900	1,830,766
Change in net position	$ 4,011,742	$ 4,532,818	$ 3,380,103

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

Water usage rates were adjusted in 2013 and the average customer using 8,000 gallons had an increase of approximately 4.8%. At the end of 2013, the number of water accounts served by the District was 6,795. This compares to 6,519 accounts at the end of 2012. Water volumes in 2013 decreased due to water volume demand decreases in 2013 due to increased rainfall (which contributes to decreased lawn irrigation) and conservation efforts. The wastewater usage rate was adjusted in 2013 and the average customer using 5,000 gallons had an increase of approximately 4.8%. At the end of 2013, the number of wastewater accounts served by the District was 7,377. This compares to 7,180 accounts at the end of 2012.

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 2013, operating expenses increased by $145,385 over 2012 expenses or 2%. Professional fees associated with water resource acquisition and engineering for infrastructure projects continue to be an emphasis in response to operating needs of the District.

Non-operating revenue consists of tap fees, water resource acquisition fees, and interest earnings. Non-operating expenses are interest payments for outstanding debt. Collection of tap fees and water resource acquisition fees occur when new connections are added to the District. In 2013, the District collected 242 water tap fees, 197 wastewater tap fees, and 202 water acquisition fees. This compares to 2012 when the District collected 258 water tap fees, 164 wastewater tap fees, and 246 water tap acquisition fees. The fees to connect to the District's system in 2013 and 2012 were $5,500 per water tap, $5,500 per wastewater tap, and $7,000 per tap for water resource acquisition. 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:

	2013	**2012**	**2011**
ASSETS, DEFERRED OUTFLOWS AND LIABILITIES			
Current assets	$ 15,097,230	$ 12,448,502	$ 8,032,875
Capital assets, net	21,383,617	21,803,094	21,977,802
Other non-current assets	7,586,212	6,426,795	6,451,443
Deferred outflows	958,679	1,049,487	1,140,653
Current liabilities	(1,686,127)	(1,630,928)	(1,479,204)
Non-current liabilities	(15,367,621)	(16,136,702)	(16,696,139)
Net position	$ 27,971,990	$ 23,960,248	$ 19,427,430

	2013	**2012**	**2011**
NET POSITION			
Net investment in capital assets	$ 6,214,675	$ 5,995,879	$ 5,642,877
Unrestricted	21,757,315	17,964,369	13,784,553
Total	$ 27,971,990	$ 23,960,248	$ 19,427,430

Current assets increased in 2013, 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 Refunding and Improvement Bonds – Series 2004 and the District's Water and Sewer Revenue Refinancing Bonds, Series 2012. Further debt information is available in Note 4 of the financial statements.

CONTRIBUTIONS FROM DEVELOPER

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 2013 or 2012.

BUDGETS

See Supplemental Schedule of Activity Comparison to Budget on page 21. The schedule shows the District's operating budget for 2013, as adopted on December 18, 2012 by Board resolution. Actual Operating Revenue for the District in 2013 was $8,180,929, 1.2% above the projected revenue total of $8,084,880. Actual Operating Expenses for the District in 2013 were $6,657,602, 5.5% below the original projected operating expense total of $7,051,655.

For non-operating revenue (primarily tap fees and water resource acquisition fees) the District received $3,847,462, 149% above the projected revenue total of $2,577,670. The non-operating expense (interest and water acquisition costs) total in 2013 was $1,439,047, 1.3% below the projection of $1,646,600. Overall, the net non-operating revenue was more than the budget amount by $1,477,334.

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 2013, the District had water sales of about 683.2 million gallons compared to 2012 water sales of about 799 million gallons, a decrease of 14.5%.

In 2013, $1,191,000 was budgeted for capital projects contingent upon availability of funds and $874,813 was carried over from 2012 projects. A total of $450,026 was expended for capital projects in 2013. Project funding of $780,785 is being carried forward from 2013 to 2014.

Accomplishments in 2013 were construction of a new disinfectant building (partially funded with a State Grant), construction of a material structure storage building, upgrades to Well #7 pump and motor, rehab of a wastewater clarifier and the purchase of a video system (camera, van and computers) for inspection of sewer lines.

CHANGE IN ACCOUNTING PRINCIPLE

During 2013, the District implemented Governmental Accounting Standards Board (GASB) Statement 65, *Items Previously Reported as Assets and Liabilities*. The objective of Statement 65 is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

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 37 Widefield Blvd., Colorado Springs, Colorado 80911.

WIDEFIELD WATER AND SANITATION DISTRICT

STATEMENTS OF NET POSITION
DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
Non-designated	$ 6,794,044	$ 6,243,501
Designated	7,276,289	5,203,148
Accounts receivable	664,757	641,958
Prepaid expenses	348,801	345,792
Current portion of receivables — Peaceful Valley	13,339	14,103
Total current assets	15,097,230	12,448,502
NON-CURRENT ASSETS		
Capital assets, net	21,383,617	21,803,094
Other non-current assets		
Water rights	3,685,373	2,482,750
Receivables — Peaceful Valley	238,756	281,962
Contract rights	3,662,083	3,662,083
Total other non-current assets	7,586,212	6,426,795
Total non-current assets	28,969,829	28,229,889
Total assets	44,067,059	40,678,391
DEFERRED OUTFLOWS		
Deferred amount on refunding	958,679	1,049,487
TOTAL	$ 45,025,738	$ 41,727,878

- Continued -

WIDEFIELD WATER AND SANITATION DISTRICT

STATEMENTS OF NET POSITION
DECEMBER 31, 2013 AND 2012

	2013	2012
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	$ 369,206	$ 388,496
Accrued expenses	212,892	190,503
Customer deposits	344,029	331,929
Current portion of bonds payable	760,000	720,000
Total current liabilities	1,686,127	1,630,928
NON-CURRENT LIABILITIES		
Bonds payable, net	15,367,621	16,136,702
Total liabilities	17,053,748	17,767,630
NET POSITION		
Invested in capital assets, net of related debt	6,214,675	5,995,879
Unrestricted	21,757,315	17,964,369
Total net position	27,971,990	23,960,248
TOTAL	$ 45,025,738	$ 41,727,878

- Concluded -

See notes to financial statements.

WIDEFIELD WATER AND SANITATION DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
OPERATING REVENUE		
Water revenue	$ 4,034,214	$ 4,385,315
Wastewater revenue	3,334,852	3,071,410
Other operating revenue	811,863	768,816
Total operating revenue	8,180,929	8,225,541
OPERATING EXPENSES		
Employee wages and benefits	2,025,276	1,891,512
Water	1,466,439	1,486,445
Depreciation	1,120,206	1,072,438
Maintenance and repairs	480,438	495,352
Professional fees	362,738	359,871
Utilities	354,918	334,980
Sludge hauling	185,543	174,101
Plant supplies	143,678	127,056
Office supplies	118,374	94,417
Insurance	85,325	81,049
Lab services	47,735	47,973
Seminars and employee education	34,417	58,410
Other operating expenses	232,515	288,613
Total operating expenses	6,657,602	6,512,217
OPERATING INCOME	1,523,327	1,713,324
NON-OPERATING REVENUE (EXPENSES)		
Tap fees	2,414,500	2,315,750
Water acquisition fees	1,414,000	2,310,000
Water acquisition costs	(675,356)	(692,930)
Interest income	18,962	19,638
Interest expense	(763,691)	(1,075,086)
Bond issuance costs		(147,778)
Total	2,408,415	2,729,594
CHANGE IN NET POSITION BEFORE CONTRIBUTIONS FOR CAPITAL ASSETS	3,931,742	4,442,918
CONTRIBUTIONS FOR CAPITAL ASSETS	80,000	89,900
CHANGE IN NET POSITION	4,011,742	4,532,818
NET POSITION, Beginning of year, as restated (see Note 1)	23,960,248	19,427,430
NET POSITION, End of year	$ 27,971,990	$ 23,960,248

See notes to financial statements.

WIDEFIELD WATER AND SANITATION DISTRICT

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
OPERATING ACTIVITIES		
Receipts from customers	$ 8,170,230	$ 8,138,221
Payments to suppliers	(3,516,825)	(3,640,794)
Payments to employees	(2,020,481)	(1,886,717)
Net cash provided by operating activities	2,632,924	2,610,710
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Water acquisition fees	1,414,000	2,310,000
Water acquisition costs	(675,356)	(692,930)
Acquisition and construction of capital assets	(620,729)	(807,830)
Interest paid on bonds and capital lease obligation	(681,964)	(993,357)
Proceeds from receivables — Peaceful Valley	43,970	24,318
Tap fees	2,414,500	2,315,750
Principal payments on bonds	(720,000)	(490,000)
Purchases of water rights	(1,202,623)	
Bond proceeds		4,170,000
Defeasance bonds		(4,000,000)
Bond issuance costs		(147,778)
Net cash provided by (used in) capital and related financing activities	(28,202)	1,688,173
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash provided by investing activities — Interest on investments	18,962	19,638
INCREASE IN CASH AND CASH EQUIVALENTS	2,623,684	4,318,521
CASH AND CASH EQUIVALENTS, Beginning of year	11,446,649	7,128,128
CASH AND CASH EQUIVALENTS, End of year	$ 14,070,333	$ 11,446,649
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 1,523,327	$ 1,713,324
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,120,206	1,072,438
Change in operating assets and liabilities:		
Accounts receivable	(22,799)	(73,440)
Prepaid expenses	(3,009)	(23,336)
Accounts payable and accrued expenses	3,099	(64,396)
Customer deposits	12,100	(13,880)
Net cash provided by operating activities	$ 2,632,924	$ 2,610,710
NON-CASH TRANSACTIONS		
Contribution of capital assets	$ 80,000	$ 89,900

See notes to financial statements.

WIDEFIELD WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

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.

Change in Accounting Principle — During 2013, the District implemented Governmental Accounting Standards Board (GASB) Statement 65, *Items Previously Reported as Assets and Liabilities*. The objective of Statement 65 is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of Statement 65 resulted in the restatement of the beginning net position of the District's 2012 financial statements. The deferred charges for bond issuance costs were treated as expenses of prior periods and resulted in the adjustment below:

Net position at January 1, 2012	$ 19,845,227
Change in reporting for deferred charges for debt issuance costs	(417,797)
Net position at January 1, 2012, restated	$ 19,427,430

Additionally, the deferred amount resulting from advance refundings of debt was reclassified as deferred outflows of resources. Such amount was previously classified as a reduction of long-term debt.

Bond issuance costs of $147,778, which had previously been capitalized in 2012, were expensed in 2012 and amortization expense was decreased by $47,601. Accordingly, the 2012 change in net position, as previously reported decreased by $100,177.

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

- 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 invested in capital assets, net of related debt. 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, 2013 and 2012 include unbilled customers' accounts of $358,126 and $329,980, 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, 2013 and 2012 do not differ materially from the carrying values of its financial instruments recorded in the accompanying balance sheet. 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 May 20, 2014, 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, 2013 and 2012 were $252,095 and $296,065, 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:

Year Ending December 31,	
2014	$ 13,339
2015	14,147
2016	15,004
2017	15,912
2018	16,876
2019 – 2023	101,003
2024 – 2026	75,814
Total	$ 252,095

3. CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2013 and 2012 is as follows:

	Balance at January 1, 2013	Increases	Decreases	Balance at December 31, 2013
Land	$ 495,166			$ 495,166
Equipment and systems	34,116,741	$ 587,445	$ (66,561)	34,637,625
Office furniture and equipment	40,451			40,451
Construction in progress	146,987	113,284		260,271
Total capital assets	34,799,345	700,729	(66,561)	35,433,513
Less accumulated depreciation for:				
Equipment and systems	(12,964,283)	(1,117,816)	66,561	(14,015,538)
Office furniture and equipment	(31,968)	(2,390)		(34,358)
Total accumulated depreciation	(12,996,251)	(1,120,206)	66,561	(14,049,896)
Capital assets, net	$ 21,803,094	$ (419,477)	$ —	$ 21,383,617

	Balance at January 1, 2012	Increases	Decreases	Balance at December 31, 2012
Land	$ 495,166			$ 495,166
Equipment and systems	33,040,991	$ 1,194,553	$ (118,803)	34,116,741
Office furniture and equipment	40,451			40,451
Construction in progress	443,810	(296,823)		146,987
Total capital assets	34,020,418	897,730	(118,803)	34,799,345
Less accumulated depreciation for:				
Equipment and systems	(12,013,038)	(1,070,048)	118,803	(12,964,283)
Office furniture and equipment	(29,578)	(2,390)		(31,968)
Total accumulated depreciation	(12,042,616)	(1,072,438)	118,803	(12,996,251)
Capital assets, net	$ 21,977,802	$ (174,708)	$ —	$ 21,803,094

4. LONG-TERM DEBT

A summary of long-term debt is as follows:

	Balance at January 1, 2013	Increases	Decreases	Balance at December 31, 2013	Amounts Due Within One Year
Water and Sewer Revenue Refunding and Improvement Bonds, Series 2004	$12,595,000		$ (510,000)	$12,085,000	$ 530,000
Water and Sewer Revenue Refinancing Bonds, Series 2012	4,170,000		(210,000)	3,960,000	230,000
Unamortized portion of original issue premium	91,702		(9,081)	82,621	
Total	$16,856,702	$ —	$ (729,081)	$16,127,621	$ 760,000

	Balance at January 1, 2012	Increases	Decreases	Balance at December 31, 2012	Amounts Due Within One Year
Water and Sewer Revenue Refunding and Improvement Bonds, Series 2004	$13,085,000		$ (490,000)	$12,595,000	$ 510,000
Water and Sewer Revenue Refinancing Bonds, Series 2012		$ 4,170,000		4,170,000	210,000
Tap and System Development Fee Revenue Bonds, Series 1997 B	4,000,000		(4,000,000)		
Unamortized portion of original issue premium	101,139		(9,437)	91,702	
Total	$17,186,139	$ 4,170,000	$ (4,499,437)	$16,856,702	$ 720,000

The following is a summary of bond principal maturities and interest requirements:

Year Ending December 31,	**Series 2004 Bonds**	**Series 2012 Bonds**	**Total**
2014	$ 1,097,300	$ 322,268	$ 1,419,568
2015	1,097,425	321,909	1,419,334
2016	1,095,425	321,434	1,416,859
2017	1,097,625	320,842	1,418,467
2018	1,100,850	290,300	1,391,150
2019 – 2023	5,522,375	1,482,000	7,004,375
2024 – 2028	5,479,563	1,548,250	7,027,813
2029 – 2030	1,094,637	319,300	1,413,937
Total	17,585,200	4,926,303	22,511,503
Less interest	5,500,200	966,303	6,466,503
Outstanding principal	$ 12,085,000	$ 3,960,000	$ 16,045,000

Series 1997B Bonds:

The Tap and System Development Fee Revenue Bonds, Series 1997B (Series B Bonds) were issued as part of the consideration given to acquire the District assets. The bonds were originally issued for $4,000,000 bearing interest at 10%. Interest was payable semi-annually on June 1 and December 1.

During 2012, the District's Series B Bonds were defeased by paying the balance in full from the proceeds of the Water and Sewer Revenue Refunding Bonds Series 2012.

Series 2004 Bonds:

In 2004 the District issued Water and Sewer Revenue Refunding and Improvement Bonds Series 2004 in order to defease the District's Series 1997A Bonds and to finance the cost of certain capital improvements to the water and wastewater systems. The Bonds have a face amount of $16,175,000 with interest ranging from 2% to 5%.

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.

The District's "Net Revenue" is pledged to pay the principal and interest of the Series 2004 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, 2013 and 2012, 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, 2013 and 2012, the District has 11.351% and 3.33% interest respectively, in certain water rights referred to as the Cody Water Rights (See Note 7), which is 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, 2013 and 2012, the carrying amount of the District's cash was $14,070,333 and $11,446,649, respectively, and the bank balances were $14,229,415 and $11,499,164, respectively. Of the bank balances, $250,000 was covered by federal depository insurance and $13,820,333 and $11,196,649 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.

During 1996, the Authority issued $12,225,000 Water Treatment Refunding Revenue Bonds, Series 1996. The outstanding balance of the 1996 refunding revenue bonds as of December 31, 2012 was $5,363,944. During 2013, the Authority issued $5,255,000 of refunding revenue bonds to advance refund the Authority's existing revenue refunding bonds, with an outstanding balance of $4,975,000 as of December 31, 2013.

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 $890,805 and $879,968 for the years ended December 31, 2013 and 2012, 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, 2013 and 2012, the rate was $183 and $179 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 H20 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 has not been entered within four years of the filing of the application, the seller has certain options which include allowing the Water Court case to continue; buy the property back; or require a sale of the property. To date the seller has elected to have the Water Court case continue. The Water Court's opinion is currently under review by the Colorado

Supreme Court. 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, 2013.

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 bears interest at 6½% and is payable in minimum semi-annual payments of $125,000 due at the end of each February and September through August 31, 2020. In addition to the minimum semi-annual payments, the February payment shall include additional amounts equal to (i) all revenues paid to WHS or to the District as rent or lease payments in the prior calendar year for the use of Cody Water Rights and (ii) 75% of water resource acquisition fees collected by the District in excess of $250,000 in the prior calendar year. Any remaining unpaid amounts, including accrued and compounded interest is due in full on August 31, 2020.

The Agreement between the District and WHS requires 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 shall be 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 $467,377 and $469,959 in February 2013 and 2012, respectively, and $435,717 and $475,123 in August 2013 and 2012, 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, 2013 and 2012, the District recognized as a liability $285,742 and $311,585, respectively, for the amount of interest owed as of that date which was paid on February 28, 2013 and February 25, 2014. 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, 2013 and 2012, the District recorded the annual payments totaling $250,000 as an operating expense and additional payments and accruals of $675,356 and $692,930, respectively, as non-operating expense.

In February 2013, the District's payment included $1,202,623 for an additional 8.017% interest in the Cody Water Rights bringing the District's total ownership percentage to 11.351%. In February 2014, the District's payment included $569,387 for an additional 3.796% interest in the Cody Water Rights, bringing the District's total ownership percentage to 15.147%.

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 2013 and 2012.

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 4% of compensation. Total contributions made by the District and participants for the years ended December 31, 2013, 2012 and 2011 were $54,964, $51,044 and $48,724, 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. 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 $10,000 of District contributions in 2013 and none in 2012. The Association had $101,769 and $106,353 of cash remaining at December 31, 2013 and 2012, 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, 2013. 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.

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, 2013

	Original And Final Budget	Actual	Variance
OPERATING REVENUE			
Water revenue	$ 4,411,000	$ 4,034,214	$ (376,786)
Wastewater revenue	3,069,200	3,334,852	265,652
Other income	604,680	811,863	207,183
Total	8,084,880	8,180,929	96,049
OPERATING EXPENSES			
Employee wages and benefits	2,122,100	2,025,276	96,824
Water	1,492,500	1,466,439	26,061
Depreciation and amortization	1,255,700	1,120,206	135,494
Maintenance and repairs	448,500	480,438	(31,938)
Professional fees	337,700	362,738	(25,038)
Office services	410,155	380,638	29,517
Other operating expenses	985,000	821,867	163,133
Total	7,051,655	6,657,602	394,053
OPERATING INCOME	1,033,225	1,523,327	490,102
NON-OPERATING REVENUE	931,070	2,408,415	1,477,345
CHANGE IN NET POSITION BEFORE CONTRIBUTIONS FOR CAPITAL ASSETS	1,964,295	3,931,742	1,967,447
CONTRIBUTIONS FOR CAPITAL ASSETS		80,000	80,000
CHANGE IN NET POSITION	$ 1,964,295	$ 4,011,742	$ 2,047,447