

**FOREST VIEW ACRES WATER DISTRICT
El Paso County, Colorado**

**FINANCIAL STATEMENTS
DECEMBER 31, 2018**

(With Unaudited Comparative December 31, 2017 Financial Statements)

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR’S REPORT	I
BASIC FINANCIAL STATEMENTS	
Statements of Net Position.....	1
Statements of Revenues, Expenses and Changes in Fund Net Position	2
Statements of Cash Flows.....	3
Notes to Financial Statements	4
SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Change in Funds Available - Budget and Actual (Budgetary Basis).....	16
Reconciliation of Budgetary Basis (Actual) to Statement of Revenues, Expenses And Change in Fund Net Position	18
OTHER INFORMATION	
Schedules of Debt Service Requirements to Maturity.....	19
Schedule of Assessed Valuation, Mill Levy and Property Taxes Collected	20



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Independent Auditor's Report

Board of Directors
Forest View Acres Water District
El Paso County, Colorado

Report for the Financial Statements

We have audited the accompanying financial statements of Forest View Acres Water District (District) as of and for the year ended December 31, 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 Forest View Acres Water District (District), as of December 31, 2018 and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Comparative Information

The accompanying statement of net position of Forest View Acres Water District as of December 31, 2017, and the related statements of revenues, expenses and changes in net position and cash flows, and the related notes to the financial statements, for the year then ended were not audited, reviewed, or compiled by us and, accordingly we do not express an opinion or any other form of assurance on them.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The other information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
July 29, 2019

BASIC FINANCIAL STATEMENTS

FOREST VIEW ACRES WATER DISTRICT
STATEMENTS OF NET POSITION
December 31, 2018
(with unaudited comparative totals for December 31, 2017)

	<u>2018</u>	<u>2017</u> (Unaudited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents - unrestricted	\$ 548,032	\$ 246,413
Cash and cash equivalents - restricted	92,312	114,518
Accounts receivable - customers	22,401	23,366
Cash with county treasurer	663	592
Property taxes receivable	60,259	59,819
Prepaid expenses	12,241	528
Total current assets	<u>735,908</u>	<u>445,236</u>
CAPITAL ASSETS		
Land	64,192	64,192
Water rights	2,296,675	2,296,675
Master plan	84,823	84,823
Construction in progress	39,177	-
Water treatment plants	1,947,821	1,947,821
Water collection and distribution	4,349,478	4,349,478
Wells	691,572	691,572
	<u>9,473,738</u>	<u>9,434,561</u>
Less accumulated depreciation	2,876,681	2,736,235
Total capital assets	<u>6,597,057</u>	<u>6,698,326</u>
TOTAL ASSETS	<u>7,332,965</u>	<u>7,143,562</u>
LIABILITIES		
Accounts payable	40,525	18,545
Noncurrent liabilities:		
Due within one year	121,983	121,550
Due in more than one year	1,783,637	1,905,620
Total liabilities	<u>1,946,145</u>	<u>2,045,715</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue	60,259	59,819
Total deferred inflows of resources	<u>60,259</u>	<u>59,819</u>
NET POSITION		
Net investment in capital assets	4,691,437	4,671,156
Restricted for:		
Operations and maintenance	90,212	112,518
Emergencies	2,100	2,000
Unrestricted	542,812	252,354
Total net position	<u>\$ 5,326,561</u>	<u>\$ 5,038,028</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

FOREST VIEW ACRES WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN FUND NET POSITION
Year Ended December 31, 2018
(with unaudited comparative totals for December 31, 2017)

	<u>2018</u>	<u>2017</u> (Unaudited)
OPERATING REVENUES		
Water usage and related fees	\$ 542,466	\$ 520,127
Total operating revenues	<u>542,466</u>	<u>520,127</u>
OPERATING EXPENSES		
Operations manager	46,371	49,503
Repairs and maintenance	45,172	95,769
Supplies and chemicals	2,102	6,841
Utilities	31,086	25,654
Water testing	4,004	4,947
Engineering	19,165	51,135
Other	25,810	-
Depreciation	140,446	140,446
Total operating expenses	<u>314,156</u>	<u>374,295</u>
GROSS INCOME FROM OPERATIONS	<u>228,310</u>	<u>145,832</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
District management	56,087	84,642
Utility billing	16,026	31,452
Election costs	1,978	194
Insurance/SDA dues	10,542	11,266
Director fees	6,700	5,700
Legal	11,084	19,963
Audit	-	16,406
Other	6,059	8,353
Total general and administrative expenses	<u>108,476</u>	<u>177,976</u>
NET INCOME (LOSS) FROM OPERATIONS	<u>119,834</u>	<u>(32,144)</u>
NONOPERATING REVENUES AND EXPENSES		
Property and specific ownership taxes	67,377	64,072
Interest	7,033	1,530
CWR&PDA loan interest	(9,436)	(9,861)
County treasurer fees	(898)	(848)
Miscellaneous income	688	9,119
Tap fee reimbursement	-	(17,500)
Total nonoperating revenues and expenses	<u>64,764</u>	<u>46,512</u>
INCOME BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	<u>184,598</u>	<u>14,368</u>
CONTRIBUTIONS		
Water tap and inclusion fees	103,935	33,000
Total contributions	<u>103,935</u>	<u>33,000</u>
CHANGE IN NET POSITION	288,533	47,368
NET POSITION - BEGINNING OF YEAR	5,038,028	4,990,660
NET POSITION - END OF YEAR	<u><u>\$ 5,326,561</u></u>	<u><u>\$ 5,038,028</u></u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

FOREST VIEW ACRES WATER DISTRICT
STATEMENTS OF CASH FLOWS
Year Ended December 31, 2018
(with unaudited comparative totals for December 31, 2017)

	<u>2018</u>	<u>2017</u> (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 543,431	\$ 520,071
Cash payments to suppliers for goods and services	<u>(265,987)</u>	<u>(438,256)</u>
Net cash provided by operating activities	<u>277,444</u>	<u>81,815</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property and specific ownership, net of fees	<u>66,408</u>	<u>63,186</u>
Net cash provided by noncapital financing activities	<u>66,408</u>	<u>63,186</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING		
Miscellaneous revenues	688	9,119
Contributed capital - tap fees	103,935	33,000
Acquisition of capital assets	(45,109)	(312,985)
Cash received from CWR&PDA	-	319,648
Principal paid on long-term debt	(121,550)	(121,125)
Interest paid on long-term debt	<u>(9,436)</u>	<u>(9,861)</u>
Net cash used in capital and related financing activities	<u>(71,472)</u>	<u>(82,204)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest	<u>7,033</u>	<u>1,530</u>
Net cash provided by investing activities	<u>7,033</u>	<u>1,530</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	279,413	64,327
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>360,931</u>	<u>296,604</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 640,344</u></u>	<u><u>\$ 360,931</u></u>
Reconciliation of net income (loss) from operations to net cash provided by operating activities		
Net income (loss) from operations	\$ 119,834	\$ (32,144)
Adjustments to reconcile net income (loss) from operations to net cash provided by operating activities:		
Depreciation	140,446	140,446
Effect of changes in operating assets and liabilities:		
Accounts receivable	965	(56)
Prepaid expenses	(11,713)	9,722
Accounts and retainage payable	27,912	(36,153)
Net cash provided by operating activities	<u><u>\$ 277,444</u></u>	<u><u>\$ 81,815</u></u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(with unaudited comparative information for December 31, 2017)

NOTE 1 – DEFINITION OF REPORTING ENTITY

Forest View Acres Water District (District), a quasi-municipal corporation and political subdivision of the State of Colorado, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in El Paso County, Colorado. The District was established to provide water for domestic and other public and private purposes within its service area.

The District has no employees and all operations and administrative functions are contracted.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Comparative Presentation

The statement of the net position as of December 31, 2017, and the statement of revenues, expenses and change in net position, statement of cash flows for the year ended December 31, 2017 and accompanying 2017 footnotes are presented for comparative purposes and are unaudited.

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

FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(with unaudited comparative information for December 31, 2017)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and loans are recorded as reductions in liabilities. Tap fees and contributed assets from developers are recorded as capital contributions when received.

Operating Revenues and Expenses

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

Budgets

In accordance with the Local Government Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The District budgeted for general operations and administration, capital improvements, debt service and water operations in a single fund for the year ended December 31, 2018. These activities have been combined and presented as an enterprise fund for financial statement purposes as the District's operations meet the definition of a special-purpose government engaged only in business-type activities as defined by the Governmental Accounting Standards Board.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the county assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the county commissioners to put the tax lien on the individual properties as of January 1 of the following year. The county treasurer collects the

FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(with unaudited comparative information for December 31, 2017)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The county treasurer remits the taxes collected monthly to the District. Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue in deferred inflows of resources in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

Cash Equivalents

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

Capital Assets

Capital assets, which include land, water rights, plant and buildings, distribution and collection systems and wells are reported by the District. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Water treatment plant	20 years
Distribution and collection systems	50 years
Wells	20-50 years

Tap Fees and Contributed Water Rights

Tap fees are recorded as capital contributions when received. Water rights contributed to the District by developers are recorded as capital contributions and additions to the capital assets of the District at estimated fair market value when received.

Water Rights

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

FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(with unaudited comparative information for December 31, 2017)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The revenue continues to be recognized when earned in the government-wide statements. The District has one item that qualifies for reporting in this category. Accordingly, the item, deferred property tax revenue, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments are reflected on the December 31, 2018 and 2017 statement of net position as follows:

	<u>2018</u>	<u>2017</u>
		(Unaudited)
Cash and cash equivalents - unrestricted	\$ 548,032	\$ 246,413
Cash and cash equivalents - restricted	92,312	114,518
	<u>\$ 640,344</u>	<u>\$ 360,931</u>

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

	<u>2018</u>	<u>2017</u>
		(Unaudited)
Deposits	\$ 205,232	\$ 164,260
Investments	435,112	196,671
	<u>\$ 640,344</u>	<u>\$ 360,931</u>

Cash Deposits

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

FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(with unaudited comparative information for December 31, 2017)

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2018 and 2017, the District's cash deposits had bank balances of \$211,794 and \$196,384 and carrying balances of \$205,232 and \$164,260 respectively.

Investments

The District has not adopted a formal investment policy, however, the District follows state statutes regarding investments.

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

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

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

At December 31, 2018 and 2017, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Carrying Value</u>	
		<u>2018</u>	<u>2017</u>
			(Unaudited)
Colorado Liquid Asset Trust (ColoTrust)	Less than 1 year	<u>\$435,112</u>	<u>\$196,671</u>

FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(with unaudited comparative information for December 31, 2017)

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

ColoTrust

During 2018 and 2017, the District invested in the Colorado Local Government Liquid Asset Trust (Colotrust) an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing Colotrust. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. Colotrust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for Colotrust's portfolios pursuant to a custodian agreement.

The custodian acts as safekeeping agent for Colotrust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by Colotrust. As of December 31, 2018 and 2017, the District had \$435,112 and \$196,671, respectively, invested in COLOTRUST PLUS+ in the name of the District. Colotrust is rated AAAM by S&P Global Ratings.

Investment Valuation

The District has certain investments which are measurable at fair value on a recurring basis that are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted priced in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

However, the District's investments are not measured at fair value and are therefore not categorized within the fair value hierarchy. These investments include 2a7-like external investment pools. The District is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value (NAV) per share (or its equivalent) of the investment.

Colotrust determines the NAV of the shares of each portfolio as of the close of business on each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of Colotrust, are accrued daily. The NAV is calculated at fair value using various inputs in determine value in accordance with FASB guidance. It is the goal of Colotrust to maintain a NAV of \$1.00 per share, however changes in interest rates may affect the fair value of the securities held by Colotrust and there can be no assurance that the NAV will not vary from \$1.00 per share.

FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(with unaudited comparative information for December 31, 2017)

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the years ended December 31, 2018 and 2017 follows:

	Balance at December 31, 2017	Increases	Decreases	Balance at December 31, 2018
Capital assets, not being depreciated:				
Land	\$ 64,192	\$ -	\$ -	\$ 64,192
Water rights	2,296,675	-	-	2,296,675
Master plan	84,823	-	-	84,823
Construction in progress	-	39,177	-	39,177
Total capital assets, not being depreciated	<u>2,445,690</u>	<u>39,177</u>	<u>-</u>	<u>2,484,867</u>
Capital assets, being depreciated:				
Water treatment plants	1,947,821	-	-	1,947,821
Water collection and distribution	4,349,478	-	-	4,349,478
Wells	691,572	-	-	691,572
Total capital assets being depreciated	<u>6,988,871</u>	<u>-</u>	<u>-</u>	<u>6,988,871</u>
Less accumulated depreciation for:				
Water treatment plants	1,098,537	50,891	-	1,149,428
Water collection and distribution	980,102	86,990	-	1,067,092
Wells	657,596	2,565	-	660,161
Total accumulated depreciation	<u>2,736,235</u>	<u>140,446</u>	<u>-</u>	<u>2,876,681</u>
Total capital assets being depreciated, net	<u>4,252,636</u>	<u>(140,446)</u>	<u>-</u>	<u>4,112,190</u>
Total capital assets, net	<u>\$ 6,698,326</u>	<u>\$ (101,269)</u>	<u>\$ -</u>	<u>\$ 6,597,057</u>

FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(with unaudited comparative information for December 31, 2017)

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	(Unaudited)		
	Balance at December 31, 2016	Increases	Decreases
			Balance at December 31, 2017
Capital assets, not being depreciated:			
Land	\$ 64,192	\$ -	\$ -
Water rights	2,296,675	-	-
Master plan	84,823	-	-
Construction in progress	497,246	67,208	564,454
Total capital assets, not being depreciated	2,942,936	67,208	564,454
			2,445,690
Capital assets, being depreciated:			
Water treatment plants	1,947,821	-	-
Water collection and distribution	3,785,024	564,454	-
Wells	691,572	-	-
Total capital assets being depreciated	6,424,417	564,454	-
			6,988,871
Less accumulated depreciation for:			
Water treatment plants	1,047,646	50,891	-
Water collection and distribution	893,112	86,990	-
Wells	655,031	2,565	-
Total accumulated depreciation	2,595,789	140,446	-
			2,736,235
Total capital assets being depreciated, net	3,828,628	424,008	-
			4,252,636
Total capital assets, net	\$ 6,771,564	\$ 491,216	\$ 564,454
			\$ 6,698,326

FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(with unaudited comparative information for December 31, 2017)

NOTE 5 - LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the years ended December 31, 2018 and 2017.

	Balance at December 31, 2017	Additions	Reductions	Balance at December 31, 2018	Due Within One Year
CWR&PDA Loan #D12F295	\$ 1,550,000	\$ -	\$ 100,000	\$ 1,450,000	\$ 100,000
CWR&PDA Loan #D16F368	477,170	-	21,550	455,620	21,983
	<u>\$ 2,027,170</u>	<u>\$ -</u>	<u>\$ 121,550</u>	<u>\$ 1,905,620</u>	<u>\$ 121,983</u>

(Unaudited)

	Balance at December 31, 2016	Additions	Reductions	Balance at December 31, 2017	Due Within One Year
CWR&PDA Loan #D12F295	\$ 1,650,000	\$ -	\$ 100,000	\$ 1,550,000	\$ 100,000
CWR&PDA Loan #D16F368	498,295	-	21,125	477,170	21,550
	<u>\$ 2,148,295</u>	<u>\$ -</u>	<u>\$ 121,125</u>	<u>\$ 2,027,170</u>	<u>\$ 121,550</u>

CWR&PDA Loan #D12F295

The District entered into a \$2,000,000 Drinking Water Revolving Fund Direct Loan, dated June 15, 2012, with 0% interest, payments commencing November 1, 2013 and a term of 20 years, for improvements to the water distribution system and upgrades to the water treatment facilities, including but not limited to reconditioning wells, replacing transmission and distribution lines, rehabilitating the intake area, installing new pumps and installing new meters (Water System). Principal payments of \$50,000 are due semi-annually on May 1 and November 1 until the final maturity date of May 1, 2033. The District may prepay the loan, in whole or in part without penalty.

CWR&PDA Loan #D16F368

The District entered into a \$500,000 Drinking Water Revolving Fund Direct Loan, dated July 19, 2016, with 2.0% interest, payments commencing November 1, 2016 and a term of 20 years. The purpose of the loan is to provide funding for additional upgrades to the Water System. Principal and interest payments of \$15,493 are due semi-annually on May 1 and November 1 until the final maturity date of May 1, 2036. The District may prepay the loan, in whole or in part without penalty.

FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(with unaudited comparative information for December 31, 2017)

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Reserve Requirements

The loan agreements require the District to maintain an operations and maintenance reserve in an amount equal to three months of operation and maintenance expenses, excluding depreciation, of the Water System as set forth in the annual budget. As of December 31, 2018 and 2017, the District has restricted net position in the amount of \$90,212 and \$112,518, respectively in compliance with this requirement.

As of December 31, 2018 and 2017, the District had no authorized but unissued debt. The District's long-term obligations will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 121,983	\$ 9,003	\$ 130,986
2020	122,424	8,562	130,986
2021	122,875	8,111	130,986
2022	123,335	7,651	130,986
2023	123,804	7,182	130,986
2024-2028	626,391	28,539	654,930
2029-2033	589,615	15,315	604,930
2034-2036	75,193	2,272	77,465
	<u>\$1,905,620</u>	<u>\$ 86,635</u>	<u>\$1,992,255</u>

NOTE 6 - NET POSITION

The District's net position consists of three components – net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(with unaudited comparative information for December 31, 2017)

NOTE 6 - NET POSITION (CONTINUED)

As of December 31, 2018 and 2017, the District had net investment in capital assets calculated as follows:

	<u>2018</u>	<u>2017</u> (unaudited)
Net investment in capital assets:		
Capital assets, net	\$ 6,597,057	\$ 6,698,326
Cash and cash equivalents - restricted	-	-
Current portion of long-term obligations	(121,983)	(121,550)
Noncurrent portion of long-term obligations	<u>(1,783,637)</u>	<u>(1,905,620)</u>
Net investment in capital assets	<u>\$ 4,691,437</u>	<u>\$ 4,671,156</u>

Restricted net position includes amounts that are restricted for use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District's restricted net position as of December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u> (unaudited)
Restricted:		
Operating and maintenance reserve	\$ 90,212	\$ 112,518
Emergencies	<u>2,100</u>	<u>2,000</u>
	<u>\$ 92,312</u>	<u>\$ 114,518</u>

As of December 31, 2018 and 2017, the District had an unrestricted net position of \$542,812 and an unrestricted net position of \$252,354, respectively.

NOTE 7 – RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors or omissions, injuries to employees or acts of God. The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability and boiler and machinery coverage to its members.

FOREST VIEW ACRES WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(with unaudited comparative information for December 31, 2017)

NOTE 7 – RISK MANAGEMENT (CONTINUED)

The District pays annual premiums to the Pool for liability, property and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula. Settled claims have not exceeded this coverage in any of the past three fiscal years.

NOTE 8 - TAX, SPENDING AND DEBT LIMITATIONS

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

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes a significant portion of its operations qualifies for this exclusion. As a single-purpose district providing water service in exchange from fees, this is reasonable.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

Because of the many factors beyond the control of current District management, including the embezzlement of funds, failure to properly retain records and the possible destruction of records, it was not possible as of the 2005 financial statements to verify prior year's Fiscal Year Spending for the District. As such, it was not possible to definitively verify the District's compliance with TABOR's limitations. In order to rectify this situation for the future, the audited revenues and expenditures for 2005 became the District's "base year" for all future calculations and determinations.

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

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

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

FOREST VIEW ACRES WATER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2018

	<u>Budget Amounts</u> <u>Original and Final</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES			
Water usage fees	\$ 164,000	\$ 182,019	\$ 18,019
Availability to serve	9,000	5,100	(3,900)
Capital replacement fee	186,600	192,540	5,940
Late fees	5,000	5,925	925
Operations fees	149,280	154,032	4,752
Property taxes	59,819	59,819	-
Specific ownership taxes	8,000	7,558	(442)
Tap and inclusion fees	16,000	103,935	87,935
Transfer fees	1,500	2,850	1,350
Interest	1,000	7,033	6,033
Other	1,000	688	(312)
Total revenues	<u>601,199</u>	<u>721,499</u>	<u>120,300</u>
EXPENDITURES			
Operations			
Operations manager	60,000	46,371	13,629
Repairs and maintenance	90,000	33,120	56,880
Supplies and chemicals	8,000	2,102	5,898
Utilities	28,300	31,086	(2,786)
Meter reading and maintenance	14,536	12,052	2,484
Water testing	4,250	4,004	246
Engineering	4,600	19,165	(14,565)
Training and education	500	1,614	(1,114)
Other	-	24,196	(24,196)
Administrative			
District management and accounting	72,000	56,087	15,913
Utility billing	25,000	16,026	8,974
Insurance and dues	11,000	10,542	458
Directors fees	6,500	6,700	(200)
Election costs	6,000	1,978	4,022
Legal	5,000	11,084	(6,084)
Audit	13,000	-	13,000
County treasurer fees	897	898	(1)
Website maintenance	2,000	1,125	875
Other	9,265	4,934	4,331
CWR&PDA loan principal	121,550	121,550	-
CWR&PDA loan interest	9,436	9,436	-
Infrastructure projects	91,500	39,177	52,323
Total expenditures	<u>583,334</u>	<u>453,247</u>	<u>130,087</u>

(continued)

FOREST VIEW ACRES WATER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2018
(Continued)

	<u>Budget Amounts</u> <u>Original and Final</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
NET CHANGE IN FUNDS AVAILABLE	17,865	268,252	250,387
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>278,749</u>	<u>366,872</u>	<u>88,123</u>
FUNDS AVAILABLE - END OF YEAR	<u><u>\$ 296,614</u></u>	<u><u>\$ 635,124</u></u>	<u><u>\$ 338,510</u></u>

Funds available is computed as follows:

Current assets	\$ 735,908
Current liabilities	(40,525)
Deferred inflows of resources	<u>(60,259)</u>
	<u><u>\$ 635,124</u></u>

**FOREST VIEW ACRES WATER DISTRICT
RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO STATEMENT
OF REVENUES, EXPENSES AND CHANGE IN FUND NET POSITION
Year Ended December 31, 2018**

REVENUES (budgetary basis)	<u>\$ 721,499</u>
Total revenues per statement of revenues, expenses and change in fund net position	<u>721,499</u>
 EXPENDITURES (budgetary basis)	 453,247
Depreciation	140,446
Capital outlay	(39,177)
Loan principal	<u>(121,550)</u>
Total expenses per statement of revenues, expenses and change in fund net position	<u>432,966</u>
 CHANGE IN NET POSITION PER STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND NET POSITION	 <u><u>\$ 288,533</u></u>

OTHER INFORMATION

FOREST VIEW ACRES WATER DISTRICT
SCHEDULES OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2018

Year Ending December 31,	\$2,000,000 CWRPDA Loan Dated June 15, 2012 Principal Due May 1 and November 1 Interest Rate of 0%		\$500,000 CWRPDA Loan Dated July 19, 2016 Principal and Interest Due May 1 and November 1 Interest Rate of 2%		Total
	Principal	Interest	Principal	Interest	
2019	\$ 100,000	\$ -	\$ 21,983	\$ 9,003	\$ 130,986
2020	100,000	-	22,424	8,562	130,986
2021	100,000	-	22,875	8,111	130,986
2022	100,000	-	23,335	7,651	130,986
2023	100,000	-	23,804	7,182	130,986
2024	100,000	-	24,283	6,703	130,986
2025	100,000	-	24,770	6,216	130,986
2026	100,000	-	25,268	5,718	130,986
2027	100,000	-	25,776	5,210	130,986
2028	100,000	-	26,294	4,692	130,986
2029	100,000	-	26,823	4,163	130,986
2030	100,000	-	27,362	3,624	130,986
2031	100,000	-	27,912	3,074	130,986
2032	100,000	-	28,473	2,513	130,986
2033	50,000	-	29,045	1,941	80,986
2034	-	-	29,629	1,357	30,986
2035	-	-	30,225	761	30,986
2036	-	-	15,339	154	15,493
	<u>\$ 1,450,000</u>	<u>\$ -</u>	<u>\$ 455,620</u>	<u>\$ 86,635</u>	<u>\$ 1,992,255</u>

**FOREST VIEW ACRES WATER DISTRICT
SUMMARY OF ASSESSED VALUATION, MILL LEVY AND
PROPERTY TAXES COLLECTED
Year Ended December 31, 2018**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied	Property Taxes		Percentage Collected to Levied
			Levied	Collected	
2014	\$ 10,294,870	5.000	\$ 51,474	\$ 51,447	99.9%
2015	\$ 10,376,440	5.000	\$ 51,882	\$ 51,882	100.0%
2016	\$ 11,085,490	5.000	\$ 55,427	\$ 55,427	100.0%
2017	\$ 11,293,470	5.000	\$ 56,467	\$ 56,422	99.9%
2018	\$ 11,963,830	5.000	\$ 59,819	\$ 59,819	100.0%
Estimated for year ending December 31, 2019	\$ 12,051,760	5.000	\$ 60,259		

NOTE: Property taxes collected in any one year may include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.