

**BROOK FOREST WATER DISTRICT**

**ANNUAL FINANCIAL REPORT**

**AND SUPPLEMENTARY INFORMATION**

**FOR THE**

**YEAR ENDED DECEMBER 31, 2016**

# **BROOK FOREST WATER DISTRICT**

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## **ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2016**

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# **BROOK FOREST WATER DISTRICT**

## **ROSTER OF DISTRICT OFFICIALS DECEMBER 31, 2016**

### **BOARD OF DIRECTORS**

Bill Weisenborn .....President  
Tony Langowski .....Vice President  
Ilse Ramsey .....Treasurer  
Bruce Nicklow .....Director  
Dave Pellegrini.....Director

### **ADMINISTRATIVE STAFF**

Nickie Holder  
Administrator

Dominic Monard  
Water System Operator

**SCOTT C. WRIGHT**  
**CERTIFIED PUBLIC ACCOUNTANT**

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AVON, COLORADO 81620  
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Scottwright.cpa@icloud.com

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Brook Forest Water District  
Evergreen, Colorado

**Report on the Financial Statements**

I have audited the accompanying financial statements of the Brook Forest Water District as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## *Opinions*

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Brook Forest Water District as of December 31, 2016, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## *Other Matters*

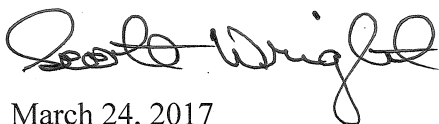
### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Supplemental Information*

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Brook Forest Water District's basic financial statements. The Schedule of Revenues, Expenditures and Changes in Fund Balances (Budgetary Basis) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Revenues, Expenditures and Changes in Fund Balances (Budgetary Basis) is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion the Schedule of Revenues, Expenditures and Changes in Fund Balances (Budgetary Basis) is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



March 24, 2017  
Avon, Colorado

## Management's Discussion and Analysis

As management of the Brook Forest Water District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal years ended December 31, 2016 and 2015. The Management's Discussion and Analysis (MD&A) should be read in conjunction with the District's basic financial statements.

### Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$2,221,868 (*net position*). Of this amount, \$634,597 is unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased by \$62,058.
- As of the close of the current fiscal year, the District reported ending fund balances of \$644,718 an increase of \$106,112 from the prior year. Approximately ninety-eight percent (98%) of this total amount, \$634,597, is *available for spending* at the District's discretion (*unreserved fund balance*).
- Unreserved fund balance represents 257% of total current year expenditures.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of two components: 1) basic financial statements, and 2) notes to the financial statements.

### Basic Financial Statements

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

The *statement of revenues, expenses and changes in net position* presents information showing how the District's net assets changed during the past year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses may be reported in this statement for some items that will only result in cash flows in future fiscal periods.

The District adopts an annual appropriated budget. A budgetary comparison schedule has been provided to demonstrate compliance with this budget and can be found on pages 22-23 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 14-21 of this report.

### **Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$2,159,810 at the close of the year.

The largest portion of the District's net assets (71.00% and 75.1% at December 31, 2016 and 2015, respectively) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the District's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following is a condensed comparative summary of the District's net position at December 31:

	<u>2016</u>	<u>2015</u>
Current Assets	\$ 763,305	\$ 657,840
Capital Assets	1,662,968	1,718,398
Other Assets	<u>83,894</u>	<u>83,894</u>
Total Assets	<u>2,510,167</u>	<u>2,460,132</u>
Current and Other Liabilities	39,242	43,166
Noncurrent Liabilities	<u>73,954</u>	<u>85,818</u>
Total Liabilities	<u>113,196</u>	<u>128,984</u>
Deferred Inflows of Resources	<u>175,103</u>	<u>171,338</u>
Net Position:		
Net Investment in Capital Assets	1,577,150	1,621,204
Restricted for TABOR Emergency Reserve	10,121	9,288
Unrestricted	<u>634,597</u>	<u>529,318</u>
Total Net Position	<u>\$ 2,221,868</u>	<u>\$ 2,159,810</u>

A portion of the District's net assets (\$10,121 and \$9,288 at December 31, 2016 and 2015, respectively) represent resources that are subject to external restriction on how they may be used. The balance of unrestricted net assets (\$634,597 and \$529,318 at

December 31, 2016 and 2015, respectively) may be used to meet the District's ongoing obligations to citizens and creditors.

At the end of 2016, the District was able to report positive balances in all three categories of net position. The same situation held true for the prior year. The District's net position increased by \$62,058 during the year ended December 31, 2016.

The following is a condensed comparative summary of the District's revenue and expenses as of December 31:

	<u>2016</u>	<u>2015</u>
Program Revenues:		
Charges for Services	\$ 143,609	\$ 142,341
Late Charges and Miscellaneous	<u>8,339</u>	<u>7,556</u>
Total Program Revenues	<u>151,948</u>	<u>149,897</u>
General Revenues:		
Property and Specific Ownership Taxes	185,062	160,055
Investment Earnings	1,747	1,149
Readiness-to-Serve Fees	<u>14,154</u>	<u>14,040</u>
Total General Revenues	<u>200,963</u>	<u>175,244</u>
Total Revenues	<u>352,911</u>	<u>325,141</u>
Expenses:		
Operations	211,419	231,639
Depreciation	72,990	72,989
Treasurer's Fees	2,577	2,215
Debt Service – Interest	<u>3,867</u>	<u>4,351</u>
Total Expenses	<u>290,853</u>	<u>311,194</u>
Loss Before Capital Contributions	62,058	13,947
Capital Contributions	<u>-</u>	<u>-</u>
Change in Net Position	62,058	13,947
Net Position – Beginning of Year	<u>2,159,810</u>	<u>2,145,863</u>
Net Position – End of Year	<u>\$ 2,221,868</u>	<u>\$ 2,159,810</u>



## Capital Assets and Debt Administration

**Capital Assets.** The District's investment in capital assets at December 31, 2016 totals \$1,662,968, net of accumulated depreciation. This investment in capital assets includes land and land improvements, construction in progress, water systems, wells, and machinery and equipment.

Capital assets are classified as follows (net of depreciation):

	<u>2016</u>	<u>2015</u>
Land and Land Improvements	\$ 32,335	\$ 32,335
Construction in Progress	42,152	24,592
Water Systems	1,308,099	1,364,231
Wells	280,382	297,240
Machinery and Equipment	<u>-</u>	<u>-</u>
Total	<u>\$ 1,662,968</u>	<u>\$ 1,718,398</u>

Additional information on the District's capital assets can be found in Note 6 on page 18 of this report.

**Long-term debt.** At December 31, 2016, the District had long-term debt totaling \$85,818. The District's debt decreased by \$11,376 during the current fiscal year. No new debt was issued and all regularly scheduled debt service payments were made.

Additional information on the District's long-term debt can be found in Note 8 on page 19 of this report.

## Economic Factors and Next Year's Budgets and Rates

The District's assessed valuation increased by 1.6% in 2016 from a value of \$9,081,868 to a new value of \$9,096,218. The District's mill rate for general operating purposes for taxes levied in 2016 for collection in 2017 remained the same at 18.641 mills. The mill rate for debt service increased from 0.225 mills to 0.384 mills. Budgeted 2017 property tax revenues are \$175,103 an increase of \$3,765 over the prior year.

Overall, the District has budgeted for a \$75,028 increase in fund balances for 2017.

## Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Nickie Holder, District Administrator, Brook Forest Water District, 9249 South Broadway, Highlands Ranch, CO 80129.

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# BROOK FOREST WATER DISTRICT

## STATEMENTS OF NET POSITION DECEMBER 31, 2016 AND 2015

	2016	2015
<b><u>ASSETS</u></b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 374,884	\$ 272,523
Investments	199,917	199,463
Receivables:		
- Accounts Receivable - Water Service	6,845	8,060
- Accrued Interest Receivable	50	50
- Taxes Receivable	176,233	172,414
Prepaid Expenses	5,376	5,330
<b>Total Current Assets</b>	<b>763,305</b>	<b>657,840</b>
<b>Noncurrent Assets:</b>		
Capital Assets:		
- Land and Land Improvements	32,335	32,335
- Construction in Progress	42,152	24,592
- Water Systems	2,622,314	2,622,314
- Wells	566,004	566,004
- Machinery and Equipment	16,655	16,655
	3,279,460	3,261,900
Less: Accumulated Depreciation	(1,616,492)	(1,543,502)
<b>Net Capital Assets</b>	<b>1,662,968</b>	<b>1,718,398</b>
<b>Other Assets:</b>		
Water Rights	67,254	67,254
Noncurrent Receivables	16,640	16,640
<b>Total Other Assets</b>	<b>83,894</b>	<b>83,894</b>
<b>Total Noncurrent Assets</b>	<b>1,746,862</b>	<b>1,802,292</b>
<b>Total Assets</b>	<b>\$ 2,510,167</b>	<b>\$ 2,460,132</b>

See accompanying notes.

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	<u>2016</u>	<u>2015</u>
<b><u>LIABILITIES</u></b>		
<b>Current Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 8,450	\$ 12,565
Accrued Interest Payable	2,288	2,585
Current Portion of Long-term debt	11,864	11,376
Unearned Revenue	<u>16,640</u>	<u>16,640</u>
<b>Total Current Liabilities</b>	<u>39,242</u>	<u>43,166</u>
<b>Long-term Debt</b>	<u>73,954</u>	<u>85,818</u>
<b>Total Liabilities</b>	<u>113,196</u>	<u>128,984</u>
<b>Deferred Inflows of Resources - Unavailable Property Tax Revenues</b>	<u>175,103</u>	<u>171,338</u>
<b><u>NET POSITION</u></b>		
Net Investment in Capital Assets	1,577,150	1,621,204
Restricted for TABOR Emergency Reserve	10,121	9,288
Unrestricted	<u>634,597</u>	<u>529,318</u>
<b>Total Net Position</b>	<u><u>\$ 2,221,868</u></u>	<u><u>\$ 2,159,810</u></u>

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# BROOK FOREST WATER DISTRICT

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
<b>Operating Revenues</b>		
Charges for Services	\$ 143,609	\$ 142,341
Late Charges	7,690	5,015
Miscellaneous	649	2,541
<b>Total Operating Revenues</b>	<b>151,948</b>	<b>149,897</b>
<b>Operating Expenses</b>		
Salaries - Maintenance	61,446	62,251
Contract Labor	5,535	4,322
Benefits	2,591	2,400
Repairs and Maintenance	42,660	43,817
Utilities and Telephone	15,531	15,077
Legal	24,496	45,460
Engineering	812	160
Augmentation	4,907	6,635
Audit and Accounting	5,000	5,000
Administration	17,712	20,333
Lab and Testing	4,802	1,001
Office Supplies and Expenses	3,218	2,376
Director's Fees	6,300	6,700
Insurance	4,887	4,887
Payroll Taxes	5,436	5,480
Mileage	3,253	3,164
Miscellaneous	20	775
Education	408	977
Dues and Memberships	945	824
Election Costs	1,460	-
Depreciation	72,990	72,989
<b>Total Operating Expenses</b>	<b>284,409</b>	<b>304,628</b>
<b>Operating Loss</b>	<b>(132,461)</b>	<b>(154,731)</b>
<b>Nonoperating Revenues (Expenses)</b>		
Interest Earnings	1,747	1,149
Taxes	185,062	160,055
Readiness to Serve Fees	14,154	14,040
Treasurer Fees	(2,577)	(2,215)
Interest Expense and Fiscal Charges	(3,867)	(4,351)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>194,519</b>	<b>168,678</b>
<b>Change in Net Position</b>	<b>62,058</b>	<b>13,947</b>
<b>Total Net Position, Beginning of Year</b>	<b>2,159,810</b>	<b>2,145,863</b>
<b>Total Net Position, End of Year</b>	<b>\$ 2,221,868</b>	<b>\$ 2,159,810</b>

See accompanying notes.

# BROOK FOREST WATER DISTRICT

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
<b>Cash Flows From Operating Activities</b>		
Cash Received From Customers	\$ 142,394	\$ 145,328
Cash Payments to Suppliers for Goods and Services	(137,776)	(158,854)
Cash Payments to Employees for Services	(75,374)	(76,831)
Other Operating Revenues	8,339	7,556
<b>Net Cash Used in Operating Activities</b>	<b>(62,417)</b>	<b>(82,801)</b>
<b>Cash Flows From Noncapital Financing Activities</b>		
Cash Received From Property Taxes	171,319	147,659
Cash Received From Specific Ownership Taxes	13,689	12,460
Cash Received From Readiness-to-Serve Fees	14,154	14,040
County Treasurer's Fees Paid	(2,577)	(2,215)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>196,585</b>	<b>171,944</b>
<b>Cash Flows From Capital Financing Activities</b>		
Acquisition and Construction of Capital Assets	(17,560)	(24,592)
Principal Paid on Bond and Note Payable Maturities	(11,376)	(10,909)
Interest Paid on Bonds and Notes Payable	(4,164)	(4,636)
<b>Net Cash Used in Capital Financing Activities</b>	<b>(33,100)</b>	<b>(40,137)</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of Investments	(454)	(450)
Earnings on Investments	1,747	1,149
<b>Net Cash Provided by Investing Activities</b>	<b>1,293</b>	<b>699</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>102,361</b>	<b>49,705</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>272,523</b>	<b>222,818</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 374,884</b>	<b>\$ 272,523</b>

See accompanying notes.

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	<u>2016</u>	<u>2015</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating Loss	<u>\$ (132,461)</u>	<u>\$ (154,731)</u>
<b>Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:</b>		
Depreciation	72,990	72,989
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable - Water Service	1,215	2,987
(Increase) In Prepaid Expense	(46)	(629)
Decrease in Accounts Payable and Accrued Liabilities	<u>(4,115)</u>	<u>(3,417)</u>
Total Adjustments	<u>70,044</u>	<u>71,930</u>
<b>Net Cash Used in Operating Activities</b>	<u><u>\$ (62,417)</u></u>	<u><u>\$ (82,801)</u></u>



# **BROOK FOREST WATER DISTRICT**

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## **NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016**

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The Brook Forest Water District was created on March 3, 1964. The financial statements of the District have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

### **Note 1. Summary of Significant Accounting Policies**

#### **A. Financial Reporting Entity**

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.

#### **B. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of the fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net position, revenues and expenses.

Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The transactions of the District are accounted for on a flow of economic resources measurement focus. Revenues are recognized when earned and expenses are recognized when the liability is incurred regardless of the timing of related cash flows. Depreciation is computed and recorded as an operating expense. Expenditures for property, plant and equipment are shown as increases in assets and redemption of capital lease obligations are recorded as a reduction in liabilities. All assets and all liabilities associated with the operations

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are included on the statements of net position. Net position (i.e., total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources) are segregated into net investment in capital assets, restricted for emergency reserves; and unrestricted components.

### **C. Budgets**

The District's budget is prepared on a modified accrual basis. The Board of Directors adopts annual appropriated budgets for all funds. All annual appropriations lapse at calendar year-end. Governmental accounting standards require a comparison of the budget to expenditures with an accompanying explanation of the difference between the GAAP basis financial statements and the budget.

Encumbrances represent commitments related to unperformed contracts for goods or services. The District does not utilize encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation.

### **D. Cash and Investments**

For purposes of the statement of cash flows, the district considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

Cash in excess of current operating requirements is invested in various interest-bearing accounts including local governmental investment pools.

Investments are stated at cost. Earnings on investments are recognized when earned. All investments are in compliance with state statutes governing investments.

### **E. Capital Assets**

Exhaustible capital assets used by the District are depreciated and charged as an expense against operations. All purchased capital assets are valued at cost or estimated historical cost if actual historical records are not available. Donated capital assets are recorded at their estimated fair value on the date received. Depreciation is computed using the straight-line method over the estimated useful life of the asset. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

### **F. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not

# BROOK FOREST WATER DISTRICT

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## NOTES TO THE FINANCIAL STATEMENTS - CONTINUED DECEMBER 31, 2016

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be recognized as an outflow of resources (expense/ expenditure) until then. The District does not have any items that qualify.

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 District has only one type of item that qualifies for reporting in this category *unavailable revenue – property taxes*. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

### Note 2. Legal Compliance - Budgets

No later than October 15, the Board of Directors propose an operating budget for the calendar year commencing the following January 1. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations and estimated revenues for the next calendar year. The Board of Directors holds a public hearing to obtain citizen comments. The budget is legally adopted by resolution on or before the last day of December.

The Board of Directors is authorized to transfer budgeted amounts between line items. Expenditures may not legally exceed budgeted appropriations at the fund level. The Board of Directors must approve any amendments that increase total expenditures in a supplemental appropriation. There were no supplemental budget amendments in 2016.

### Note 3. Deposits and Investments

Deposits and investments as of December 31, 2016 are classified in the accompanying financial statements as follows:

Cash and Cash Equivalents	\$ 374,884
Investments	<u>199,917</u>
Total	<u>\$ 574,801</u>

Deposits and investments as of December 31, 2016 consist of the following:

Deposits with Financial Institutions	\$ 527,023
Deposits with Local Government Investment Pools	<u>47,778</u>
Total	<u>\$ 574,801</u>

*Cash Invested.* Colorado State Statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. These investments include local government investment pools and certain obligations of the United States government.

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*Interest Rate Risk.* The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* State law limits investments in commercial paper, corporate bonds, and money market mutual funds to the top two ratings issued by nationally recognized statistical rating organizations. The District has no investment policy that would further limit its investment choices. At December 31, 2016, the District's investment in the Colorado Government Liquid Assets Trust (COLOTRUST) was rated AAAm by Standard & Poor's.

*Concentration of Credit Risk.* The District places no limit on the amount the District may invest in any one issuer. The District invests in one local government investment pool, the Colorado Liquid Assets Trust (COLOTRUST). These investments are not categorized because the investments are not evidenced by securities that exist in physical or book entry form. The District had a balance of \$47,778 invested in COLOTRUST at December 31, 2016.

*Custodial Credit Risk.* Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Town would not be able to recover its deposits or would not be able to recover collateral securities that are in the possession of an outside party.

The Colorado Public Deposit Protection Act (PDPA) requires that cash be deposited in eligible public depositories and that deposits 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 with the Town being a named participant in the single institution collateral pool. The minimum pledging requirement is 102% of the uninsured deposits. The Colorado State Banking Board verifies the market value at least monthly. Bank assets (usually securities) are required by PDPA to be delivered to a third-party institution for safekeeping, and pledged to the Colorado Division of Banking. Based on the above, the Colorado State Auditor has concluded that there is no custodial risk for public deposits collateralized under PDPA.

#### **Note 4. Property Taxes Receivable**

No later than December 15, the Board of Directors must certify the mill levy to the county commissioners. Property taxes become due on January 1 of the succeeding year and are payable in full by April 30 or in two installments by February 28 and June 15. Property taxes are recorded as receivable when levied and offset to deferred revenue for financial reporting purposes. Property taxes are recognized as revenue when collected by the county treasurer.

#### **Note 5. Noncurrent Receivables**

Noncurrent receivables represent amounts paid by the District to a land-owner in order to cause a main water line extension to be constructed by the land-owner to be connected to a water reservoir on a site provided by the land-owner.

# BROOK FOREST WATER DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS - CONTINUED DECEMBER 31, 2016

The amounts paid will be recovered from a connection fee surcharge in the amount of \$1,040 each from the 16 lots located in the Lodgepole water reservoir subdistrict in which the water reservoir is located.

### Note 6. Capital Assets

Capital asset activity for the year ended December 31, 2016 was as follows:

	Balance January 1, <u>2016</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2016</u>
Capital Assets, Not Being Depreciated:				
Land and Land Improvements	\$ 32,335	\$ -	\$ -	\$ 32,335
Construction in Progress	<u>24,592</u>	<u>17,560</u>	<u>-</u>	<u>42,152</u>
Total Capital Assets, Not Being Depreciated	<u>56,927</u>	<u>17,560</u>	<u>-</u>	<u>74,487</u>
Capital Assets, Being Depreciated:				
Water Systems	2,622,314	-	-	2,622,314
Wells	566,004	-	-	566,004
Machinery and Equipment	<u>16,655</u>	<u>-</u>	<u>-</u>	<u>16,655</u>
Total Capital Assets, Being Depreciated	<u>3,204,973</u>	<u>-</u>	<u>-</u>	<u>3,204,973</u>
Less: Accumulated Depreciation:				
Water Systems	(1,258,083)	(56,132)	-	(1,314,215)
Wells	(268,764)	(16,858)	-	(285,622)
Machinery and Equipment	<u>(16,655)</u>	<u>-</u>	<u>-</u>	<u>(16,655)</u>
Total Accumulated Depreciation	<u>(1,543,502)</u>	<u>(72,990)</u>	<u>-</u>	<u>(1,616,492)</u>
Total Capital Assets Being Depreciated, Net	<u>1,661,471</u>	<u>(72,990)</u>	<u>-</u>	<u>1,588,481</u>
Total Capital Assets, Net	<u>\$ 1,718,398</u>	<u>\$ (55,430)</u>	<u>\$ -</u>	<u>\$ 1,662,968</u>

The following estimated useful lives are used to compute depreciation:

Water Systems	33-50 Years
Wells	33-50 Years
Machinery and Equipment	3-10 Years

Depreciation expense was \$72,990 and \$72,989 for the years ended December 31, 2016 and 2015, respectively.

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## Note 7. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 1988, the District joined the Colorado Special Districts Property and Liability Pool. The Special Districts Pool is a public entity risk pool currently operating as a common risk management and insurance program for 1161 member districts. The District pays an annual premium to the Special Districts Pool for its general insurance coverage. The Agreement of Formation of the Special Districts Pool provides that it will be self-sustaining through member premiums and will reinsure through commercial companies. Twenty percent (20%) of each insured event is applied directly to the pool, which has a reinsurance stop loss provision for each insured event in excess of \$250,000. The remaining 80% is provided for by reinsurance coverage.

The District continues to carry commercial insurance for all other risks of loss, including worker's compensation and director's liability. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

## Note 8. Long-term Debt

Long-term debt at December 31, 2016, and 2015, consisted of the following:

	<u>2016</u>	<u>2015</u>
Colorado Water Conservation Board loans for \$130,500 and \$164,500, respectively. Interest and principal payable in annual payments of \$6,942 and \$8,603, respectively.	<u>\$ 85,818</u>	<u>\$ 97,194</u>
	85,818	97,194
Less Current Portion of Long-term Debt	<u>(11,864)</u>	<u>(11,376)</u>
Total Long-term Debt	<u>\$ 73,954</u>	<u>\$ 85,818</u>

Annual principal and interest requirements to maturity for general obligation bonds outstanding at December 31, 2016, are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 11,864	\$ 3,681	\$ 15,545
2018	12,372	3,173	15,545
2019	12,902	2,643	15,545
2020	13,455	2,090	15,545
2021	14,031	1,514	15,545
2022-2023	<u>21,194</u>	<u>1,247</u>	<u>22,441</u>
Total General Obligation Bonds	<u>\$ 85,818</u>	<u>\$ 14,348</u>	<u>\$ 100,166</u>

# **BROOK FOREST WATER DISTRICT**

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## **NOTES TO THE FINANCIAL STATEMENTS - CONTINUED DECEMBER 31, 2016**

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### **Note 9. Compliance with Amendment 21**

On November 3, 1992, the voters of Colorado approved Amendment 21, commonly known as the Taxpayers Bill of Rights or TABOR, to the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations that apply to the State of Colorado and local governments, including special districts.

The District's financial activity for 1992 provided the basis for calculation of future spending limitations adjusted for allowable increases tied to inflation and local "growth". Subsequent to 1992, revenue in excess of the District's "spending limit" must be refunded unless voters approve to retain such excess revenue. TABOR also generally requires voter approval prior to imposing new taxes, increasing taxes or spending above the limits prescribed above, increasing a mill levy, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government. Multiple-fiscal year debt requires voter approval except for bond refinancing at lower interest rates or adding employees to existing pension plans.

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 Brook Forest Water Activity Enterprise (the "Enterprise") was created in 1995 pursuant to C.R.S. 37-47.1-101 et seq. and Colorado Constitution Article X, Section 20 as a statutory, government-owned business. The Enterprise provides water activity services for and receives revenue from non-recurring projects in such proportion as the Board provides from time-to-time. These services and revenues include but are not limited to new residential and commercial construction and associated fees, new water taps and associated fees, and water system development and associated special assessments and fees. Also, the Enterprise does not receive tax revenue or any revenue specifically tied to general obligation indebtedness, such as any portion of availability of service or facilities charges.

In November, 2008, voters within the District approved a ballot question which permanently authorizes the District, without an election, to take action on all spending and revenue raising measures, including property tax rate increases, which are limited by TABOR.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is extremely complex and subject to interpretation. The ultimate impact and implementation of TABOR may depend upon litigation and legislative guidance. The tax and spending limitations contained in TABOR may impact future financial activity.

The TABOR Amendment requires that an emergency reserve be established for 1993 and subsequent years based on the District's level of fiscal year spending. The amount that is required to be reserved for emergencies for 2016 is 3% of 2016 fiscal year spending. Emergency reserves in the amount of \$10,121 and \$9,288 have been established for the years ended December 31, 2016 and 2015, respectively.

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# BROOK FOREST WATER DISTRICT

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts Original and Final	Actual Amounts	Variance Positive (Negative)
<b>Revenues</b>			
Water Service Fees	\$ 156,000	\$ 143,609	\$ (12,391)
Late Charges	1,000	7,690	6,690
Readiness to Serve Fees	13,500	14,154	654
Property Taxes	171,338	171,319	(19)
Specific Ownership Taxes	11,900	13,743	1,843
Interest Earnings	500	1,747	1,247
Miscellaneous Revenue	-	649	649
<b>Total Revenues</b>	<b>354,238</b>	<b>352,911</b>	<b>(1,327)</b>
<b>Expenditures</b>			
Salaries - Maintenance	61,000	61,446	(446)
Contract Labor	6,000	5,535	465
Benefits	2,600	2,591	9
Repairs and Maintenance	25,000	42,660	(17,660)
Utilities and Telephone	18,000	15,531	2,469
Legal	20,000	24,496	(4,496)
Engineering	10,000	812	9,188
Augmentation	2,000	4,907	(2,907)
Audit and Accounting	5,000	5,000	-
Administration	20,000	17,712	2,288
Lab and Testing	4,000	4,802	(802)
Office Supplies and Expenses	2,000	3,218	(1,218)
Director's Fees	6,000	6,300	(300)
Insurance	5,000	4,887	113
Payroll Taxes	6,500	5,436	1,064
Mileage	3,500	3,253	247
Miscellaneous Expense	500	20	480
Education	1,500	408	1,092
Dues and Memberships	400	945	(545)
Election Costs	1,000	1,460	(460)
Treasurer's Fees	2,580	2,577	3
Bond and Loan Principal	11,376	11,376	-
Bond and Loan Interest	4,169	3,867	302
Capital Improvements	210,000	17,560	192,440
<b>Total Expenditures</b>	<b>428,125</b>	<b>246,799</b>	<b>181,326</b>

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	<u>Budgeted Amounts</u> Original and Final	Actual Amounts	Variance Positive (Negative)
<b>Net Change in Fund Balances</b>	\$ (73,887)	\$ 106,112	\$ 179,999
<b>Fund Balances, Beginning of Year</b>	<u>561,928</u>	<u>538,606</u>	<u>(23,322)</u>
<b>Fund Balances, End of Year</b>	<u>\$ 488,041</u>	<u>\$ 644,718</u>	<u>\$ 156,677</u>

**RECONCILIATION OF NET CHANGE IN FUND BALANCES (BUDGETARY BASIS)  
TO CHANGE IN NET ASSETS (GAAP BASIS)**

<b>Net Change in Fund Balances (Budgetary Basis)</b>	<u>\$ 106,112</u>
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**Adjustments to Reconcile Budgetary  
Basis to GAAP Basis**

Principal Paid on Long-term Debt	11,376
Capital Improvements	17,560
Depreciation	<u>(72,990)</u>
<b>Total Adjustments</b>	<u>(44,054)</u>
<b>Change in Net Position (GAAP Basis)</b>	<u><u>\$ 62,058</u></u>

# BROOK FOREST WATER DISTRICT

## DEBT SCHEDULE DECEMBER 31, 2016

PURPOSE	SCHEDULE OF INDEBTEDNESS					PAYMENTS DUE IN 2017	
	DATE ISSUED	INTEREST RATE	MATURITY DATE	AMOUNT ISSUED	AMOUNT OUT- STANDING	PRINCIPAL	INTEREST
LOANS:							
Colorado Water Conserv. Board #153349	7/15/1981	4.234	7/1/2022	\$ 164,500	\$ 44,721	\$ 6,710	\$ 1,893
Colorado Water Conserv. Board #153379	4/1/1982	4.351	4/1/2023	130,500	41,097	5,154	1,788
TOTAL LOANS					85,818	11,864	3,681
TOTAL LONG-TERM DEBT					\$ 85,818	\$ 11,864	\$ 3,681