

**WEST FORT COLLINS
WATER DISTRICT**

Independent Auditors' Report

Financial Statements

December 31, 2016



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By Justin L. Smith at 10:40 am, Feb 14, 2017

Independent Auditor's Report

To the Board of Directors of
West Fort Collins Water District

Report on the Financial Statements

We have audited the accompanying financial statements of West Fort Collins Water District, which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of revenues, expenses, changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

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 audits 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, 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 respective financial position of West Fort Collins Water District as of December 31, 2016 and 2015, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States.

Other Matters

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the West Fort Collins Water District's basic financial statements. The Statements of Revenues and Expenditures, Budget and Actual, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The Statements of Revenues and Expenditures, Budget and Actual, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The District has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of the 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.

Eads & Associates, Inc.



3003 East Harmony Road, Suite 310
Fort Collins, Colorado 80528
February 13, 2017

WEST FORT COLLINS WATER DISTRICT

**Balance Sheets
December 31, 2016 and 2015**

Assets

	<u>2016</u>	<u>2015</u>
Current assets:		
Cash	\$ 70,178	\$ 124,473
Savings and investments	2,070,255	1,647,874
Accounts receivable	167,635	204,183
Prepaid expenses	9,947	8,586
Inventory	46,056	47,701
Total current assets	<u>2,364,072</u>	<u>2,032,816</u>
Capital assets:		
Land	60,694	60,694
Building	124,001	124,001
Transportation and other equipment	167,122	167,122
Water system	6,759,467	5,157,923
	<u>7,111,283</u>	<u>5,509,740</u>
Less: accumulated depreciation	(2,343,619)	(2,221,105)
Total property and equipment	<u>4,767,665</u>	<u>3,288,635</u>
Water rights	<u>1,344,376</u>	<u>1,344,376</u>
Total assets	<u><u>\$ 8,476,113</u></u>	<u><u>\$ 6,665,827</u></u>

Liabilities and Net Position

Current liabilities:		
Accounts payable	\$ 83,523	\$ 64,081
Payroll taxes withheld and accrued	5,204	3,917
Total current liabilities	<u>88,728</u>	<u>67,998</u>
Customers' advances for tap fees	<u>9,437</u>	<u>9,961</u>
Total liabilities	<u><u>98,165</u></u>	<u><u>77,959</u></u>
Net position:		
Invested in capital assets, net of related debt	4,767,665	3,288,635
Net position, restricted for emergencies	38,837	38,378
Net position, unrestricted	3,571,446	3,260,855
Total net position	<u>8,377,949</u>	<u>6,587,867</u>
Total liabilities and net position	<u><u>\$ 8,476,113</u></u>	<u><u>\$ 6,665,827</u></u>

The notes to the financial statements are an integral part of this statement.

WEST FORT COLLINS WATER DISTRICT

Statements of Revenues, Expenses and Changes in Net Position For the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Water sales	\$ 1,129,783	\$ 1,002,722
Stand-by tap income	665	693
Tap sales	122,000	254,000
Water rental	27,900	9,149
Miscellaneous income	1,849	9,822
Total operating revenues	1,282,197	1,276,386
Operating expenses:		
Salaries	161,677	156,749
Payroll taxes	12,368	11,991
Employee benefits	19,478	20,913
Travel	8,347	6,550
Utilities	31,968	30,853
Office expense	47,098	37,811
Directors' fees	5,400	5,400
Insurance	8,586	8,194
Repairs	122,484	30,176
Legal and accounting	4,000	5,391
Water assessments	70,548	55,055
Water processing	396,159	321,810
Miscellaneous expense	15,774	6,424
Advertising	129	22
Depreciation	122,514	100,655
Total operating expenses	1,026,530	797,996
Income (loss) from operations	255,667	478,391
Non-operating revenues and expenses:		
Gain on sale of water shares	-	243,261
Capital contributions(uses)	1,522,034	237,155
Interest	12,381	2,883
Change in net position	\$ 1,790,082	\$ 961,690

The notes to the financial statements are an integral part of this statement.

WEST FORT COLLINS WATER DISTRICT

Statements of Revenues, Expenses and Changes in Net Position (con't)
For the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Net position, beginning of year	\$ 6,587,867	\$ 5,626,177
Change in net position	<u>1,790,082</u>	<u>961,690</u>
Net position, end of year	<u>\$ 8,377,949</u>	<u>\$ 6,587,867</u>

The notes to the financial statements are an integral part of this statement.

WEST FORT COLLINS WATER DISTRICT

**Statements of Cash Flows
For the years ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Cash received from customers	\$ 1,318,745	\$ 1,282,765
Cash paid to suppliers and employees	<u>(883,003)</u>	<u>(669,378)</u>
Net cash provided by operating activities	<u>435,742</u>	<u>613,387</u>
Cash flows from investing activities:		
Interest received	12,381	2,883
Cash flows from capital and related financing activities:		
Purchases of capital assets	(1,601,544)	(744,758)
Contributions In Aid	1,521,507	236,980
Sale of water shares	-	346,000
Cash flows from noncapital financing:	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	368,086	454,492
Cash and cash equivalents at beginning of year	<u>1,772,347</u>	<u>1,317,855</u>
Cash and cash equivalents at end of year	<u>\$ 2,140,433</u>	<u>\$ 1,772,347</u>
Reconciliation of income(loss) from operations to net cash provided by operating activities:		
	<u>2016</u>	<u>2015</u>
Net income from operations	\$ 255,667	\$ 478,391
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	122,514	100,655
(Increase) decrease in:		
Accounts receivable	36,548	6,379
Inventory	1,645	2,246
Prepaid expenses	(1,361)	(509)
Increase (decrease) in:		
Accounts payable	19,442	26,103
Payroll taxes withheld and accrued	1,287	122
	<u>-</u>	<u>-</u>
	<u>\$ 435,742</u>	<u>\$ 613,387</u>

The notes to the financial statements are an integral part of this statement.

WEST FORT COLLINS WATER DISTRICT

Notes to Financial Statements December 31, 2016 and 2015

1. Reporting entity:

- A. West Fort Collins Water District is a water district operating under Colorado Local Government Law. An elected board of directors operates the district. Its function is to provide water services to the public within its domain.
- B. The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District has determined no other entities should be included as defined in numbers 2 and 3 above. The District has no financial accountability for any other governmental entity since no other entities are considered to be controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoptive, taxing authority, funding and appointment of the respective governing board.

2. Summary of accounting policies:

- A. The District operates as an enterprise fund. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - 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. Management believes the provisions of the TABOR amendment are not applicable. The entity is an enterprise fund and per TABOR, enterprise funds are not subject to TABOR provisions.
- B. The District uses the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.
- C. Comparative data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, complete comparative data have not been presented since their inclusion would make the statements unduly complex and difficult to read.
- D. Inventory is valued at the lower of cost or market, on the first-in, first-out method.
- E. Capital assets are recorded at cost. Depreciation is provided on the straight-line method as follows:

<u>Asset</u>	<u>Life</u>
Transportation and other equipment	5 years
Building	30 years
Office equipment	5 years
Water system	50 years

The notes to the financial statements are an integral part of this statement.

WEST FORT COLLINS WATER DISTRICT
Notes to Financial Statements
December 31, 2016 and 2015
(Cont'd)

F. The Board of Directors approves, by resolution, total budget appropriation only. The board must approve any revisions that alter the total appropriations.

Unused appropriations lapse at the end of the year.

Because of differences between the adopted budget and generally accepted accounting principles, certain line items as reflected on Schedule 1 do not agree with comparable amounts on the Balance Sheets and Statements of Revenues, Expenses and Changes in Net Position. A reconciliation of these amounts is as follows:

	2016	2015
Expenditures:		
Operating expenditures per		
Statements of Revenues, Expenses and Changes in Net Position	\$ 1,026,530	797,996
Less:		
Non-cash expenditures & depreciation	(122,514)	(100,655)
Operating expenditures:		
For budgetary purposes	\$ 904,016	697,341

G. Accounting Policies: The district has elected to follow GASB pronouncements, therefore, statements issued by the financial accounting standards board after November 30, 1989 are not applied.

3. Customers' advances for tap fees consist of 54 stand-by taps. As each tap is activated, \$174.76 of this account is recognized as contributed capital.
4. The district acquires its treated water from the City of Fort Collins. Amounts charged are for actual deliveries only. The rates are adjusted periodically.
5. Cash and investments. The District's investments and cash deposits at year-end were entirely covered by federal depository insurance or by collateral pooled in compliance with the Public Depository Protection Act (PDPA) of 1975. Under this act, a financial institution pledges a pool of collateral against all the public deposits it holds. None of the District's deposits are exposed to custodial credit risk. The District on December 31, 2016 has cash and cash equivalents of \$2,140,433 and Certificates of Deposits of \$0.00.

In 2016 funds were held in Colorado Local Government Liquid Asset Trust, which maintains the "AAAm" rating on the pooled investments.

Cash and cash equivalents: The District has defined cash and cash equivalents to include cash on hand, demand deposits and certificates of deposit with an original maturity of three months or less. Additionally, the Colorado Local Government account is treated as a cash equivalent because the District can deposit or effectively withdraw cash at any time without prior notice or penalty.

WEST FORT COLLINS WATER DISTRICT
Notes to Financial Statements
December 31, 2016 and 2015
(Cont'd)

6. Accrued vacation and sick pay is not recorded in the accompanying financial statements in accordance with statement Number 1 of the National Council of Governmental Accounting.

The approximate amount accrued and vested at December 31, 2016, has been determined to be immaterial.

7. Beginning in 1991, the District charges a one time fee for new fire protection systems, including commercial and residential sprinkler systems and fire hydrants. The funds are kept in a special investment account to be used towards upgrading the water system providing fire protection. Currently, the account balance is zero.
8. The District is a member of the Colorado Special Districts Property and Liability Pool. The District has joined together with other districts in the State of Colorado. This is a public entity risk pool currently operating as a common risk management and insurance program for member districts. The District pays annual contributions for its property and casualty insurance coverage. The intergovernmental agreement provides that the pool will be financially self-sustaining through member contributions and additional assessments, if necessary, and the pool will purchase excess insurance through commercial companies for members' claims in excess of specified self-insurance retention.

Other non-pool coverage.

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; claims relating to professional liability; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

9. Capital Assets

	Balance 12/31/2015	Acquisitions	Dispositions	Balance 12/31/2016
Land	60,694	-	-	60,694
Building	124,001	-	-	124,001
Office equipment	96,366	-	-	96,366
Vehicles & other equipment	70,756	-	-	70,756
Water system	5,157,922	1,601,544	-	6,759,467
TOTAL	5,509,740	1,601,544	-	7,111,283

The notes to the financial statements are an integral part of this statement.

WEST FORT COLLINS WATER DISTRICT
Notes to Financial Statements
December 31, 2016 and 2015
(Cont'd)

	Accumulated Depreciation 12/31/2015	Additions	Deletions	Accumulated Depreciation 12/31/2016
Land	-	-	-	-
Building	117,223	601	-	117,824
Office equipment	80,386	3,527	-	83,913
Vehicles & other equipment	66,072	-	-	66,072
Water system	1,957,424	118,386		2,075,810
TOTAL	2,221,105	122,514	-	2,343,619

The capital assets less accumulated depreciation on December 31, 2016, equals \$4,767,665.

WEST FORT COLLINS WATER DISTRICT

Statements of Revenues and Expenditures
Budget and Actual
For the years ended December 31, 2016 and 2015

	<u>2016 Budget</u>	<u>2016 Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2015 Actual</u>
Working capital, January 1	<u>\$1,534,261</u>	<u>1,964,819</u>	<u>430,558</u>	<u>1,544,670</u>
Revenue:				
Operating	911,800	1,282,197	370,397	1,276,386
Non-operating	72,000	12,381	(59,619)	348,883
Contributions in aid	-	1,521,507	1,521,507	236,980
Total revenue	<u>983,800</u>	<u>2,816,085</u>	<u>1,832,285</u>	<u>1,862,249</u>
 Total sources	 <u>2,518,061</u>	 <u>4,780,904</u>	 <u>2,262,843</u>	 <u>3,406,919</u>
 Expenditures:				
Operating	794,000	904,016	(110,016)	697,340
Capital expenditures	1,724,061	1,601,544	122,517	744,760
Total expenditures	<u>2,518,061</u>	<u>2,505,560</u>	<u>12,501</u>	<u>1,442,100</u>
 Working capital, December 31	 <u>\$ -</u>	 <u>2,275,344</u>	 <u>2,275,344</u>	 <u>1,964,819</u>

The notes to the financial statements are an integral part of this statement.