

**WEST FORT COLLINS
WATER DISTRICT**

Independent Auditors' Report

Financial Statements

December 31, 2018

Eads  Associates, inc.

Independent Auditors' 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, 2018 and 2017, 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, 2018 and 2017, 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 11, 2019

WEST FORT COLLINS WATER DISTRICT

Balance Sheets
December 31, 2018 and 2017

Assets

	<u>2018</u>	<u>2017</u>
Current assets:		
Cash	\$ 31,961	\$ 6,838
Savings and investments	3,708,228	2,534,887
Accounts receivable	119,570	163,038
Prepaid expenses	9,563	11,252
Inventory	51,069	53,721
Total current assets	3,920,391	2,769,735
Capital assets:		
Land	60,694	60,694
Building	124,001	124,001
Transportation and other equipment	197,697	197,697
Water system	6,854,079	6,813,575
	7,236,471	7,195,967
Less: accumulated depreciation	(2,630,737)	(2,485,176)
Total property and equipment	4,605,734	4,710,791
Water rights	1,344,376	1,344,376
Total assets	\$ 9,870,501	\$ 8,824,902

Liabilities and Net Position

Current liabilities:		
Accounts payable	\$ 40,753	\$ 35,090
Payroll taxes withheld and accrued	6,084	-
Total current liabilities	46,837	35,090
Customers' advances for tap fees	9,437	9,437
Total liabilities	56,274	44,527
Net position:		
Invested in capital assets, net of related debt	4,605,734	4,710,791
Net position, restricted for emergencies	59,822	40,515
Net position, unrestricted	5,148,671	4,029,069
Total net position	9,814,227	8,780,374
Total liabilities and net position	\$ 9,870,501	\$ 8,824,902

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating revenues:		
Water sales	\$ 1,261,789	\$ 1,174,137
Stand-by tap income	648	648
Tap sales	320,000	120,000
Water rental	164,110	28,550
Miscellaneous income	183,231	2,532
Total operating revenues	1,929,778	1,325,867
Operating expenses:		
Salaries	167,350	152,850
Payroll taxes	12,802	11,693
Employee benefits	19,790	18,477
Travel	5,273	4,480
Utilities	25,195	26,519
Office expense	40,895	35,439
Directors' fees	5,500	5,000
Insurance	11,067	9,947
Repairs	42,588	89,639
Legal and accounting	5,000	4,000
Water assessments	72,795	70,378
Water processing	406,152	378,065
Miscellaneous expense	132	2
Advertising	110	26
Depreciation	145,561	141,558
Total operating expenses	960,210	948,073
Income (loss) from operations	969,568	377,794
Non-operating revenues and expenses:		
Capital contributions(uses)	-	-
Interest	64,285	24,631
Change in net position	\$ 1,033,853	\$ 402,425

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Net position, beginning of year	\$ 8,780,374	\$ 8,377,949
Change in net position	<u>1,033,853</u>	<u>402,425</u>
Net position, end of year	<u>\$ 9,814,227</u>	<u>\$ 8,780,374</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, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Cash received from customers	\$ 1,973,246	\$ 1,330,464
Cash paid to suppliers and employees	<u>(798,561)</u>	<u>(869,132)</u>
Net cash provided by operating activities	<u>1,174,685</u>	<u>461,332</u>
Cash flows from investing activities:		
Interest received	64,285	24,631
Cash flows from capital and related financing activities:		
Purchases of capital assets	(40,506)	(84,671)
Contributions In Aid	-	-
Sale of water shares	-	-
Cash flows from noncapital financing:	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	1,198,464	401,292
Cash and cash equivalents at beginning of year	<u>2,541,725</u>	<u>2,140,433</u>
Cash and cash equivalents at end of year	<u>\$ 3,740,189</u>	<u>\$ 2,541,725</u>
Reconciliation of income(loss) from operations to net cash provided by operating activities:		
	<u>2018</u>	<u>2017</u>
Net income from operations	\$ 969,568	\$ 377,794
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	145,561	141,558
(Increase) decrease in:		
Accounts receivable	43,468	4,597
Inventory	2,652	(7,665)
Prepaid expenses	1,689	(1,305)
Increase (decrease) in:		
Accounts payable	5,663	(48,443)
Payroll taxes withheld and accrued	6,084	(5,204)
	<u>-</u>	<u>-</u>
	<u>\$ 1,174,685</u>	<u>\$ 461,332</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, 2018 and 2017

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, 2018 and 2017
(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:

	2018	2017
Expenditures:		
Operating expenditures per		
Statements of Revenues, Expenses and Changes in Net Position	\$ 960,210	948,073
Less:		
Non-cash expenditures & depreciation	(145,561)	(141,558)
Operating expenditures:		
For budgetary purposes	\$ 814,649	806,515

G. Accounting Policies: 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.

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, 2018 has cash and cash equivalents of \$3,740,189.

In 2018 funds were held in Colorado Liquid Asset Trust (the 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

WEST FORT COLLINS WATER DISTRICT
Notes to Financial Statements
December 31, 2018 and 2017
(Cont'd)

months or less. Additionally, the Colorado Liquid Asset Trust account is treated as a cash equivalent because the District can deposit or effectively withdraw cash at any time without prior notice or penalty.

COLOTRUST

At December 31, 2018 and 2017, the District has invested in the Colorado Local Government Liquid Asset Trust (The Trust), 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 the Trust. The Trust operates similarly to a money market fund. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities, certain obligations of U.S. Government agencies and instrumentalities, and repurchase agreements collateralized with certain U.S. government agencies or instrumentalities. COLOTRUST PLUS+ may also invest in the highest rated commercial paper. Both the COLOTRUST PRIME and COLOTRUST PLUS+ portfolios are rated AAAM by Standard and Poor's.

Investment Valuation

The District has certain investments which are measured at fair value on a recurring basis and 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 prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investment in COLOTRUST is valued using Level 2 inputs.

The District held investments in COLOTRUST Investment at year end for which the investment valuations were determined as follows.

COLOTRUST determines the NAV of the shares of each portfolio as of the close of business of 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 determining value in accordance with FASB guidance. It is the goal of the Trust 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.

Statements of Revenues and Expenditures
Budget and Actual
For the years ended December 31, 2018 and 2017

	2018 Budget	2018 Actual	Variance Favorable (Unfavorable)	2017 Actual
Working capital, January 1	\$ 756,138	2,734,656	1,978,518	2,275,344
Revenue:				
Operating	1,226,800	1,929,778	702,978	1,325,867
Non-operating	135,000	64,285	(70,715)	24,631
Contributions in aid	-	-	-	-
Total revenue	<u>1,361,800</u>	<u>1,994,063</u>	<u>632,263</u>	<u>1,350,498</u>
Total sources	<u>2,117,938</u>	<u>4,728,719</u>	<u>2,610,781</u>	<u>3,625,842</u>
Expenditures:				
Operating	1,024,000	814,649	209,351	806,515
Capital expenditures	1,093,938	40,506	1,053,432	84,671
Total expenditures	<u>2,117,938</u>	<u>855,155</u>	<u>1,262,783</u>	<u>891,186</u>
Working capital, December 31	<u>\$ -</u>	<u>3,873,564</u>	<u>3,873,564</u>	<u>2,734,656</u>

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