

# WEST FORT COLLINS WATER DISTRICT

## FINANCIAL STATEMENTS

Year Ended December 31, 2020



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## Independent Auditors' Report

Board of Directors  
West Fort Collins Water District  
LaPorte, Colorado

We have audited the accompanying financial statements of the business- type activities of the West Fort Collins Water District as of December 31, 2020 and for the year then ended, 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; 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we 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, 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.

Board of Directors  
West Fort Collins Water District  
LaPorte, Colorado

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Fort Collins Water District as of December 31, 2020, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

## **Other Matters**

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule on page 13 is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 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 the missing information. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

*Anderson & Whitney, P.C.*

April 26, 2021

# WEST FORT COLLINS WATER DISTRICT

## STATEMENT OF NET POSITION

December 31	2020
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 32,154
Investments	3,118,816
Accounts receivable	96,630
Inventory	98,666
<b>Total Current Assets</b>	<b>3,346,266</b>
Capital Assets:	
Land	60,694
Building	124,001
Machinery and equipment	159,388
Water rights	1,344,376
Water system	8,574,863
Net of accumulated depreciation	(2,884,379)
<b>Total Capital Assets</b>	<b>7,378,943</b>
Other Assets:	
Prepaid items	10,411
<b>Total Other Assets</b>	<b>10,411</b>
<b>TOTAL ASSETS</b>	<b>\$ 10,735,620</b>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	\$ 80,411
Accrued payroll taxes	2,502
Customer advances	9,437
<b>Total Current Liabilities</b>	<b>92,350</b>
<b>TOTAL LIABILITIES</b>	<b>92,350</b>
<b>NET POSITION</b>	
Net investment in capital assets	7,378,943
Unrestricted net position	3,264,327
<b>TOTAL NET POSITION</b>	<b>\$ 10,643,270</b>

See Accompanying Notes to Financial Statements.

# WEST FORT COLLINS WATER DISTRICT

## STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

Year Ended December 31	2020
Operating Revenue:	
Water billings	\$ 1,323,340
Stand-by tap income	637
Water rental	23,873
Total Operating Revenue	1,347,850
Operating Expenses:	
Administration	416,416
Water operating expenses	669,666
Total Operating Expenses	1,086,082
Operating Income	261,768
Non-operating Revenue (Expenses):	
Interest income	27,614
Net Non-operating Revenue	27,614
Income Before Contributions	289,382
Capital contributions	-
Net income	289,382
Net Position, Beginning of Year	10,353,888
Net Position, End of Year	\$ 10,643,270

See Accompanying Notes to Financial Statements.

# WEST FORT COLLINS WATER DISTRICT

## STATEMENT OF CASH FLOWS

Year Ended December 31	2020
Cash Flows from Operating Activities:	
Cash receipts from customers	\$ 1,365,148
Payments to suppliers and employees	(884,379)
Net Cash Provided by Operating Activities	480,769
Cash Flows from Capital and Related Financing Activities:	
Acquisition of property, plant and equipment	(1,193,763)
Net Cash Used by Capital and Related Financing Activities	(1,193,763)
Cash Flows from Noncapital Financing Activities:	-
Cash Flows from Investing Activities:	
Interest and dividends received	27,614
Sale of investments	627,386
Net Cash Flows from Investing Activities	655,000
Net Decrease in Cash and Cash Equivalents	(57,994)
Cash and Cash Equivalents, Beginning of Year	90,148
Cash and Cash Equivalents, End of Year	\$ 32,154

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 261,768
Depreciation and amortization	169,597
Change in operating assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	15,087
Prepaid items	-
Inventory	2,211
Increase (decrease) in:	
Accounts payable and accrued expenses	32,106
Net Cash Provided by Operating Activities	\$ 480,769

See Accompanying Notes to Financial Statements.

# WEST FORT COLLINS WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 1 – Summary of Significant Accounting Policies:**

This summary of the West Fort Collins Water District's significant accounting policies is to assist the reader with interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

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#### Form of Organization:

West Fort Collins Water District is an independent governmental entity organized under the provisions of the Colorado Revised Statutes. The District's Board of Directors is elected by property owners of the District and has the responsibilities for designation of management, operational decisions, and budget matters. The District is fully responsible for its financial matters and is not financially interdependent with another governmental unit. Revenues are derived by service charges determined by the Board. The District exists for the benefit of its residents and services of the District are generally available to the residents of the District.

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#### Scope of Reporting Entity:

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States (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.

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#### Financial Reporting Entity:

For financial reporting purposes, management has considered all potential component units in defining the District. The basic criterion for including a potential component unit is the District's ability to exercise significant operational control or financial accountability with the District. Financial relationship or operational control is determined on the basis of the District's obligation to fund deficits, responsibility for debt, budgetary authority, fiscal management, selection of governing authority and/or management, and the ability to significantly influence operations.

Based on the criteria mentioned above, no other entities are considered to be component units of the District, nor is the District a component unit of any other governmental entity.

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# WEST FORT COLLINS WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1 – Summary of Significant Accounting Policies - Continued:

#### Basis of Accounting:

The District currently operates as an “Enterprise Fund” as prescribed in governmental accounting standards because the intent of the Board is that costs and expenses (including depreciation) of providing services to its customers be financed or recovered primarily through user charges. The accrual basis of accounting is utilized for its operations. The District does not use encumbrance accounting.

The Enterprise Fund is accounted for on a cost of services “capital maintenance” measurement focus. Under this concept, all assets and all liabilities (whether current or noncurrent) associated with the activity are reported on the balance sheet. The reported fund equity (net position) is segregated into net investment in capital and unrestricted components. The proprietary fund type operations statement reports increases (revenues) and decreases (expenses) in net position.

Enterprise funds distinguish *operating* revenues from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund’s principal ongoing operations. The principal operating revenues of the District are water charges and related services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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#### Cash Equivalents:

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

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#### Capital Assets:

Capital assets purchased or acquired with an original cost of \$5,000 or more are stated at cost except for property received by donation or contribution, which is stated at its estimated fair market value at the time it is received by the District. The cost of maintenance and repairs is charged against income as incurred; significant renewals, betterments, and improvements are capitalized.

Depreciation has been computed using the straight-line method based on lives of 30 to 50 years for the water system and 5 to 10 years for service equipment.

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# WEST FORT COLLINS WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1 – Summary of Significant Accounting Policies - Continued:

#### Inventories:

Inventories of water supplies and equipment are valued at cost using first-in/first-out (FIFO) method.

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#### Customer Advances:

Customer 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.

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#### Compensated Absences:

Compensated absences are recorded as current salary when paid. It is the District's policy that compensated absences do not accumulate to a material amount.

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#### Tap Fees and Contributed Lines:

Tap fees are recorded as non-operating revenue when received. Lines contributed to the District by developers, if any, are recorded as non-operating revenue and additions to the systems at the developer's cost.

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#### Budgets:

Colorado state law requires the adoption of an annual budget. Appropriations lapse at the end of each year. The budget and related appropriations are prepared on the budgetary basis, which differs from accounting principles generally accepted in the United States, in that:

- \* Capital outlays are budgeted as expenses.
- \* Depreciation is not budgeted.

The District's Board of Directors adopts total budget appropriations for each of its funds. This is normally done in December of each year when notice is published in local newspapers and the proposed budget is held open for inspection by the taxpayers and a public hearing is held. The Board may transfer budget amounts between departments within any fund; however, any revision that alters the total appropriation of any fund requires that a budget revision be adopted by resolution in the same manner described above for adoption of the original budget. The level of budgetary responsibility is by total fund appropriations.

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# WEST FORT COLLINS WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 2 – Cash and Investments:**

The District's bank accounts and certificates of deposit at year-end were entirely covered by federal depository insurance or by collateral held by the Authority's custodial banks under provisions of the Colorado Public Deposit Protection Act.

The Colorado Public Deposit Protection Act requires financial institutions to pledge collateral having a market value of at least 102% of the aggregate public deposits not insured by federal depository insurance. Eligible collateral includes municipal bonds, U.S. government securities, mortgages, and deeds of trust.

State statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of the State of Colorado or of any county, school, authority, and certain towns and cities therein, notes or bonds secured by insured mortgages or trust deeds, obligations of national mortgage associations, and certain repurchase agreements.

Credit Risk- The District does not have specific policy regarding credit risk but is required to comply with State of Colorado (State) statutes which specify instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest. State statutes do not address custodial risk.

At December 31, 2020, the District had invested \$3,118,816 in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST operates similarly to a money market fund and each share is valued at the net asset value (NAV) of \$1.00. Investments of COLOTRUST consist of bills, notes, and bonds issued by the U.S. Treasury or a government agency, and repurchase agreements secured by such obligations. COLOTRUST is rated AAA by Standard & Poor's. The District's interest is valued at NAV.

Interest Rate Risk- Colorado Statutes require that no investment may have a maturity in excess of five years from the date of purchase. The District does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, other than those contained in the statutes. The District has interest rate risk related to its investments in COLOTRUST. At December 31, 2020, COLOTRUST Prime was weighted average maturity of 47 days to reset and 69 days to final maturity. COLOTRUST does not have any unfunded commitments, redemptions restrictions or redemption notice periods.

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# WEST FORT COLLINS WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3 – Capital Assets:

	Balance 1/1/20	Additions	Deletions	Balance 12/31/20
Not depreciated:				
Land	\$ 60,694	\$ --	\$ --	\$ 60,694
Water rights	1,344,376	--	--	1,344,376
Depreciable capital assets:				
Building	124,001	--	--	124,001
Collection and distribution system	7,381,499	1,193,363	--	8,574,862
Office equipment	96,366	400	33,692	63,074
Vehicles and equipment	132,047	--	35,733	96,314
	9,138,983	1,193,763	69,425	10,263,321
Less Accumulated Depreciation	(2,784,206)	(169,597)	69,425	(2,884,378)
Net Capital Assets	\$ 6,355,777	\$ 1,024,166	\$ --	\$ 7,378,943

### NOTE 4 – Water Treatment:

The District acquires its treated water from the City of Fort Collins. Amounts charged are for actual deliveries only. The rates are adjusted periodically.

### NOTE 5 – Risk Management:

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors and omissions, or acts of God. The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization composed of approximately 200 members created by intergovernmental agreement to provide property and general liability, automobile physical damage and liability, public officials' liability, and boiler and machinery coverage to its members. The Pool provides coverage for property claims up to the values declared and liability and public officials' coverage for claims up to \$1,000,000.

# WEST FORT COLLINS WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 6 – Commitments and Contingencies:**

In 1992, the Colorado voters approved the “Taxpayer’s Bill of Rights” (TABOR). TABOR requires voter approval for any new tax, tax rate increase, mill levy increase, or new debt. Voter approval is also required to increase annual property taxes, revenue, or spending by more than inflation plus a local growth factor. Spending not subject to TABOR includes that from District enterprise activities. The District believes it is in compliance with the requirements of TABOR.

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### **NOTE 7 – Subsequent Events:**

Management has evaluated subsequent events through the date the financial statements were available for issuance, which is the same date as the auditor’s report. There were no material subsequent events that required recognition or additional disclosure.

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**SUPPLEMENTARY INFORMATION**

# WEST FORT COLLINS WATER DISTRICT

## Schedule of Revenue and Expenses Compared with Budget (Non-GAAP Budget Basis)

Year Ended December 31, 2020	Actual	Final Budget	Variance
<b>Revenue:</b>			
Water sales	\$1,323,340	\$1,370,000	\$ (46,660)
Stand-by tap income	637	800	(163)
Water rental	23,873	25,000	(1,127)
Miscellaneous income	-	6,000	(6,000)
<b>Non-operating revenue:</b>			
Interest income	27,614	70,000	(42,386)
Capital contributions	-	69,000	(69,000)
<b>Total Revenue</b>	<b>1,375,464</b>	<b>1,540,800</b>	<b>(165,336)</b>
<b>Expenses:</b>			
<b>General Administration:</b>			
Payroll	172,541	196,000	23,459
Employee benefits	11,804	20,000	8,196
Payroll taxes	13,595	19,000	5,405
Office expenses	59,290	40,000	(19,290)
Travel	6,545	10,000	3,455
Utilities	25,119	35,000	9,881
Advertising	95	1,000	905
Insurance	32,111	25,000	(7,111)
Director fees	5,000	6,000	1,000
Legal and accounting	5,517	7,000	1,483
<b>Total Administration</b>	<b>331,617</b>	<b>359,000</b>	<b>27,383</b>
<b>Water Expenses:</b>			
Water assessments	74,825	85,000	10,175
Repairs and maintenance	89,679	100,000	10,321
Buy-back of taps	60,000	-	(60,000)
Water treatment	360,364	430,000	69,636
<b>Total Water Expenses</b>	<b>584,868</b>	<b>615,000</b>	<b>30,132</b>
<b>Capital Outlay:</b>			
Water shares	-	600,000	600,000
Water lines	1,193,763	1,260,123	66,360
<b>Total Capital Outlay</b>	<b>1,193,763</b>	<b>1,860,123</b>	<b>666,360</b>
<b>Total Expenses</b>	<b>2,110,248</b>	<b>2,834,123</b>	<b>723,875</b>
<b>NET INCOME - (LOSS) BUDGET BASIS</b>	<b>\$ (734,784)</b>	<b>\$ (1,293,323)</b>	<b>\$ 558,539</b>
<b>Reconciliation of Net Loss - Budget Basis to Net Income - GAAP Basis:</b>			
Capital Outlay	1,193,763		
Depreciation Expense	(169,597)		
<b>Net Income - GAAP Basis</b>	<b>\$ 289,382</b>		