

**WILLOWS WATER DISTRICT
BASIC FINANCIAL STATEMENTS**

December 31, 2020

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	
Management's Discussion and Analysis	i - v
Basic Financial Statements	
Statement of Net Position – Proprietary Fund	1
Statement of Revenues, Expenses and Changes In Net Position – Proprietary Fund	2
Statement of Cash Flows – Proprietary Fund	3
Notes to the Financial Statements	4 – 13
Individual Fund Financial Statement	
Proprietary Fund – Budgetary Comparison Schedule	14



JOHN CUTLER & ASSOCIATES

Board of Directors
Willows Water District
Centennial, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the business activities and each major fund of the Willows Water District, as of and for the year ended December 31, 2020, 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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business activities and each major fund of the Willows Water District as of and for the year ended, as of December 31, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance 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 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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Willows Water District' basic financial statements. The individual fund financial statement listed in the table of contents is presented for purposes of additional analysis and is not a required part of the 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 of America. In our opinion, the individual fund financial statement is fairly stated in all material respects in relation to the financial statements as a whole.

John Luthr & Associates, LLC

June 21, 2021

WILLOWS WATER DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

This section of the Willows Water District's (the District) annual financial report presents our analysis of the District's financial performance during the fiscal year ended December 31, 2020. Please read it in conjunction with the financial statements.

1. Financial Highlights

The District's net position increased by \$727,585 due primarily to: 1) Increased water sales as a result of hot, dry weather during the 2020 irrigation season; and 2) Fewer service line replacements than planned as part of the District's Capital Improvement Plan.

2. Overview of the Financial Statements

The annual report consists of three parts:

- Management's Discussion and Analysis
- Financial Statements
- Supplementary Information

3. Required Financial Statements

The financial statement of net position provides information about the District using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

Statement of Net Position

The statement of net position provides information about the nature and amounts of investments in resources (assets) and obligations to District creditors (liabilities). It also provides the basis for computing the rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

Statement of Revenues, Expenses and Changes in Net Position

This statement measures the results of the District's operations over the past year and may be used to determine profitability, credit worthiness, and whether the District has successfully recovered all its costs through its user fees, taxes and other charges.

WILLOWS WATER DISTRICT

Management's Discussion and Analysis (*Continued*)

Statement of Cash Flows

The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the District's cash receipts and payments during the reporting period. This statement reports cash receipts, cash payments, and the net changes in cash resulting from operations, non-capital financing, capital related financing, and investing activities. It also provides answers to such questions as where did the cash come from, how was cash used, and what was the change in cash balance during the reporting period.

4. Financial Analysis Of The District

One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of this year's activities?". The statement of net position and statement of revenues, expenses, and changes in net position report information about the District's activities in a way that can help answer that question. These two statements report the net position of the District and the related change in these assets. The District's net position (the difference between assets and liabilities) is one way to measure financial health or financial position. Over time, increases in the District's net position, is one indicator that the District's financial health is improving. However one will need to consider other non-financial factors such as changes in economic conditions, population growth, or changed governmental legislation.

5. Net Position

As part of our analysis, we provide a summary of the District's statement of net position (on the next page):

WILLOWS WATER DISTRICT

Management's Discussion and Analysis (*Continued*)

Condensed Statement of Net Position

			2020 - 2019 Change	
	2020	2019	\$	%
Current & Other Assets	\$ 12,349,998	\$ 11,257,065	\$ 1,092,933	9.71%
Capital Assets	39,681,993	39,872,321	(190,328)	-0.48%
Total Assets	52,031,991	51,129,386	902,605	1.77%
Current Liabilities	466,964	288,051	178,913	62.11%
Noncurrent Liabilities	-	-		
Total Liabilities	466,964	288,051	178,913	62.11%
Deferred Inflows of Resources	1,044,387	1,048,280	(3,893)	-.37%
Net Position:				
Invested in capital assets				
net of related debt	39,681,993	39,872,321	(190,328)	-0.48%
Restricted	450,919	450,919	-	0.00%
Unrestricted	10,387,728	9,469,815	917,913	9.69%
Total Net Position	\$ 50,520,640	\$ 49,793,055	\$ 727,585	1.46%

While the statement of net position shows the net position, the statement of revenue, expenses and changes in net position answers as to the nature and sources of these changes.

Condensed Statement of Revenues, Expenses and Changes in Net Position

			2020 - 2019 Change	
	2020	2019	\$	%
Revenues				
Operating Revenues	\$ 4,966,936	\$ 4,212,069	\$ 754,867	17.92%
Non-Operating Revenues	1,072,459	1,231,981	(159,522)	-12.95%
Capital Improvement Fees	1,243,252	1,208,316	34,936	2.89%
Total Revenues	7,282,647	6,652,366	630,281	9.47%
Expenses				
Depreciation	233,366	271,721	(38,355)	-14.12%
Other Operating Expense	5,125,727	5,277,066	(151,339)	-2.87%
G & A Expenses	1,181,158	1,075,111	106,047	9.86%
Non-Operating Expense	14,811	14,057	754	5.36%
Total Expenses	6,555,062	6,637,955	(82,893)	-1.25%
Change in Net Position	727,585	14,411	713,174	4948.82%
Beginning Net Position	49,793,055	49,778,644	14,411	.03%
Ending Net Position	\$ 50,520,640	\$ 49,793,055	\$ 727,585	1.46%

WILLOWS WATER DISTRICT

Management's Discussion and Analysis (*Continued*)

6. Budgetary Highlights

As required by state law, the District adopts a budget and appropriates funds by December 15 for the following fiscal year. If an amendment is necessary, the Board will approve a supplemental appropriation at a public hearing and file it with the State of Colorado.

7. Capital Assets and Debt Administration

Capital Assets

			2020 – 2019 Change	
	2020	2019	\$	%
Water System	\$ 10,576,744	\$ 10,576,744	\$ -	0.00%
Buildings	1,484,343	1,470,569	\$ 13,774	0.94%
Furniture & Equipment	521,464	492,201	\$ 29,263	5.95%
Easement	506,115	506,115	\$ -	0.00%
Denver Water Contract No. 233	5,177,262	5,177,262	\$ -	0.00%
System Development Charges	31,265,179	31,265,179	\$ -	0.00%
Land	228,650	228,650	\$ -	0.00%
Subtotal	<u>49,759,757</u>	<u>49,716,720</u>	\$ 43,037	0.09%
Less: Accumulated Depreciation	<u>10,077,764</u>	<u>9,844,399</u>	\$ 233,365	2.37%
Net Property, Plant, & Equipment	<u>\$ 39,681,993</u>	<u>\$ 39,872,321</u>	<u>\$ (190,328)</u>	<u>-0.48%</u>

8. Long-Term Debt

The District has no long-term debt.

WILLOWS WATER DISTRICT

Management's Discussion and Analysis (*Continued*)

9. Economic Factors And New Year's Budget Rates

The District's Board of Directors and management consider many factors when setting the 2021 budget, including user fees and charges. The following table presents the changes in the District's budget from 2020 to 2021.

2021 vs. 2020 Budget

	<u>2021</u>	<u>2020</u>	<u>2021 - 2020 Change</u>	
			<u>\$</u>	<u>%</u>
Revenues				
Operating Revenues	\$ 4,519,730	\$ 4,472,830	\$ 46,900	1.05%
Non-Operating Revenues	2,369,751	2,453,279	\$ (83,528)	-3.40%
Capital Contributions	-	-	\$ -	0.00%
Total Revenues	6,889,481	6,926,109	\$ (36,628)	0.53%
Expenses				
Operating Expense	5,723,299	5,644,531	\$ 78,768	1.40%
G & A Expenses	1,358,072	1,344,101	\$ 13,971	1.04%
Capital Outlays	245,000	196,000	\$ 49,000	25.00%
Non-Operating Expense	16,606	15,724	\$ 882	5.61%
Total Expenses	7,342,977	7,200,356	\$ 142,621	1.98%
Change in Net Position	(453,496)	(274,246)	\$ (179,250)	65.36%
Beginning Net Position	10,641,954	9,669,235	\$ 927,719	9.59%
Ending Net Position	\$10,188,458	\$ 9,394,989	\$ 793,469	8.45%

BASIC FINANCIAL STATEMENTS

WILLOWS WATER DISTRICT

STATEMENT OF NET POSITION
 PROPRIETARY FUND
 December 31, 2020

ASSETS	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and Cash Equivalents	\$ 849,267	\$ 925,076
Investments	9,941,164	8,871,588
Accounts Receivable	355,531	260,970
Property Taxes Receivable	1,044,387	1,048,280
Accrued Interest Receivable	1,554	50,191
Inventory Meters	109,991	62,774
Prepaid Expenses	48,104	38,186
Total Current Assets	<u>12,349,998</u>	<u>11,257,065</u>
Noncurrent Assets		
Capital Assets, Not Depreciated	37,184,886	37,177,206
Capital Assets, Depreciated, Net of Accumulated Depreciation	2,497,107	2,695,115
Total Noncurrent Assets	<u>39,681,993</u>	<u>39,872,321</u>
 TOTAL ASSETS	 <u>\$ 52,031,991</u>	 <u>\$ 51,129,386</u>
 LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
Current Liabilities		
Accounts Payable	\$ 355,502	\$ 206,561
Accrued Salaries and Benefits	108,712	78,740
Total Current Liabilities	<u>464,214</u>	<u>285,301</u>
Noncurrent Liabilities		
Hydrant Meter Deposits	2,750	2,750
 TOTAL LIABILITIES	 <u>466,964</u>	 <u>288,051</u>
 DEFERRED INFLOWS OF RESOURCES		
Deferred Property Tax Revenue	1,044,387	1,048,280
 NET POSITION		
Investment in Capital Assets	39,681,993	39,872,321
Restricted for Emergencies	450,919	450,919
Unrestricted	10,387,728	9,469,815
 TOTAL NET POSITION	 <u>50,520,640</u>	 <u>49,793,055</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	 <u>\$ 52,031,991</u>	 <u>\$ 51,129,386</u>

The accompanying notes are an integral part of the financial statements.

WILLOWS WATER DISTRICT

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended December 31, 2020

	2020	2019
OPERATING REVENUE		
Water Sales and Service Fees	\$ 4,966,216	\$ 4,208,921
Miscellaneous Income	720	3,148
TOTAL OPERATING REVENUE	4,966,936	4,212,069
OPERATING EXPENSES		
General and Administrative	1,181,158	1,075,111
Operating	5,125,727	5,277,066
Depreciation	233,366	271,721
TOTAL OPERATING EXPENSES	6,540,251	6,623,898
OPERATING LOSS	(1,573,315)	(2,411,829)
NON-OPERATING REVENUES (EXPENSES)		
Property Taxes	986,685	936,435
Specific Ownership Taxes	71,377	72,601
Interest Income	14,397	222,945
County Treasurer's Fees	(14,811)	(14,057)
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,057,648	1,217,924
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(515,667)	(1,193,905)
CAPITAL CONTRIBUTIONS		
Capital Improvement Fees	1,243,252	1,208,316
TOTAL CAPITAL CONTRIBUTIONS	1,243,252	1,208,316
CHANGE IN NET POSITION	727,585	14,411
NET POSITION, Beginning	49,793,055	49,778,644
NET POSITION, Ending	\$ 50,520,640	\$ 49,793,055

The accompanying notes are an integral part of the financial statements.

WILLOWS WATER DISTRICT

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 Year Ended December 31, 2020

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from User Fees and Surcharges	\$ 4,872,375	\$ 4,213,492
Cash Paid for Goods and Services	(5,366,443)	(5,629,982)
Cash Paid to Employees	(818,664)	(750,426)
	<u>(1,312,732)</u>	<u>(2,166,916)</u>
Net Cash Used by Operating Activities		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property Taxes	986,685	936,435
Specific Ownership Taxes	71,377	72,601
County Treasurer's Fees	(14,811)	(14,057)
	<u>1,043,251</u>	<u>994,979</u>
Net Cash Provided by Noncapital Financing Activities		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets	(43,038)	(43,905)
Capital Contributions	1,243,252	1,208,316
	<u>1,200,214</u>	<u>1,164,411</u>
Net Cash Provided (Used) by Noncapital Financing Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(5,857,865)	(6,180,467)
Maturity of Investments	4,788,289	5,134,477
Interest Received	63,034	178,925
	<u>(1,006,542)</u>	<u>(867,065)</u>
Net Cash Provided (Used) by Investing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents	(75,809)	(874,591)
CASH AND CASH EQUIVALENTS, Beginning	<u>925,076</u>	<u>1,799,667</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 849,267</u>	<u>\$ 925,076</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (1,573,315)	\$ (2,411,829)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities		
Depreciation	233,366	271,721
Loss on Disposal of Assets	-	15,169
Changes in Assets and Liabilities		
Accounts Receivable	(94,561)	3,173
Prepaid Expenses	(9,918)	(868)
Inventory Meters	(47,217)	58,192
Accounts Payable	148,941	(92,939)
Accrued Salaries and Benefits	29,972	(7,785)
Hydrant Meter Deposits	-	(1,750)
Total Adjustments	<u>260,583</u>	<u>244,913</u>
Net Cash Provided by Operating Activities	<u>\$ (1,312,732)</u>	<u>\$ (2,166,916)</u>

The accompanying notes are an integral part of the financial statements.

WILLOWS WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Willows Water District (the “District”) is a Colorado governmental unit operating in accordance with Colorado statute. The District was established to provide water services to customers located within its boundaries.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. Following is a summary of the more significant policies.

Reporting Entity

In accordance with governmental accounting standards, the District has considered the possibility of inclusion of additional entities in its basic financial statements.

The definition of the reporting entity is based primarily on financial accountability. The financial reporting entity consists of the District and organizations for which the District is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the District. In addition, any legally separate organizations for which the District is financially accountable are considered part of the reporting entity. Financial accountability exists if the District appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the District.

Based on the application of these criteria, the District does not include additional organizations in its reporting entity.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District uses one fund to report on its financial position and activities. Fund accounting is designed to segregate transactions related to certain government functions and activities. The District’s fund is classified as an enterprise fund type. 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 of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

WILLOWS WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. 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 nonoperating revenues and expenses.

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

The District reports all activity in one enterprise fund which is a proprietary fund type. This fund is considered a major fund.

Assets, Liabilities and Fund Balance/Net Position

Cash and Cash Equivalents – Cash and cash equivalents include amounts in deposit accounts and short-term investments with an original maturity of three months or less.

Receivables – Receivables consist of amounts owed to the District by its utility customers. It is the District's policy to file liens on any past due user fees; therefore, amounts are considered to be collectible and no allowance for bad debt has been recorded.

Prepaid Expenses – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the statement of net position.

Capital Assets – Capital assets, which include property and equipment, are reported in the applicable business-type activities columns in the statement of net position. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

WILLOWS WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/Net Position (Continued)

Property and equipment of the District is depreciated using the straight - line method over the following estimated useful lives:

Water System	40 years
Buildings	30 years
Machinery and Equipment	3 years

Net Position – The business-type fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted. Net investment in capital assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. Restricted net position are liquid assets, which have third party limitations on their use. Unrestricted net position represents assets that do not have any third-party limitations on their use.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position and balance sheets will sometimes report a separate section for deferred outflows or resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position and balance sheets will sometimes report a separate section for deferred inflows or resources. This separate financial statement element, deferred inflow of resources, represents an acquisition of net position and fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Property Taxes – Property taxes are levied in the current year and collected in the subsequent year have been accrued as a receivable at year-end and deferred until collected. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15.

The County in which the District is located collects taxes for the district and remits them by the 10th every month following the month of collection.

WILLOWS WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/Net Position (Continued)

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District purchases commercial insurance for these risks of loss. Settled claims have not exceeded insurance coverage in the last three years.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- In October, the District staff submits to the District Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 15, the budget is legally enacted through passage of a resolution.
- Any revisions that alter the total expenditures of any fund must be approved by the District Board of Directors.
- Budgets are legally adopted for the enterprise fund of the District. The Budgetary comparison presented for the District is presented on a non-GAAP budgetary basis. Capital outlay and debt payments are budgeted as expenditures. Depreciation expense is not budgeted.
- Budgeted amounts in the financial statements are as originally adopted or as amended by the District Board of Directors. All appropriations lapse at year end. Colorado governments may not exceed budgeted appropriations at the fund level.

WILLOWS WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 3: DEPOSITS AND INVESTMENTS

A summary of deposits and investments as of December 31, 2020 follows:

Cash Deposits	\$ 849,267
Certificates of Deposit	2,939,617
Investments	<u>7,001,547</u>
Total	<u>\$ 10,790,431</u>

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At December 31, 2020, State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held.

The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The District participates in the Insured Cash Sweep Account or Certificate of Deposit Account Registry Service (CDARS). Under CDARS, any deposits in excess of the \$250,000 are distributed to other FDIC eligible banks; therefore, at December 31, 2020, the District had certificates of deposits in the amount of \$2,939,617 which were fully insured by FDIC. The District had cash deposits with financial institutions with a carrying amount of \$849,267. The bank balances with the financial institutions were \$857,321. Of these balances, \$250,000 was covered by federal depository insurance and \$607,321 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

The District has no policy regarding custodial credit risk for deposits. However, the District does follow the policies required by the State of Colorado regarding custodial credit risk.

WILLOWS WATER DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2020

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

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. The District does follow the policies required by the State of Colorado regarding types of investments and maturity dates.

Credit Risk

Colorado statutes specify in which instruments units of local government may invest, which include:

- Obligations of the United States and certain U.S. Government Agency securities
- General obligation and revenue bonds of U.S. local government entities
- Local government investment pools
- Certain money market funds
- Guaranteed investment contracts

Investments

As of December 31, 2020, the District had the following investments and maturities:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Maturities (in Years)</u>	
		0 – 1 Years	1 – 5 Years
U.S. Government Obligations	\$ 4,598,015	\$ 4,598,015	\$ -
ColoTrust	<u>2,403,532</u>	<u>2,403,532</u>	<u>-</u>
Total	<u>\$ 7,001,547</u>	<u>\$ 7,001,547</u>	<u>\$ -</u>

The above investments are authorized for all funds and fund types used by Colorado local governments. As of December 31, 2020, the District’s U.S. Government Obligations are rated AA+ by Standard and Poor’s and Aaa by Moody’s Investors Services and its Domestic Corporate Securities are rated A- by Standard and Poor’s and Baa by Moody’s Investors Services

WILLOWS WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District had invested \$2,403,532 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAM by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

ColoTrust is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables.

Fair Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. 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 observable inputs.

At December 31, 2020, the District held investments in U.S. Agency Securities in the amount of \$4,598,015 with maturity dates of less than one year. Given the low risk of these type of investments, the District has not established a policy limiting the amount of investments in this type of security and deems it unnecessary at this time. These investments are valued with Level 1 inputs.

WILLOWS WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 4: CAPITAL ASSETS

Capital Assets activity for the year ended December 31, 2020, is summarized below.

	<u>Balance</u> <u>12/31/19</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/20</u>
Business-Type Activities				
Capital Assets, not depreciated				
Land	\$ 228,650	\$ -	\$ -	\$ 228,650
Easements	506,115	-	-	506,115
System Development Charges	31,265,179	-	-	31,265,179
Denver Water Contract	5,177,262	-	-	5,177,262
Construction in Progress	<u>-</u>	<u>7,680</u>	<u>-</u>	<u>7,680</u>
Total Capital Assets, not depreciated	<u>37,177,206</u>	<u>7,680</u>	<u>-</u>	<u>37,184,886</u>
Capital Assets, depreciated				
Infrastructure – Water System	10,576,744	-	-	10,576,744
Buildings	1,470,569	13,774	-	1,484,343
Office and Field Equipment	<u>492,201</u>	<u>21,583</u>	<u>-</u>	<u>513,784</u>
Total Capital Assets, depreciated	<u>12,539,514</u>	<u>35,357</u>	<u>-</u>	<u>12,574,871</u>
Less: Accumulated Depreciation				
Infrastructure – Water System	8,673,388	119,588	-	8,792,976
Buildings	763,960	50,779	-	814,739
Office and Field Equipment	<u>407,051</u>	<u>62,998</u>	<u>-</u>	<u>470,049</u>
Total Accumulated Depreciation	<u>9,844,399</u>	<u>233,365</u>	<u>-</u>	<u>10,077,764</u>
Total Capital Assets, depreciated, Net	<u>2,695,115</u>	<u>(198,008)</u>	<u>-</u>	<u>2,497,107</u>
Business-Type Activities, Capital Assets, Net	<u>\$ 39,872,321</u>	<u>\$ (190,328)</u>	<u>\$ -</u>	<u>\$ 39,681,993</u>

NOTE 5: BENEFITS PLAN

The District maintains an Internal Revenue Code Section 401(a) money purchase pension plan for all full-time employees. The balance of these funds was \$747,980 and \$634,155 at December 31, 2020 and 2019, respectively. This is a single-employer, defined contribution plan.

The District contributes amounts equaling 9% of each participating employee's salary annually.

WILLOWS WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 5: **BENEFITS PLAN** (Continued)

Covered payroll for the years ended December 31, 2020 and 2019 is \$588,665 and \$523,885, respectively. Total payroll for the years ended December 31, and 2020 and 2019 is \$594,865 and \$566,205, respectively. Employer contributions vest as follows:

Years Of Service	Percentage Vested
1	0%
2	0%
3	50%
4	75%
5	100%

Accounts may be withdrawn only upon retirement, death, disability or termination of employment. Nonvested employer contributions are applied toward future employer contributions. The Board of Directors may amend the plan provisions.

The District made the required contributions of \$52,980 and \$47,150 for the years ended December 31, 2020 and 2019, respectively.

NOTE 6: **COMMITMENTS AND CONTINGENCIES**

Denver Water Agreement - Read and Bill Distributors Contract (C233)

In 1981, the District entered into an agreement with the Board of Water Commissioners of the City of Denver to supply water to the Highlands 460 Subdivision. On August 8, 1995, this agreement was superseded by Water Service Agreement (RB233), which has essentially the same terms and conditions as the prior contract but conforms to the new standardized forms now being used by Denver Water with all read-and-bill distributors. The assets related to these agreements totaled \$5,177,262 at December 31, 2020.

Denver Water Agreement – Master Meter Contract (MM240)

The District entered into a Water Service Agreement under which the Board will supply all of the potable water within the District’s contract service area. As part of this agreement, the District must pay tap fees to the Board. The District has capitalized these tap fees. These fees are reported as system development charges.

WILLOWS WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 6: *COMMITMENTS AND CONTINGENCIES* (Continued)

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. On November 5, 2002, voters approved a ballot referendum to exempt the District from limitations imposed by TABOR.

The District has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2020, the emergency reserve of \$450,919 was recorded in the General Fund.

INDIVIDUAL FUND FINANCIAL STATEMENT

WILLOWS WATER DISTRICT

PROPRIETARY FUND TYPE

Year Ended December 31, 2020

	2020		VARIANCE Positive (Negative)	2019 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Water Sales	\$ 4,472,830	\$ 4,966,216	\$ 493,386	\$ 4,208,921
Capital Improvement Fee	1,234,800	1,243,252	8,452	1,208,316
Property Taxes	988,943	986,685	(2,258)	936,435
Specific Ownership Taxes	59,337	71,377	12,040	72,601
Interest Income	170,200	14,397	(155,803)	222,945
Miscellaneous Income	-	720	720	3,148
TOTAL REVENUES	<u>6,926,110</u>	<u>7,282,647</u>	<u>356,537</u>	<u>6,652,366</u>
EXPENDITURES				
Salaries, Wages and Benefits	930,098	848,636	81,462	742,641
Water Purchases	3,413,374	3,661,047	(247,673)	3,147,496
Utilities	40,982	38,485	2,497	33,439
Repairs and Maintenance	2,019,752	1,319,236	700,516	2,046,245
Meter Purchase, Installation and Reading	130,000	85,665	44,335	-
Office Supplies and Expenses	222,786	161,399	61,387	146,940
Professional Fees	49,116	36,063	13,053	54,079
Engineering Fees	75,000	59,779	15,221	83,325
Insurance	31,323	29,174	2,149	26,099
County Treasurer's Fees	15,724	14,811	913	14,057
Miscellaneous	76,201	67,401	8,800	71,913
Capital Outlay	196,000	43,037	152,963	43,905
TOTAL EXPENDITURES	<u>7,200,356</u>	<u>6,364,733</u>	<u>835,623</u>	<u>6,410,139</u>
NET INCOME, Budget Basis	<u>\$ (274,246)</u>	917,914	<u>\$ 1,192,160</u>	242,227
GAAP BASIS ADJUSTMENTS				
Capital Outlay		43,037		43,905
Depreciation		(233,366)		(271,721)
NET INCOME GAAP Basis		727,585		14,411
NET POSITION, Beginning		<u>49,793,055</u>		<u>49,778,644</u>
NET POSITION, Ending		<u>\$ 50,520,640</u>		<u>\$ 49,793,055</u>

See the accompanying independent auditors' report.