

WEST FORT COLLINS WATER
DISTRICT

FINANCIAL STATEMENTS

Year Ended December 31, 2023

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Independent Auditors' Report

Board of Directors
West Fort Collins Water District
LaPorte, Colorado

Opinion

We have audited the accompanying financial statements of the business- type activities of the West Fort Collins Water District (the District) as of December 31, 2023 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the District as of December 31, 2023, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 14 is presented for purposes of additional analysis and is 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 (GASB) 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 the missing information.

Anderson & Whitney, P.C.

April 26, 2024

WEST FORT COLLINS WATER DISTRICT

STATEMENT OF NET POSITION

December 31	2023
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 40,314
Investments	4,249,082
Accounts receivable	121,175
Inventories	124,237
Total Current Assets	4,534,808
Capital Assets:	
Land	60,694
Building	124,001
Machinery and equipment	177,638
Water rights	1,344,376
Construction-in-process	49,105
Water system	9,758,799
Net of accumulated depreciation	(3,481,976)
Total Capital Assets	8,032,637
TOTAL ASSETS	\$ 12,567,445
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 274,918
Accrued payroll taxes	7,256
Total Current Liabilities	282,174
TOTAL LIABILITIES	282,174
NET POSITION	
Investment in capital assets	8,032,637
Unrestricted net position	4,252,634
TOTAL NET POSITION	\$ 12,285,271

See Accompanying Notes to Financial Statements.

WEST FORT COLLINS WATER DISTRICT

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

Year Ended December 31	2023
Operating Revenue:	
Water billings	\$1,419,907
Miscellaneous income	4,551
Water rental	335,200
Total Operating Revenue	1,759,658
Operating Expenses:	
Administration	495,934
Water operating expenses	870,612
Total Operating Expenses	1,366,546
Operating Income	393,112
Non-operating Revenue (Expenses):	
Interest income	235,314
Net Non-operating Revenue	235,314
Income Before Contributions	628,426
Capital contributions	-
Net income	628,426
Net Position, Beginning of Year	11,656,845
Net Position, End of Year	\$ 12,285,271

See Accompanying Notes to Financial Statements.

WEST FORT COLLINS WATER DISTRICT

STATEMENT OF CASH FLOWS

Year Ended December 31	2023
Cash Flows from Operating Activities:	
Cash receipts from customers	\$ 1,717,144
Payments to suppliers and employees	(1,216,704)
Net Cash Provided by Operating Activities	500,440
Cash Flows from Capital and Related Financing Activities:	
Capital contributions	-
Acquisition of property, plant and equipment	(790,082)
Net Cash Flows from Capital and Related Financing Activities	(790,082)
Cash Flows from Noncapital Financing Activities	-
Cash Flows from Investing Activities:	
Interest and dividends received	235,314
(Purchase) redemption of investments	9,621
Net Cash Flows from Investing Activities	244,935
Net Decrease in Cash and Cash Equivalents	(44,707)
Cash and Cash Equivalents, Beginning of Year	85,021
Cash and Cash Equivalents, End of Year	\$ 40,314

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 393,112
Depreciation and amortization	198,269
Change in operating assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(42,514)
Inventories	(49,389)
Increase (decrease) in:	
Accounts payable and accrued expenses	962
Net Cash Provided by Operating Activities	\$ 500,440

See Accompanying Notes to Financial Statements.

WEST FORT COLLINS WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

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.

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.

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.

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.

WEST FORT COLLINS WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

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 statement of net position. The reported fund equity (net position) is segregated into 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.

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.

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.

WEST FORT COLLINS WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

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.

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.

Compensated Absences:

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

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.

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.

WEST FORT COLLINS WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Cash and Investments:

The District's bank accounts 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 a 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, 2023, the District had invested \$ 4,249,082 in the Colorado Local Government Liquid Asset Trust (COLOTRUST) Plus+, 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 AAAM by S&P Global Ratings. 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, 2023, COLOTRUST Plus+ was a weighted average maturity of 24 days to reset and 85 days to final maturity. COLOTRUST does not have any unfunded commitments, redemptions restrictions or redemption notice periods.

WEST FORT COLLINS WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – Capital Assets:

	Balance 1/1/23	Additions	Transfers/ Deletions	Balance 12/31/23
Not depreciable:				
Land	\$ 60,694	\$ -	\$ --	\$ 60,694
Water rights	1,344,376	--	--	1,344,376
Construction-in-process	176,294	869,975	997,164	49,105
Depreciable capital assets:				
Building	124,001	--	--	124,001
Collection and distribution system	8,611,532	1,147,267	--	9,758,799
Office equipment	63,074	--	--	63,074
Vehicles and equipment	114,564	--	--	114,564
	10,494,535	2,017,242	997,164	11,514,613
Less Accumulated Depreciation	(3,283,707)	(198,269)	--	(3,481,976)
Net Capital Assets	\$ 7,210,828	\$ 1,818,973	\$ 997,164	\$ 8,032,637

NOTE 4 – Water Treatment:

The District acquires its treated water from the City of Fort Collins, Colorado. 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 2,000 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

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.

NOTE 7 – Subsequent Event:

In January 2024, the District received nine shares of the capital stock of the North Poudre Irrigation Company from the City of Greeley, Colorado. This was the final step in an agreement with the City of Greeley to transfer 35 water customers who live within the District boundaries to the District.

SUPPLEMENTARY INFORMATION

WEST FORT COLLINS WATER DISTRICT

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

Year Ended December 31, 2023	Actual	Original and Final Budget	Variance
Revenue:			
Water sales	\$1,419,907	\$1,585,000	\$ (165,093)
Stand-by tap income	612	650	(38)
Water rental	335,200	100,000	235,200
Miscellaneous income	3,939	6,000	(2,061)
Non-operating revenue:			
Interest income	235,314	45,000	190,314
Total Revenue	1,994,972	1,736,650	258,322
Expenses:			
General Administration:			
Payroll	264,331	220,000	(44,331)
Employee benefits	6,851	20,000	13,149
Payroll taxes	21,190	19,000	(2,190)
Office expenses	82,480	50,000	(32,480)
Travel	18,812	10,000	(8,812)
Utilities	27,540	35,000	7,460
Advertising	1,089	1,000	(89)
Insurance	53,832	32,000	(21,832)
Director fees	5,400	6,000	600
Legal and accounting	14,409	10,000	(4,409)
Miscellaneous expense	-	-	-
Total Administration	495,934	403,000	(92,934)
Water Expenses:			
Water assessments	118,075	85,000	(33,075)
Repairs and maintenance	184,968	100,000	(84,968)
Water treatment	369,300	480,000	110,700
Total Water Expenses	672,343	665,000	(7,343)
Capital Outlay:			
Water shares	-	600,000	600,000
Water lines	1,020,077	1,000,000	(20,077)
Total Capital Outlay	1,020,077	1,600,000	579,923
Total Expenses	2,188,354	2,668,000	479,646
NET INCOME - (LOSS) BUDGET BASIS	\$ (193,382)	\$ (931,350)	\$ 737,968
Reconciliation of Net Loss - Budget Basis to Net Income - GAAP Basis:			
Capital Outlay	1,020,077		
Depreciation Expense	(198,269)		
Net Income - GAAP Basis	\$ 628,426		