

WILLOWS WATER DISTRICT

FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION
WITH
INDEPENDENT AUDITOR'S REPORT

December 31, 2023 and 2022

WILLOWS WATER DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Willows Water District
Centennial, Colorado

Opinion

We have audited the financial statements of the business-type activities of Willows Water District, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Willow Water 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 respective financial position of the business-type activities of Willows Water District, as of December 31, 2023, 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.

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 Willows Water 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.

Other Matter

Summarized Comparative Information

The financial statements include summarized prior-year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2022, from which such summarized information was derived.

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 Willows Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 opinions. 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 Willows Water 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 Willows Water 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i - v be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Willows Water District's basic financial statements. The Schedule of Revenues, Expenses and Changes in Net Position- Budget and Actual is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Revenues, Expenses and Changes in Net Position- Budget and Actual is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues, Expenses and Changes in Net Position- Budget and Actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Watson Coon Ryan, LLC

Watson Coon Ryan, LLC
Centennial, Colorado
May 23, 2024

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, 2023. Please read it in conjunction with the financial statements.

1. Financial Highlights

- The District remains in a strong financial position with assets exceeding liabilities and deferred inflows of resources at the end of 2023 by \$51,818,314. This amount includes \$12,246,043 of unrestricted funds that may be utilized by the needs of the District to serve its customers.
- Due to the age of the District's infrastructure, several Capital Projects took place during 2023 including: South Adams St., South Holly St. & E Irish Pl. Waterline Improvements and Service Line Replacements resulting in the amount of \$1,426,101.
- The District's total net position increased by \$424,748 due primarily to an increase in interest earnings.

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 DISTRICTManagement's Discussion and Analysis (*Continued*)**Condensed Statement of Net Position**

			2023 - 2022 Change	
	2023	2022	\$	%
Current & Other Assets	\$ 14,137,179	\$ 13,721,574	\$ 415,605	3.03%
Capital Assets	39,368,271	39,376,905	(8,634)	-0.02%
Total Assets	53,505,450	53,098,479	406,971	0.77%
Current Liabilities	371,937	463,173	(91,236)	-19.70%
Noncurrent Liabilities	5,750	2,750	3,000	109.10%
Total Liabilities	377,687	465,923	(88,236)	-18.94%
Deferred Inflows of Resources	1,309,449	1,238,990	70,459	5.69%
Net Position:				
Invested in capital assets net of related debt	39,368,271	39,376,905	(8,634)	-0.02%
Restricted	204,000	219,000	(15,000)	-6.85%
Unrestricted	12,246,043	11,797,661	448,382	3.80%
Total Net Position	\$ 51,818,314	\$ 51,393,566	\$ 424,748	0.83%

As stated previously, net position serves as a critical indication of the District's financial state. Current assets increased by 3.03% or \$415,605 from 2022 to 2023. Capital assets decreased by 0.02% or \$8,634. Total liabilities decreased by 18.94% or \$88,236 due to the reduction of outstanding accounts payable. Restricted reserves decreased by 6.85% or \$15,000 determined by TABOR requiring a reserve of 3% of fiscal year spending.

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. (on the next page):

WILLOWS WATER DISTRICTManagement's Discussion and Analysis (*Continued*)**Condensed Statement of Revenues, Expenses and Changes in Net Position**

	<u>2023</u>	<u>2022</u>	<u>2023 - 2022 Change</u>	
			<u>\$</u>	<u>%</u>
Revenues				
Operating Revenues	\$ 3,746,932	\$ 4,687,150	\$ (940,218)	-20.06%
Non-Operating Revenues	1,745,590	1,257,946	487,644	38.77%
Capital Improvement Fees	1,290,063	1,263,700	26,363	2.09%
Tap Fees	-	59,540	(59,540)	-100.00%
Total Revenues	6,782,585	7,268,336	(485,751)	-6.68%
Expenses				
Depreciation	191,541	187,517	4,024	2.15%
Other Operating Expense	4,941,953	5,617,024	(675,071)	-12.02%
G & A Expenses	1,224,343	1,220,735	3,608	0.30%
Total Expenses	6,357,837	7,025,276	(667,439)	-9.50%
Change in Net Position	424,748	243,060	181,688	74.75%
Beginning Net Position	51,393,566	51,150,506	243,060	0.48%
Ending Net Position	\$ 51,818,314	\$ 51,393,566	\$ 424,748	0.83%

As stated previously, revenues, expenses and change in net position provide detail on the District's profitability, credit-worthiness and capacity to recover necessary costs through its user fees, taxes and other charges.

The critical components of the changes shown above include:

Operating revenues decreased by 20.06% or \$940,218 due primarily to a decrease in water usage by residents while Non-Operating revenues increased by 38.77% or \$487,644, due primarily to an increase in interest income along with an increase in property taxes as determined by the increase in assessed valuations.

Total expenses decreased by 9.50% or \$667,439 due primarily to less than anticipated water consumption.

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.

WILLOWS WATER DISTRICT

Management's Discussion and Analysis (*Continued*)

7. Capital Assets and Debt Administration

Capital Assets

			2023 – 2022 Change	
	2023	2022	\$	%
Water System	\$ 10,695,463	\$ 10,587,887	\$ 107,576	1.02%
Buildings	1,478,230	1,478,230	-	0.00%
Furniture & Equipment	554,536	572,542	(18,006)	-3.14%
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	49,905,435	49,815,865	89,570	0.18%
Less: Accumulated Depreciation	10,537,164	10,438,960	98,204	0.94%
Net Property, Plant, & Equipment	\$ 39,368,271	\$ 39,376,905	\$ (8,634)	-0.02%

8. Long-Term Debt

The District has no long-term debt.

9. Economic Factors And New Year's Budget Rates

The District's Board of Directors and management consider many factors when setting the 2023 budget, including user fees and charges. The following table presents the changes in the District's budget from 2023 to 2024.

(continued on next page):

2024 vs. 2023 Budget

	<u>2024</u>	<u>2023</u>	<u>2024 - 2023 Change</u>	
			<u>\$</u>	<u>%</u>
Revenues				
Operating Revenues	\$ 4,994,182	\$ 4,928,647	\$ 65,535	1.33%
Non-Operating Revenues	3,053,223	2,950,708	102,515	3.47%
Total Revenues	<u>8,047,405</u>	<u>7,879,355</u>	<u>168,050</u>	<u>2.13%</u>
Expenses				
Operating Expense	6,121,526	6,023,036	98,490	1.64%
G & A Expenses	1,566,176	1,460,344	105,832	7.25%
Capital Outlays	355,000	443,000	(88,000)	-19.86%
Total Expenses	<u>8,042,702</u>	<u>7,926,380</u>	<u>116,322</u>	<u>1.47%</u>
Change in Net Position	4,703	(47,025)	51,728	-110%
Beginning Net Position	<u>9,707,743</u>	<u>9,754,768</u>	<u>(47,025)</u>	<u>-0.48%</u>
Ending Net Position	<u>\$ 9,712,446</u>	<u>\$ 9,707,743</u>	<u>\$ 4,703</u>	<u>0.05%</u>

Requests for Information

This financial report is designed to give its readers a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information can be addressed to:

Randy Mitchell, District Manager
 Willows Water District
 6930 S Holly Circle
 Centennial, CO 80112

WILLOWS WATER DISTRICT
Statements of Net Position
December 31, 2023 and 2022

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	5,942,588	5,052,811
Investments	6,192,649	6,716,747
Accounts receivable	363,582	383,105
Property taxes receivable	1,309,449	1,238,990
Accrued interest receivable	78,269	51,392
Inventory	205,747	237,670
Prepaid expenses	44,895	40,859
Total current assets	14,137,179	13,721,574
Noncurrent assets:		
Capital assets, not depreciated	37,177,206	37,177,206
Capital assets, depreciated, net of accumulated depreciation	2,191,065	2,199,699
Total noncurrent assets	39,368,271	39,376,905
TOTAL ASSETS	\$ 53,505,450	\$ 53,098,479
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
Current liabilities:		
Accounts payable	\$ 286,504	\$ 387,172
Accrued salaries and benefits	85,433	76,001
Total current liabilities	371,937	463,173
Noncurrent liabilities:		
Hydrant meter deposits	5,750	2,750
TOTAL LIABILITIES	377,687	465,923
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue	1,309,449	1,238,990
Net position:		
Net investment in capital assets	39,368,271	39,376,905
Restricted for emergencies	204,000	219,000
Unrestricted	12,246,043	11,797,661
TOTAL NET POSITION	51,818,314	51,393,566
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	\$ 53,505,450	\$ 53,098,479

The accompanying notes are an integral part of this financial statement.

WILLOWS WATER DISTRICT
Statements of Revenues, Expenses, and Changes in Net Position
For the years ended December 31, 2023 and 2022

	2023	2022
OPERATING REVENUE		
Water sales and service fees	\$ 3,704,992	\$ 4,650,048
Miscellaneous income	41,940	37,102
TOTAL OPERATING REVENUE	3,746,932	4,687,150
OPERATING EXPENSES		
General and Administrative	1,224,343	1,220,735
Operating	4,941,953	5,617,024
Depreciation	191,541	187,517
TOTAL OPERATING EXPENSES	6,357,837	7,025,276
OPERATING LOSS	(2,610,905)	(2,338,126)
NON-OPERATING REVENUES		
Property taxes, net of treasurer fees	1,133,800	1,085,239
Specific ownership taxes	77,740	71,515
Interest income	534,050	101,192
TOTAL NON-OPERATING REVENUES	1,745,590	1,257,946
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(865,315)	(1,080,180)
CAPITAL CONTRIBUTIONS		
Capital improvement fees	1,290,063	1,263,700
Tap fees	-	59,540
TOTAL CAPITAL CONTRIBUTIONS	1,290,063	1,323,240
CHANGE IN NET POSITION	424,748	243,060
NET POSITION - beginning of year	51,393,566	51,150,506
NET POSITION - end of year	\$ 51,818,314	\$ 51,393,566

The accompanying notes are an integral part of this financial statement.

WILLOWS WATER DISTRICT
Statements of Cash Flows
For the years ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from user fees and surcharges	\$ 3,739,578	\$ 4,578,995
Cash paid for goods and services	(5,416,097)	(6,319,215)
Cash paid to employees	(810,548)	(814,126)
Net cash used by operating activities	(2,487,067)	(2,554,346)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Property taxes, net of treasurer fees	1,133,800	1,085,239
Specific ownership taxes	77,740	71,515
Net cash provided by non-capital financing activities	1,211,540	1,156,754
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Acquisition of capital assets	(182,907)	(47,895)
Capital contributions	1,290,063	1,323,240
Net cash provided by capital financing activities	1,107,156	1,275,345
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(5,325,902)	(7,704,176)
Proceeds from sale of investments	5,850,000	6,581,836
Interest received	534,050	101,192
Net cash provided (used) by investing activities	1,058,148	(1,021,148)
Net increase (decrease) in cash	889,777	(1,143,395)
CASH AND CASH EQUIVALENTS, beginning of year	5,052,811	6,196,206
CASH AND CASH EQUIVALENTS, end of year	\$ 5,942,588	\$ 5,052,811
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (2,610,905)	\$ (2,338,126)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	191,541	187,517
Changes in assets and liabilities:		
Accounts receivable	19,523	(57,341)
Accrued interest receivable	(26,877)	(50,814)
Prepaid expenses	(4,036)	(1,731)
Inventory	31,923	(91,349)
Accounts payable	(100,668)	(200,923)
Accrued salaries and benefits	9,432	(1,579)
Hydrant meter deposits	3,000	-
Total adjustments	123,838	(216,220)
Net cash used by operating activities	\$ (2,487,067)	\$ (2,554,346)

The accompanying notes are an integral part of this financial statement.

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.

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.

Certificates of Deposit - The District holds money in nonnegotiable certificates of deposit that are valued at amortized cost. Maturities range from May to December 2024. Interest rates range from 5.1% - 5.5%.

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.

Inventory - The District's inventory is stated at cost, and recorded on the weighted average method. Inventory consists of assorted parts that are used during the course of the District's business operations.

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.

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	5 years

Leases and Subscription-Based IT Arrangements - Under GASB 87 and 96, the District recognizes short-term lease payments as outflows of resources based on the payment provisions of the lease contract.

Net Position – Net position is classified as net position and may be displayed in three components:

- Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position - consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

- Unrestricted net position - all other net position that do not meet the definition of "restricted" or "net investment in capital assets." This net position is available for future operations or distributions.

For presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

While the unrestricted net position does not have any legal constraints on its use, the accumulation of these amounts may be necessary to offset significant unforeseen capital repairs and for the development of capital projects that may be necessary in future years. These amounts do not meet the accounting definition to be considered restricted, but the District believes this balance is necessary to ensure adequate reserves are available when the need does arise.

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.

Use of Estimates - The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the financial statement date and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements - GASB Statement No 96 - In May 2020, GASB issued statement No 96, SBITA (Subscription-Based Information Technology Arrangements). The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for subscription-based information technology arrangements by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain subscription assets and liabilities for arrangements that previously were classified as intangible operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It

establishes a single model for lease accounting based on the foundational principle that subscription leases are financings of the right to use an underlying asset. The provisions in statement 96 are effective for reporting periods beginning after June 15, 2022. The District implemented GASB Statement No. 96, SBITA, in the year ending December 31, 2023. No significant leases were identified, and as such, no changes have been made to the financial statements as a result of implementing this standard.

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.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Budgets are adopted on a non-US GAAP basis wherein depreciation is not budgeted; capital expenditures and principal payments on capital debt are budgeted and recorded as expenditures.

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.

2. **DEPOSITS AND INVESTMENTS**

A summary of deposits and investments as of December 31, 2023 follows:

Cash Deposits	\$ 3,822,702
ColoTrust	2,119,886
Certificates of Deposit	750,000
Investments	5,442,649
Total	<u>\$ 12,135,237</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, 2023, 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 IntraFi Network Deposits DDA-MMDA. Under DDA-MMDA, any deposits in excess of the \$250,000 are distributed to other FDIC eligible banks.

The District had cash deposits with financial institutions with a carrying amount of \$5,942,588. The bank balances with the financial institutions were \$5,998,263.

Interest Rate Risk

The District has a formal investment policy that limits investment maturities to five years from the purchase date as a means of managing its exposure to fair value losses arising from increasing interest rates.

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, 2023, the District had the following investments:

<u>Type of Investment</u>	<u>Value</u>
U.S. Government (at Fair Value)	\$ 5,442,649
Certificates of deposit (at amortized cost)	750,000
ColoTrust (at NAV)	2,119,886
Total	<u>\$ 8,312,535</u>

The above investments are authorized for all funds and fund types used by Colorado local governments. As of December 31, 2023, 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.

The District had invested \$2,119,886 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, 2023, the District held investments in U.S. Agency Securities in the amount of \$5,442,649 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 because they comprise of funds with readily determinable fair values based on daily redemption values.

3. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2023 is summarized below.

	Balance 1/1/23	Additions	Deletions	Balance 12/31/23
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
Total Capital Assets, not depreciated	<u>37,177,206</u>	<u>-</u>	<u>-</u>	<u>37,177,206</u>
Capital Assets, depreciated				
Infrastructure – Water System	10,587,887	107,576	-	10,695,463
Buildings	1,478,230	-	-	1,478,230
Office and Field Equipment	572,542	75,331	(93,337)	554,536
Total Capital Assets, depreciated	<u>12,638,659</u>	<u>182,907</u>	<u>(93,337)</u>	<u>12,728,229</u>
Less: Accumulated Depreciation	<u>(10,438,960)</u>	<u>(191,541)</u>	<u>93,337</u>	<u>(10,537,164)</u>
Total Capital Assets, depreciated, net	<u>2,199,699</u>	<u>(8,634)</u>	<u>-</u>	<u>2,191,065</u>
Capital Assets, net	<u>\$ 39,376,905</u>	<u>\$ (8,634)</u>	<u>\$ -</u>	<u>\$ 39,368,271</u>

4. 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 \$899,856 and \$778,866 at December 31, 2023 and 2022, respectively. This is a single-employer, defined contribution plan.

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

Covered payroll for the years ended December 31, 2023 and 2022 is \$533,718 and \$566,071, respectively. Total payroll for the years ended December 31, and 2023 and 2022 is \$588,206 and \$573,853, respectively. Employer contributions vest as follows:

Year 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 \$48,035 and \$50,946 for the years ended December 31, 2023 and 2022, respectively.

5. **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, 2023 and 2022.

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.

Tabor Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains tax spending, revenue and debt limitations which apply to the State of Colorado and all local governments, excluding enterprises. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for allowable increases based upon inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenue.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue

shortfalls, or salary or benefit increases. The District has reserved \$204,000 of the December 31, 2023 fund net position for this purpose.

Management believes that the District qualifies as an enterprise as defined by TABOR. Therefore, the provisions of TABOR are not applicable to the District.

In November 2002, voters passed a referendum that permanently lifted TABOR restrictions on the amount of revenue the District can collect and expend.

The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions may require judicial interpretation.

6. **SUBSEQUENT EVENTS**

The District has evaluated subsequent events through the report date, which is the date these financial statements were available to be issued.

Other Supplemental Information

WILLOWS WATER DISTRICT
Schedule of Revenues, Expenses and Changes in Net Position -
Budget and Actual
For the year ended December 31, 2023

	Original and Final Budget	Actual	Variance Positive (Negative)
OPERATING REVENUE			
Water sales and service fees	\$ 4,838,687	\$ 3,704,992	\$ (1,133,695)
Miscellaneous income	89,960	41,940	(48,020)
TOTAL OPERATING REVENUE	4,928,647	3,746,932	(1,181,715)
OPERATING EXPENSES			
Salaries, wages and benefits	935,996	819,980	116,016
Water purchases	3,597,981	2,852,202	745,779
Utilities	23,144	19,090	4,054
Repairs and maintenance	2,278,523	1,954,855	323,668
Office supplies and expenses	377,248	288,249	88,999
Professional fees	52,050	39,972	12,078
Engineering fees	150,000	129,705	20,295
Insurance	39,796	27,461	12,335
Miscellaneous	28,643	34,782	(6,139)
Capital outlay	443,000	182,907	260,093
TOTAL OPERATING EXPENSES	7,926,381	6,349,203	1,577,178
NON-OPERATING REVENUE			
Property taxes, net treasurer fee	1,145,879	1,133,800	(12,079)
Specific ownership taxes	74,526	77,740	3,214
Interest income	236,000	534,050	298,050
Capital improvement fee	1,298,304	1,290,063	(8,241)
Tap fees	196,000	-	(196,000)
TOTAL NON-OPERATING REVENUE	2,950,709	3,035,653	84,944
CHANGE IN NET POSITION NON- US GAAP BUDGETARY BASIS			
	<u>\$ (47,025)</u>	<u>\$ 433,382</u>	<u>\$ 480,407</u>
ADJUSTMENTS US GAAP BASIS:			
Capital outlay		182,907	
Depreciation expense		<u>(191,541)</u>	
CHANGE IN NET POSITION US GAAP BASIS		424,748	
NET POSITION - beginning of year		<u>51,393,566</u>	
NET POSITION - end of year		<u>\$ 51,818,314</u>	