

**Spring Canyon Water and Sanitation District
Larimer County, Colorado**

FINANCIAL STATEMENTS

With Independent Auditor's Report

December 31, 2023

Spring Canyon Water and Sanitation District

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Spring Canyon Water and Sanitation District
Larimer County, Colorado

Opinions

We have audited the accompanying financial statements of Spring Canyon Water and Sanitation District (the District), as of and for the year ended December 31, 2023, 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 referred to above present fairly, in all material respects, the respective financial position of the 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 Opinions

We conducted our audits 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 opinions.

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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

I

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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 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.

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

Supplemental Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information as identified in the table of contents is presented for purposes of additional analysis and legal compliance 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 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Fiscal Focus Partners LLC

Arvada, Colorado
March 22, 2024

BASIC FINANCIAL STATEMENTS

Spring Canyon Water and Sanitation District

STATEMENT OF NET POSITION

DECEMBER 31, 2023

ASSETS

Current assets

Cash and investments	\$ 3,664,481
Cash and investments - restricted	285,781
Accounts receivable - service fees	130,767
Prepaid expenses	21,143
Property taxes receivable	78,466
Total current assets	<u>4,180,638</u>

Capital assets

Capital assets being depreciated, net	5,105,625
Total capital assets, net	<u>5,105,625</u>

Total assets	<u>9,286,263</u>
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LIABILITIES

Current liabilities

Accounts payable	40,709
Accrued interest payable	3,069
Current portion of long-term debt	140,349
Accrued salaries and benefits	20,001
Total current liabilities	<u>204,128</u>

Long-term obligations

Loan payable	1,701,023
Accrued compensated absences	14,211
Total long-term obligations	<u>1,715,234</u>

Total liabilities	<u>1,919,362</u>
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DEFERRED INFLOWS OF RESOURCES

Property tax revenue	78,466
Total deferred inflows of resources	<u>78,466</u>

NET POSITION

Net investment in capital assets	3,264,253
Restricted	
Emergency reserve	30,685
Debt reserve requirement	255,254
Unrestricted	<u>3,738,243</u>
Total net position	<u>\$ 7,288,435</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

Spring Canyon Water and Sanitation District
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023

OPERATING REVENUES	
Water and sewer services	\$ 1,072,275
Late fees and penalties	11,988
Miscellaneous income	38,976
Total operating revenues	<u>1,123,239</u>
OPERATING EXPENSES	
General and administrative	509,019
System operations	337,807
Depreciation	175,999
Total operating expenses	<u>1,022,825</u>
OPERATING INCOME (LOSS)	<u>100,414</u>
NONOPERATING REVENUES	
Property taxes	74,206
Specific ownership taxes	4,987
System improvement charges	446,963
Interest income	161,554
Tap fees	112,275
Gain on asset sale	845,341
Total nonoperating revenues	<u>1,645,326</u>
NONOPERATING EXPENSES	
Loan interest	<u>(35,367)</u>
Total nonoperating expenses	<u>(35,367)</u>
CHANGE IN NET POSITION	1,710,373
NET POSITION - BEGINNING OF YEAR	<u>5,578,062</u>
NET POSITION - END OF YEAR	<u><u>\$ 7,288,435</u></u>

The accompanying Notes to Financial Statements are an integral part of these statements.

Spring Canyon Water and Sanitation District
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,122,262
Payments to suppliers for goods and services	(510,960)
Payments to employees for services	(363,447)
Net cash provided by operating activities	<u>247,855</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Net property and specific ownership taxes	79,193
Net cash provided by noncapital financing activities	<u>79,193</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(304,955)
Proceeds from capital asset sale	906,802
Tap fees	112,275
System improvement charges	446,963
Debt principal payments	(137,585)
Interest paid on debt	(38,895)
Net cash provided by capital and related financing activities	<u>984,605</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earnings received	161,554
Net cash provided by investing activities	<u>161,554</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,473,207
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,477,055</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,950,262</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 100,414
Adjustments to reconcile operating income to net cash (used) by operating activities	
Depreciation	175,999
Change in assets and liabilities	
(Increase) decrease in:	
Accounts receivable	(977)
Prepaid expense	(340)
Increase (decrease) in:	
Accounts payable for operating activities	(16,223)
Accrued salaries and benefits	(11,018)
Total adjustments	<u>147,441</u>
Net cash provided by operating activities	<u>\$ 247,855</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

Spring Canyon Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 1 – Definition of reporting entity

Spring Canyon Water and Sanitation District (the District), a quasi-municipal corporation and political subdivision of the State of Colorado (the State), is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District is governed by a five-member Board of Directors pursuant to the provision of the Colorado Special District Act. The District's service area is located in Larimer County, Colorado.

The District's primary function is to provide water and sanitation services for the benefit of the residents of the District.

The District is financially accountable for organizations within the legal entity of the District, provided that they satisfy the criterion for reporting entities per the guidance of the Governmental Accounting Standards Board (GASB) accounting pronouncements. The definition of the reporting entity is based primarily on financial accountability. Financial accountability includes, but is not limited to: appointment of a voting majority of the organization's governing body, ability to impose its will on the organization and a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

Note 2 – Summary of significant accounting policies

The more significant accounting policies of the District are described as follows:

The accounting policies of the District conform to generally accepted accounting principles (GAAP) applicable to governmental units defined as proprietary enterprise funds. The enterprise fund is used because the District's powers operate in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

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

Basis of Accounting

The District's financial statements are reported using the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and payments on long-term obligations are recorded as reductions in liabilities. Tap fees are recorded as capital contributions when received or collectible.

Spring Canyon Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

Operating revenues and expenses

The District distinguishes between operating revenues and expenses from nonoperating items in the Statements of Revenues, Expenses and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing water and sanitation services to its customers. Operating revenues consist of charges to customers for service provided. Operating expenses include the cost of service, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Budgets

In accordance with the State Budget Law, the District's Board of Directors (the Board) holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The District's Board can modify the budget by line item within the total appropriation without notification. The total appropriation can only be modified upon completion of notification and publication requirements.

Cash equivalents

For purposes of the Statement of Cash Flows, the District considers cash deposits and highly liquid investments with original maturities of three months or less from the date of acquisition to be cash equivalents.

Accounts receivable, allowance for doubtful accounts

User fees and tap fees constitute a perpetual lien on or against property served until paid. Such liens may be foreclosed upon as provided by the State of Colorado. Therefore, no provision for uncollectible receivables has been made in the financial statements.

Property Taxes

Property taxes are levied by the Board based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The property tax revenues are recorded as revenue in the year they are available or collected.

Spring Canyon Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

Capital assets

Capital assets include land, water rights, water and sanitation plants and systems, equipment and vehicles. Capital assets are defined by the District as those assets with an initial, individual cost of \$5,000 or greater. 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 the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Building and improvements	35 years
Water distribution system	5-50 years
Wastewater collection system	15-50 years
Equipment and software	3-7 years

Compensated absences

District employees earn a general leave benefit at the rate of 30 to 42 days per year based on length of service which is to be used for vacations, medical leave and holidays. Employees are generally allowed to accrue and carryover 20 days of vacation and 20 days of sick leave each year. Compensated absences are recognized as current salary expense when earned.

Contributed capital

Tap fees and are generally recorded as capital contribution revenue when received. Lines contributed to the District by developers are recorded as capital contributions and additions to the systems at the developer's cost which approximates estimated fair market value at the date of donation.

Use of estimates

The preparation of financial statements in conformity with GAAP requires that District management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Spring Canyon Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement classification represents an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until then. The District has one item that qualifies for reporting in this category. Accordingly, deferred property tax revenue is deferred and recognized as an inflow of resources in the period that the amounts become available.

Note 3 – Cash and investments

Cash and investments are reflected on the Statement of Net Position at December 31, 2023 as follows:

Cash and investments	\$ 3,664,481
Cash and investments - restricted	<u>285,781</u>
Total cash and investments	<u>\$ 3,950,262</u>

Cash and investments as of December 31, 2023 consist of the following:

Cash on hand	\$ 115
Deposits with financial institutions	252,726
Investments	<u>3,697,421</u>
Total cash and investments	<u>\$ 3,950,262</u>

At December 31, 2023, the District's cash deposits had bank balances of \$289,551 and a carrying balance of \$252,726

Deposits with financial institutions

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 regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. As of December 31, 2023, the federal insurance limit was \$250,000. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Spring Canyon Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

Custodial credit risk - deposits

Custodial credit risk is the risk that in the event of a bank failure, deposits may not be returned to the District. The District follows state statute regarding custodial credit risk for deposits. As of December 31, 2023, none of the District's bank balances were exposed to custodial credit risk, as amounts were either insured or collateralized. The District carried bank balances in excess of federally insured amounts of \$2,726 at December 31, 2023. All amounts not federally insured are fully collateralized as required under PDPA.

Investments

The District has not adopted a formal investment policy; however the District follows the State statutes regarding investments. The District generally limits its investments to certain U.S. government agency securities, money market funds and local government investments pools, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest including the following:

- . Obligations of the United States and certain U.S. government agency securities
- . Certain international agency securities
- . General obligation and revenue bonds of U.S. local government entities
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

Fair Value Measurement and Application

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; and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); CSAFE which records their investments at amortized cost, and COLOTRUST which is recorded at net asset value.

Spring Canyon Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

As of December 31, 2023, the District had the following investments, respectively, recorded at fair value:

<u>Investment</u>	<u>Maturity</u>	
Colorado Liquid Asset Trust (Colostrust)	Weighted average under 60 days	<u>\$ 3,697,421</u>

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust offers shares in three portfolios, COLOTRUST PRIME (PRIME), COLOTRUST PLUS+ (PLUS), and COLOTRUST EDGE (EDGE). The Trust operates similarly to a money market fund and each share of PRIME and PLUS is equal in value to \$1.00, and EDGE shares are approximately equal to \$10.00. Each portfolio may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. PLUS and Edge may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. PRIME and PLUS are rated AAAM by Standard & Poor's, and EDGE is rated AAAF/S1 by Fitch Ratings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Spring Canyon Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

Note 4 – Capital assets

Capital asset activity for the year ended December 31, 2023 was as follows:

	Balance at January 1, 2023	Additions	Deletions	Balance at December 31, 2023
Capital assets not being depreciated:				
Construction in progress	\$ 533,162	\$ 310,234	\$ (843,396)	\$ –
Total capital assets not being depreciated	<u>533,162</u>	<u>310,234</u>	<u>(843,396)</u>	<u>–</u>
Capital assets being depreciated:				
Buildings and improvements	47,200	–	–	47,200
Water distribution system	5,806,463	844,446	(796,928)	5,853,981
Wastewater collection system	1,997,834	–	–	1,997,834
Equipment	110,266	7,967	–	118,233
Total capital assets being depreciated	<u>7,961,763</u>	<u>852,413</u>	<u>(796,928)</u>	<u>8,017,248</u>
Accumulated depreciation				
Buildings and improvements	(26,627)	(851)	–	(27,478)
Water distribution system	(1,835,997)	(133,926)	735,467	(1,234,456)
Wastewater collection system	(1,535,441)	(32,063)	–	(1,567,504)
Equipment	(73,026)	(9,159)	–	(82,185)
Total accumulated depreciation	<u>(3,471,091)</u>	<u>(175,999)</u>	<u>735,467</u>	<u>(2,911,623)</u>
Net capital assets being depreciated	<u>4,490,672</u>	<u>676,414</u>	<u>(61,461)</u>	<u>5,105,625</u>
Total capital assets, net	<u>\$ 5,023,834</u>	<u>\$ 986,648</u>	<u>\$ (904,857)</u>	<u>\$ 5,105,625</u>

Spring Canyon Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

Note 5 – Long term obligations

The following is an analysis of the changes in the District’s long-term obligations for the year ended December 31, 2023:

	Balance at January 1, 2023	Additions	Reductions	Balance at December 31, 2023	Due Within One Year
2015 Loan	\$ 1,533,464	\$ –	\$ (109,133)	\$ 1,424,331	\$ 111,326
2016 Loan	219,003	–	(14,283)	204,720	14,569
2017 Loan	226,490	–	(14,169)	212,321	14,454
Total long-term obligations	<u>\$ 1,978,957</u>	<u>\$ –</u>	<u>\$ (137,585)</u>	<u>\$ 1,841,372</u>	<u>\$ 140,349</u>

Loan Agreements

2015 Loan

On April 15, 2015, the District entered into a \$2,200,000 loan agreement (the 2015 Loan) with Colorado Water Resources and Power Development Authority (CWRPDA), for the purpose of financing the construction of a permanent connection to the Fort Collins-Loveland Water District (the Project) as discussed in note 8.

The term of the Loan is 20 years, with principal and interest payments due semiannually on May 1 and November 1. The amount of each semiannual payment, including interest at 2.0%, is \$68,168.

2016 Loan

On February 19, 2016, the District entered into an additional \$300,000 loan agreement (the 2016 Loan) with CWRPDA, for the purpose of financing additional costs for the Project. The 2016 Loan requires semiannual payments, including interest at 2.0%, of \$9,296, due on May 1 and November 1, with a final payment due on November 1, 2035.

2017 Loan

On February 10, 2017, the District entered into an additional \$300,599 loan agreement (the 2017 Loan) with CWRPDA, for the purpose of financing additional costs for the Project. The 2017 Loan Agreement requires semiannual payments, including interest at 2.0%, of \$9,314, due on May 1 and November 1, with a final payment due on November 1, 2036.

Spring Canyon Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

Loan Covenants

The District is subject to certain covenants under the Loans, including pledging revenue, with a minimum rate guarantee, generated from the water delivery system, and pledging to maintain an operating reserve, defined as current assets less current liabilities equal to three months of operating expenses. The District has restricted \$255,096 in satisfaction of the reserve requirement at December 31, 2023.

Under the terms of the loan agreements, the District is required to provide CWRPDA with annual audited financial statements by July 31, extendable to September 30, of each subsequent year.

The District was in compliance with the above covenants as of December 31, 2023.

Debt Maturities

The anticipated debt requirements for the next five years, and in 5-year increments thereafter, follows:

Year ended December 31,	Principal	Interest	Total
2024	\$ 140,349	\$ 36,128	\$ 176,477
2025	143,171	33,309	176,480
2026	146,049	30,429	176,478
2027	148,984	27,494	176,478
2028	151,979	24,499	176,478
2029-2033	806,962	75,430	882,392
2034-2036	303,878	8,033	311,911
	<u>\$ 1,841,372</u>	<u>\$ 235,322</u>	<u>\$ 2,076,694</u>

Debt authorization

At December 31, 2023 the District had no authorized but unissued indebtedness.

Note 6 – Net position

The District has net position consisting of three components – net investment in capital assets, restricted net position, and unrestricted net position.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2023, the District had net investment in capital assets of \$3,264,253.

Spring Canyon Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

Restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position at December 31, 2023 as follows:

Restricted Net Position:	
Emergency reserve	\$ 30,685
Debt reserve requirement	255,254
Total Restricted Net Position	<u>\$ 285,939</u>

The District's unrestricted net position as of December 31, 2023 is \$3,738,243.

Note 7– Deferred Compensation Plan

The District offers employees a deferred compensation plan (the Plan) created in accordance with Internal Revenue Service Code Section 457, administered by the Special District Association. The plan is available to all full-time District employees, and permits them to defer a portion of their salaries until future years. The plan allows the District, as resolved annually by the Board, to make discretionary contributions up to 5% of each eligible employee's salary. The Board authorized a contribution rate of 5% for 2023. The District contributed \$5,901 for the year ended December 31, 2023. The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency. The assets under the Plan are not property of the District and are held by a second-party administrator for the exclusive benefit of the Plan participants and their beneficiaries.

Note 8 – Agreements

Intergovernmental Agreement – Ft. Collins – Loveland Water District

In 2015, the District and Fort Collins-Loveland Water District (FCLWD) entered into an intergovernmental agreement (the Agreement); the agreement was amended in 2016. Under the terms of the agreement, the District's existing drinking water system was interconnected with that of FCLWD for the purpose of acquiring a permanent drinking water supply as a drinking water supply alternative to the District's then existing water treatment plant and to allow permanent decommissioning of the District's water treatment plant. The Agreement, as amended, provides for the District to purchase treated drinking water, to a minimum of 30,000,000 gallons per year, on a "take or pay" basis.

Intergovernmental Agreement – South Fort Collins Sanitation District

In 2007, the District and South Fort Collins Sanitation District (SFCSD) entered into an agreement which provided for SFCSD to assume control and responsibility of Treatment Facilities and the Pretreatment Program for the District. The District remains responsible for maintenance and expansion of the collection sewage facilities within the District.

Spring Canyon Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

Note 9 – Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees or natural disasters. The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by an intergovernmental agreement to provide property, liability, public official's liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property and public officials liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 10 – Tax, spending and debt limitations

Article X, Section 20 of the Colorado constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes its water and sewer operations, and all activities related thereto, fulfill the requirements of an enterprise within the definition of TABOR and the Enterprise Act, C.R.S. 37-45-1-01 et seq. The District's annual budget and financial statements are deemed by the District to be the annual budget and financial statements of the enterprise. The District has restricted \$30,685 as an emergency reserve under TABOR.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualification as an Enterprise will require judicial interpretation.

SUPPLEMENTAL INFORMATION

Spring Canyon Water and Sanitation District
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS AVAILABLE
BUDGET AND ACTUAL - BUDGETARY BASIS - ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Water operations	\$ 583,949	\$ 603,106	\$ 19,157
Sewer operations	399,639	469,169	69,530
Transfer fees	2,000	-	(2,000)
Late fees and penalties	8,000	11,988	3,988
Property and specific ownership taxes	79,209	79,193	(16)
Interest income	50,000	161,554	111,554
Miscellaneous income	8,000	38,976	30,976
Total revenues	<u>1,130,797</u>	<u>1,363,986</u>	<u>233,189</u>
Expenditures			
General and administrative	519,887	509,019	10,868
Water operations:			
Water treatment	155,575	126,361	29,214
Transmission and distribution	115,000	72,004	42,996
Sewer operations:			
Collection and transmission	65,000	49,096	15,904
Sewer treatment	88,830	90,346	(1,516)
Debt service:			
Principal payments	137,585	137,585	-
Interest paid	38,895	38,895	-
Total expenditures	<u>1,120,772</u>	<u>1,023,306</u>	<u>97,466</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	10,025	340,680	330,655
OTHER FINANCING SOURCES (USES)			
Transfer to capital improvement fund	(3,358)	-	3,358
Total other financing sources (uses)	<u>(3,358)</u>	<u>-</u>	<u>3,358</u>
NET CHANGE IN FUNDS AVAILABLE	6,667	340,680	334,013
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>1,956,645</u>	<u>2,163,454</u>	<u>206,809</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 1,963,312</u>	<u>\$ 2,504,134</u>	<u>\$ 540,822</u>

Spring Canyon Water and Sanitation District
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS AVAILABLE
BUDGET AND ACTUAL - BUDGETARY BASIS - CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
System improvement charges	\$ 438,360	\$ 446,963	\$ 8,603
Tap fees	-	112,275	112,275
Total revenues	<u>438,360</u>	<u>559,238</u>	<u>120,878</u>
Expenditures			
Capital outlay	795,000	304,955	490,045
General capital services	5,000	-	5,000
Total expenditures	<u>800,000</u>	<u>304,955</u>	<u>495,045</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(361,640)	254,283	615,923
Transfer from general fund	3,358	-	(3,358)
Total other financing sources (uses)	<u>3,358</u>	<u>-</u>	<u>(3,358)</u>
NET CHANGE IN FUNDS AVAILABLE	(358,282)	254,283	612,565
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>358,282</u>	<u>369,731</u>	<u>11,449</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ -</u>	<u>\$ 624,014</u>	<u>\$ 624,014</u>
Total district revenues	1,569,157	1,923,224	
Total district expenditures	<u>1,920,772</u>	<u>1,328,261</u>	
Total district net change in funds available	(351,615)	594,963	
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>2,314,927</u>	<u>2,533,185</u>	
FUNDS AVAILABLE - END OF YEAR	<u>\$ 1,963,312</u>	<u>\$ 3,128,148</u>	

Spring Canyon Water and Sanitation District
RECONCILIATION OF ACTUAL (BUDGETARY BASIS) TO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023

Revenues (budgetary basis)	\$	1,923,224
Gain on sale of assets		845,341
Total revenues per Statement of Revenues, Expenses and Changes in Net Position		<u>2,768,565</u>
Expenditures (budgetary basis)		1,328,261
Depreciation		175,999
Principal paid		(137,585)
Change in interest accrual		(3,528)
Capital outlay		<u>(304,955)</u>
Total expenses per Statement of Revenues, Expenses and Changes in Net Position		<u>1,058,192</u>
Change in net position per Statement of Revenues, Expenses and Changes in Net Position	\$	<u>1,710,373</u>