

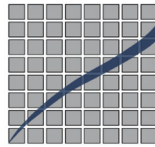
**FOUNTAIN CREEK WATERSHED, FLOOD CONTROL AND
GREENWAY DISTRICT
EL PASO AND PUEBLO COUNTIES, COLORADO**

FINANCIAL STATEMENTS

DECEMBER 31, 2023

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BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors

Fountain Creek Watershed, Flood Control and Greenway District

El Paso and Pueblo Counties, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Fountain Creek Watershed, Flood Control and Greenway District ("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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the District as of December 31, 2023, the respective changes in financial position, the budgetary comparison for the general fund 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 audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the 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.

Emphasis of Matter

As discussed in Note 6, these financial statements have been restated to correct for an overstatement of grant revenues in the previously issued December 31, 2022, financial statements. Our opinions are not modified with respect to that matter.

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 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 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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America, 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

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 which 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as identified in the table of contents, 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 basic financial statements. Such 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BiggsKofford, P.C.

Colorado Springs, Colorado
June 6, 2024

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL AND GREENWAY DISTRICT

STATEMENT OF NET POSITION
DECEMBER 31, 2023

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 257,177	\$ 342,926	\$ 600,103
Investments	-	20,150,519	20,150,519
Accounts receivable	136,350	-	136,350
Total assets	393,527	20,493,445	20,886,972
<u>LIABILITIES</u>			
Accounts payable	25,089	213,067	238,156
Accrued salaries and benefits	13,758	-	13,758
Total liabilities	38,847	213,067	251,914
<u>NET POSITION</u>			
Emergency reserve	12,000	-	12,000
Unrestricted	342,680	20,280,378	20,623,058
Total net position	\$ 354,680	\$ 20,280,378	\$ 20,635,058

The accompanying notes and independent auditor's report
should be read with these financial statements.

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL AND GREENWAY DISTRICT

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

FUNCTIONS / PROGRAMS	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Government activities:							
General government	\$ 157,006	\$ -	\$ 25,933	\$ -	\$ (131,073)	\$ -	\$ (131,073)
Public outreach project	163,790	-	-	-	(163,790)	-	(163,790)
Grant and project management	43,647	-	-	-	(43,647)	-	(43,647)
Corridor greenway master plan	34,588	-	-	-	(34,588)	-	(34,588)
Total government activities	399,031	-	25,933	-	(373,098)	-	(373,098)
Business-type activities:							
Water activity enterprise	1,097,672	-	11,500	-	-	(1,086,172)	(1,086,172)
Total	\$ 1,496,703	\$ -	\$ 37,433	\$ -	(373,098)	(1,086,172)	(1,459,270)
GENERAL REVENUES							
Intergovernmental					471,407	-	471,407
Investment income					-	808,850	808,850
Total general revenues					471,407	808,850	1,280,257
Change in net position					98,309	(277,322)	(179,013)
Net position, beginning of year					256,371	20,557,700	20,814,071
Net position, end of year					\$ 354,680	\$ 20,280,378	\$ 20,635,058

The accompanying notes and independent auditor's report should be read with these financial statements.

**FOUNTAIN CREEK WATERSHED, FLOOD CONTROL
AND GREENWAY DISTRICT**
BALANCE SHEET - GOVERNMENTAL FUND
DECEMBER 31, 2023

	General Fund
<u>ASSETS</u>	
Cash and investments	\$ 257,177
Accounts receivable	136,350
Total assets	\$ 393,527
<u>LIABILITIES</u>	
Accounts payable	\$ 25,089
Accrued salaries and benefits	13,758
Total liabilities	38,847
<u>FUND BALANCES</u>	
Restricted for:	
Emergency reserve	12,000
Unassigned:	
Unrestricted	342,680
Total fund balance	354,680
Total liabilities and fund balance	\$ 393,527

The accompanying notes and independent auditor's report
should be read with these financial statements.

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL AND GREENWAY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND YEAR ENDED DECEMBER 31, 2023

	General Fund
<u>REVENUES</u>	
Intergovernmental	\$ 471,407
Grants	1,410
Contributions and donations	24,523
Total revenues	497,340
<u>EXPENDITURES</u>	
General government:	
Board fees	200
Contracted services	10,550
Dues and subscriptions	430
Engineering	4,487
Insurance	919
Payroll	89,933
Professional fees	32,202
Office and supplies	12,413
Travel and conferences	5,872
Public outreach project	163,790
Grant and project management	43,647
Corridor greenway master plan	34,588
Total expenditures	399,031
Excess of revenues over expenditures	98,309
Net change in fund balance	98,309
Fund balance, beginning of year	256,371
Fund balance, end of year	\$ 354,680

The accompanying notes and independent auditor's report
should be read with these financial statements.

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL AND GREENWAY DISTRICT

GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (BUDGET AND ACTUAL) YEAR ENDED DECEMBER 31, 2023

	Original and Final Budget	Actual	Variance
<u>REVENUES</u>			
Intergovernmental	\$ 459,752	\$ 471,407	\$ 11,655
Grants	100,000	1,410	(98,590)
Contributions and donations	-	24,523	24,523
Water activity enterprise management fee	150,000	-	(150,000)
General fund revenue	23,100	-	(23,100)
Interest income	200	-	(200)
Total revenues	733,052	497,340	(235,712)
<u>EXPENDITURES</u>			
General government:			
Advertising	4,000	-	4,000
Board fees	1,000	200	800
Construction project manager	20,000	-	20,000
Contracted services	7,000	10,550	(3,550)
Dues and subscriptions	1,000	430	570
Engineering	50,000	4,487	45,513
Insurance	3,000	919	2,081
Payroll	257,100	89,933	167,167
Professional fees	46,200	32,202	13,998
Miscellaneous	3,000	-	3,000
Office and supplies	18,225	12,413	5,812
Travel and conferences	2,000	5,872	(3,872)
Public outreach project	169,000	163,790	5,210
Corridor greenway master plan	65,000	34,588	30,412
Grant and project management	80,000	43,647	36,353
Total expenditures	726,525	399,031	327,494
Excess of revenues over expenditures	6,527	98,309	91,782
Net change in fund balance	\$ 6,527	98,309	\$ 91,782
Fund balance, beginning of year		256,371	
Fund balance, end of year		\$ 354,680	

The accompanying notes and independent auditor's report
should be read with these financial statements.

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL AND GREENWAY DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUND DECEMBER 31, 2023

	<u>Water Activity Enterprise Fund</u>
<u>ASSETS</u>	
Cash	\$ 342,926
Investments	20,150,519
Total assets	20,493,445
<u>LIABILITIES</u>	
Accounts payable	213,067
Total liabilities	213,067
<u>NET POSITION</u>	
Unrestricted	20,280,378
Total net position	\$ 20,280,378

The accompanying notes and independent auditor's report
should be read with these financial statements.

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL AND GREENWAY DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUND YEAR ENDED DECEMBER 31, 2023

	<u>Water Activity Enterprise Fund</u>
<u>OPERATING REVENUES</u>	
Utility enterprise grants	\$ 11,500
Total operating revenues	<u>11,500</u>
<u>OPERATING EXPENSES</u>	
Administrative and general	225,904
Projects:	
Eagle Ridge project	246,538
Fountain Crossing channel project	73,418
Frost Focus area project	115,832
Pueblo levee restoration project	96,349
Southmoor Drive project	198,349
Wood Valley ditch project	141,282
Total operating expenses	<u>1,097,672</u>
Net operating loss	(1,086,172)
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Investment income	871,106
Investment fees	(62,256)
Total non-operating revenues (expenses)	<u>808,850</u>
Net loss	(277,322)
Net position, beginning of year	<u>20,557,700</u>
Net position, end of year	<u>\$ 20,280,378</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

**FOUNTAIN CREEK WATERSHED, FLOOD CONTROL
AND GREENWAY DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2023**

	Water Activity Enterprise Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash received from others	\$ 11,500
Cash paid for goods and services	(1,989,201)
Net cash flows from operating activities	<u>(1,977,701)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Net (purchases) sales of investments	(107,006)
Investment income	871,106
Investment fees	(62,526)
Net cash flows from investing activities	<u>701,574</u>
Net change in cash	(1,276,127)
Cash, beginning of year	<u>1,619,053</u>
Cash, end of year	<u><u>\$ 342,926</u></u>
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Operating loss	\$ (1,086,172)
Adjustments to reconcile operating income to net cash flows from operating activities:	
Increase (decrease) in operating liabilities:	
Accounts payable	<u>(891,529)</u>
Net cash flows from operating activities	<u><u>\$ (1,977,701)</u></u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL AND GREENWAY DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

1. DEFINITION OF REPORTING ENTITY

Fountain Creek Watershed, Flood Control and Greenway District ("District") was formed on April 30, 2009, by an amendment to Title 32 of the Colorado Revised Statutes ("CRS") under the provisions of Colorado Senate Bill 09-141. The District area comprises all of El Paso and Pueblo Counties (CRS 32.11.5-202), which includes the 927 square miles in both counties known as the Fountain Creek Watershed Management Area (CRS 32-11.5-103(18)). This area extends south from Palmer Divide to the Arkansas River, and approximately 20 miles east of the City of Colorado Springs with Pikes Peak to the west.

The purpose of the District is to provide management, administration, and funding for capital improvements in order to improve drainage, mitigate flooding, erosion, and sedimentation issues; and address water quality and quantity issues in the Fountain Creek Watershed. In addition, the District is authorized to fund the acquisition and protection of open space and develop public recreational opportunities including parks, trails, and open space within its boundaries. The District will have land use authority in the 100 year floodplain in El Paso and Pueblo Counties between the City of Fountain and the City of Pueblo. In addition, the District can provide input to the local government entities on land use applications that may have direct or indirect impacts on the watershed. During 2015, the District established the Fountain Creek Watershed Water Activity Enterprise Fund for the purpose of providing watershed, flood control, and greenway services including but not limited to construction, operation, repair, and replacement of water projects and facilities as defined in CRS Section 32-45.1-102(5).

The District is governed by a nine-member board of directors consisting of representatives from El Paso and Pueblo Counties; the Cities of Colorado Springs, Fountain and Pueblo; small municipalities in El Paso and Pueblo Counties; the Lower Arkansas Valley Water Conservation District; and the Citizens Advisory Group.

The District follows Governmental Accounting Standards Board ("GASB") accounting pronouncements which provide guidance for determining which governmental activities, organizations, and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. 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 potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide and fund financial statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. Material interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. Governmental activities are normally supported by grants and intergovernmental revenues, and business-type activities which rely to a significant extent on fees and charges for support.

The statement of net position reports all financial and capital resources of the District. The difference between the assets plus deferred outflows of resources and the liabilities plus deferred inflows of resources is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are properly excluded from program revenues and are reported as general revenues.

See independent auditor's report.

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL AND GREENWAY DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

Separate financial statements are provided for the governmental funds and proprietary funds. Major individual government funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement position

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for expenditure-driven grants as defined in the following paragraph.

Intergovernmental revenues, grants, and interest associated with the current year are all considered to be susceptible to accrual and so have been recognized as revenues of the current year. Grant and similar revenues are recorded as revenues when all eligibility requirements are met, including any time requirements. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and other eligibility requirements have been met. All other revenues are considered to be measurable and available only when cash is received by the District.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a 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 or capital contributions.

The District reports the following major governmental fund:

The *general fund* accounts for all financial resources of the District except those required to be accounted for in another fund.

The District reports the following major proprietary fund:

The *water activity enterprise fund* accounts for the activities of the District funded by local area utility enterprises for purposes of management, research, development, and construction for the flood control project in the watershed area.

Budgets

In accordance with state budget law, the District holds public hearings in the fall each year to approve the budget and appropriate funds for the ensuing year. The appropriation is at the total fund expenditures, fund balance remaining, and other financing uses level, and lapses at year end. The District's board of directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

Cash

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

See independent auditor's report.

**FOUNTAIN CREEK WATERSHED, FLOOD CONTROL
AND GREENWAY DISTRICT**
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Accounts and grants receivable

Accounts and grants receivable are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectable.

Interfund balances

The interfund balances have been eliminated in the government-wide statements except for the residual balances between the governmental activities and business-type activities, which are reported as internal balances.

Net position and fund balances

Net position

For government-wide 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.

Fund balances

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

The *nonspendable fund balance* is the portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventories) or is legally or contractually required to be maintained intact.

The *restricted fund balance* is the portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

The *committed fund balance* is the portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the board of directors. The constraint may be removed or changed only through formal action of the board of directors.

The *assigned fund balance* is the portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the board of directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

The *unassigned fund balance* is the residual portion of fund balance that does not meet any of the criteria described above.

For fund presentation purposes, if more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's policy to use the most restrictive classification first.

Use of estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America ("US GAAP") requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

See independent auditor's report.

**FOUNTAIN CREEK WATERSHED, FLOOD CONTROL
AND GREENWAY DISTRICT**
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Subsequent events

The District has evaluated events subsequent to the year ended December 31, 2023 through the date of the attached independent auditor's report, the date these financial statements were available to be issued.

3. CASH AND INVESTMENTS

Cash and investments as of December 31, 2023, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash	\$ 600,103
Investments	<u>20,150,519</u>
	<u>\$ 20,750,622</u>

The carrying amounts of cash and investments, which equal estimated fair value, as of December 31, 2023, are as follows:

Deposits with financial institutions	\$ 600,103
Investments	<u>20,150,519</u>
	<u>\$ 20,750,622</u>

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. The eligible collateral is determined by the PDPA. The 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 102% of the aggregate uninsured deposits. At December 31, 2023, the District had bank deposits totaling \$600,103, of which \$250,000 were insured by the Federal Deposit Insurance Corporation, and \$350,103 was collateralized with securities held by the financial institution's agent but not in their name.

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.

As of December 31, 2023, the District's cash deposits had a bank balance of \$600,103 and a carrying balance of \$600,103.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those below which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. The District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

CRS limits investment maturities to five years or less unless otherwise formally approved by the board of directors. Such actions are generally associated with a debt service reserve or sinking fund requirements. At the June 2017 board meeting, the board of directors approved investments in US government instrumentalities with maturities greater than three years.

See independent auditor's report.

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL AND GREENWAY DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

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

- Obligations of the US, certain US government agency securities, and securities of the World Bank
- General obligation and revenue bonds of US local government entities
- Certain certificates of participation
- Certain securities lending agreements
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Certificates of deposit in Colorado PDPA approved banks or savings banks
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. US government securities explicitly or implicitly guaranteed by the US government are not considered to have credit risk exposure, including US Treasury bills, US Treasury notes, or obligations of the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association.

State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by a nationally recognized statistical rating organization. The Federated Treasury Obligations Fund ("FTOF") invests exclusively in US Treasury obligations and repurchase agreements fully collateralized by US Treasury obligations. The FTOF records its investments at net asset value and the District records its investment in FTOF using the net asset value method.

There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period for the District's investments.

As of December 31, 2023, the District had the following in investments:

Investment	Standards & Poor's Rating	Amount
US Treasury notes	AAA	\$ 16,030,600
US agency securities	AA+	1,516,725
Corporate obligations	AA	200,838
Corporate obligations	AA-	2,291,150
Money market fund	AAAm	111,206
		\$ 20,150,519

The District's investments mature on various dates through December 31, 2029.

See independent auditor's report.

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL AND GREENWAY DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the concentration of the District's investment in a single issuer. State statutes do not limit the amount the District may invest in one issuer. As of December 31, 2023, the concentration of the District's investments not guaranteed by the US government were as follows:

Investment	Percentage of Total Investments
Corporate obligations	12%

Corporate obligations are subject to interest rate risk as market interest rates on similar securities fluctuate. Corporate obligations are recorded at estimated market value in the District's financial statements. Corporate obligations have maturities through the year ending December 31, 2025, and have estimated yields ranging from .58% to 3.51% as of December 31, 2023. The estimated yields assume that the position quantities, interest and dividend rates, and prices remain constant.

Fair value of investments

The District categorizes its fair value measurements within the fair value hierarchy established by US GAAP.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Therefore, the term "price" refers to the exit price as opposed to the entry price, which is the price paid to acquire the asset or received to assume the liability. US GAAP also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs when measuring fair value.

US GAAP describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities that are based on inputs not quoted in active markets that can be corroborated by observable market data

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Fair value of assets measured on a recurring basis is as follows as of December 31,:

Investment	Level 1	Level 2	Level 3	Total
US Treasury notes	\$ 16,030,600	\$ -	\$ -	\$ 16,030,600
US agency securities	-	1,516,725	-	1,516,725
Corporate obligations	-	2,491,988	-	2,491,988
Total investments at fair value	<u>16,030,600</u>	<u>4,008,713</u>	<u>\$ -</u>	20,039,313
Money market funds at cost				111,206
Total investments				<u>\$ 20,150,519</u>

4. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

See independent auditor's report.

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL AND GREENWAY DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

The District is a member of the Colorado Special Districts Property and Liability Pool ("Pool"). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' 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.

5. 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 within the state of

At the District's creation, the Colorado Senate Bill 09-141 ("SB 09-141") authorized the District to levy property taxes up to 5 mills for the purpose funding reserves, repayment of bonds issued, maintenance, operations and improvement of facilities, subject to election requirements and limitations as defined in SB 09-141.

Enterprises, defined as government-owned business 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 has made certain interpretations of the amendment's language in order to determine compliance. The District's management believes the Water Activity Enterprise's operations qualify for the enterprise exclusion allowed by the amendment. The District believes it is in compliance with the requirements of the amendment.

Spending and revenue limits are determined based on the prior 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. Revenues in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenues.

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.

District management believes the District 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, will likely require judicial interpretation.

6. CONTINGENCIES

The District is subject to claims or other legal action in the normal course of operations. As of the date of these financial statements, management was unable to estimate the impact, if any, these items will have on the financial statements.

See independent auditor's report.

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL AND GREENWAY DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

7. CORRECTION OF ERROR ON PREVIOUSLY ISSUED FINANCIAL STATEMENTS

The District discovered that certain grant revenues had been overstated in the previously issued December 31, 2022, financial statements. The error has been corrected by restating each of the affected financial statement line items as follows:

	As Previously Reported	Adjustment	As Restated
Government-wide financial statements:			
Governmental activities net position	\$ 299,371	\$ (43,000)	\$ 256,371
Governmental fund financial statements:			
Fund balances:			
General fund - unrestricted	299,371	(43,000)	256,371

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See independent auditor's report.

SUPPLEMENTARY INFORMATION

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL AND GREENWAY DISTRICT

WATER ACTIVITY ENTERPRISE - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (BUDGET AND ACTUAL) YEAR ENDED DECEMBER 31, 2023

	Original and Final Budget	Actual	Variance
<u>OPERATING REVENUES</u>			
Utility enterprise grants	\$ -	\$ 11,500	\$ 11,500
Interest income	50,000	-	(50,000)
Total operating revenues	50,000	11,500	(38,500)
<u>OPERATING EXPENSES</u>			
Administrative and general	344,125	225,904	118,221
Alternative analysis	127,000	-	127,000
Contract administration	170,000	-	170,000
Projects:			
Eagle Ridge project	4,300,000	246,538	4,053,462
Fountain Crossing channel project	-	73,418	(73,418)
Frost Focus area project	-	115,832	(115,832)
Pueblo levee restoration project	-	96,349	(96,349)
Southmoor Drive project	2,550,000	198,349	2,351,651
Wood Valley ditch project	135,000	141,282	(6,282)
Total operating expenses	7,626,125	1,097,672	6,528,453
Excess of revenues over expenses	(7,576,125)	(1,086,172)	6,489,953
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Investment income	(500,000)	871,106	1,371,106
Investment fees	(15,000)	(62,256)	(47,256)
Total non-operating revenues (expenses)	(515,000)	808,850	1,323,850
Net change in fund balance	\$ (8,091,125)	(277,322)	\$ 7,813,803
Fund balance, beginning of year		20,557,700	
Fund balance, end of year		\$ 20,280,378	

The accompanying notes and independent auditor's report
should be read with these financial statements.