

**NORTHERN DOUGLAS COUNTY
WATER & SANITATION DISTRICT
Douglas County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2022 AND 2021

**NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
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YEARS ENDED DECEMBER 31, 2022 AND 2021**

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Board of Directors
Northern Douglas County Water & Sanitation District
Douglas County, Colorado

Independent Auditor's Report

Opinion

We have audited the accompanying financial statements of the business-type activities of Northern Douglas County Water & Sanitation District (the "District"), as of and for the years ended December 31, 2022 and 2021, 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 financial position of Northern Douglas County Water & Sanitation District as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplemental Information

The management's discussion and analysis information on pages IV through VIII is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

Wipfli LLP

Wipfli LLP
Lakewood, Colorado

July 14, 2023

**NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022 AND 2021**

The management of Northern Douglas County Water & Sanitation District (the District) offers the readers of the District's financial statements this narrative overview and comparative analysis of the financial activities of the District for the fiscal year ended December 31, 2022 and December 31, 2021.

Financial Highlights

- Net position decreased \$528,865 during 2022.
- Net operating loss increased from \$(733,099) the previous year to \$(1,063,055) on operating revenue of \$3,296,073 and \$3,139,303, respectively.
- Operating revenue decreased \$156,770 or (4.76)%, from prior year.
- Operating expenses exclusive of depreciation and general and administrative expenses increased \$16,082, or 0.62%, from the prior year, due to provider rate increases and increased usage by District customers.
- Funds available (current and noncurrent assets less current liabilities and deferred inflow of resources) increased from \$22,983,502 to \$23,213,874 at December 31, 2022.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements, presented on pages 1 thru 18 are comprised of financial statements and notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The financial statements of the District are presented as a special purpose government engaged only in business type activities – providing water and sewer utility services.

The statement of net position presents information on all of the District's assets, liabilities, and deferred inflow of resources with the difference between them reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenue, expenses, and changes in net position presents information that reflects how the District's net position changed during the current year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenue and expenses are reported in the statement for some items that will only result in cash flows in future fiscal years.

The statement of cash flows reports the District's cash flows from operating, noncapital financing, capital and related financing, and investing activities.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages 4 thru 18 of this report.

The supplementary information contained in this report on pages 19 thru 23 provides a schedule of expenses, budget and actual comparison, reconciliation of budgetary basis, and summary of assessed valuation, mill levy, and property tax information.

**NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022 AND 2021**

Statement of Net Position

| | December 31, | | |
|------------------------------------|----------------------|----------------------|----------------------|
| | 2022 | 2021 | 2020 |
| Current and Noncurrent Assets | \$ 24,736,472 | \$ 25,134,186 | \$ 23,767,277 |
| Capital Assets | 18,996,421 | 19,755,658 | 19,233,983 |
| Total Assets | <u>43,732,893</u> | <u>44,889,844</u> | <u>43,001,260</u> |
| Current Liabilities | 252,791 | 907,663 | 440,006 |
| Total Liabilities | <u>252,791</u> | <u>907,663</u> | <u>440,006</u> |
| Deferred Inflow of Resources | 1,269,807 | 1,243,021 | 1,147,297 |
| Total Deferred Inflow of Resources | <u>1,269,807</u> | <u>1,243,021</u> | <u>1,147,297</u> |
| Net Investment in Capital Assets | 18,996,421 | 19,755,658 | 19,233,983 |
| Restricted Net Position | 111,000 | 131,000 | 141,000 |
| Unrestricted Net Position | 23,102,874 | 22,852,502 | 22,038,974 |
| Total Net Position | <u>\$ 42,210,295</u> | <u>\$ 42,739,160</u> | <u>\$ 41,413,957</u> |

The District's net position decreased \$528,865 during 2022, which is primarily the result of decreased Tap and Option fees, decreased operating revenues, and an increase in operating expenses in comparison to prior year. The decrease in net position in comparison to the prior year increase of \$1,325,203 is attributed to decreased capital contributions used to acquire increased capacity in provider water and sewer systems. Funds available (current and noncurrent assets less current liabilities and deferred inflow of resources) increased from \$22,983,502 to \$23,213,874 which is available for working capital.

**NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022 AND 2021**

Changes in Net Position

| | December 31, | | |
|-----------------------------------|----------------------|----------------------|----------------------|
| | 2022 | 2021 | 2020 |
| REVENUES | | | |
| Operating Revenues: | | | |
| Water Services | \$ 2,142,748 | \$ 2,344,610 | \$ 2,154,014 |
| Sewer Services | 996,555 | 951,463 | 904,509 |
| Total Operating Revenues | <u>3,139,303</u> | <u>3,296,073</u> | <u>3,058,523</u> |
| Nonoperating Revenues: | | | |
| Taxes | 1,352,913 | 1,248,434 | 1,165,731 |
| Investment Income (Loss) | (806,866) | (183,494) | 453,036 |
| Other | 6,785 | 25,536 | 52,397 |
| Contributions: | | | |
| Tap and Option Fees | - | 1,254,145 | 238,754 |
| Total Other Revenues | <u>552,832</u> | <u>2,344,621</u> | <u>1,909,918</u> |
| Total Revenues | 3,692,135 | 5,640,694 | 4,968,441 |
| EXPENSES | | | |
| Operating Expenses: | | | |
| Water | 1,884,069 | 1,898,392 | 1,777,490 |
| Sewer | 700,035 | 669,630 | 639,291 |
| Subtotal | <u>2,584,104</u> | <u>2,568,022</u> | <u>2,416,781</u> |
| General and Administrative | 859,017 | 728,680 | 724,779 |
| Depreciation | 759,237 | 732,470 | 723,907 |
| Total Operating Expenses | <u>4,202,358</u> | <u>4,029,172</u> | <u>3,865,467</u> |
| Nonoperating Expenses | <u>18,642</u> | <u>286,319</u> | <u>418,220</u> |
| Total Expenses | <u>4,221,000</u> | <u>4,315,491</u> | <u>4,283,687</u> |
| CHANGE IN NET POSITION | (528,865) | 1,325,203 | 684,754 |
| Net Position - Beginning of Year | <u>42,739,160</u> | <u>41,413,957</u> | <u>40,729,203</u> |
| NET POSITION - END OF YEAR | <u>\$ 42,210,295</u> | <u>\$ 42,739,160</u> | <u>\$ 41,413,957</u> |

The overall decrease in revenues of \$1,948,559 can be attributed to a decrease in water services revenues received, a decrease in nonrecurring tap and options fee revenue received, and an increase in investment loss in 2022. Total expenses decreased \$94,491, which comprises of increases in water and sewer operating expenses offset by decreases in nonoperating expenses.

**NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022 AND 2021**

Capital Assets Activity

The activity related to capital assets during 2022 is as follows:

| | December 31, 2020 | Net Changes | December 31, 2021 | Net Changes | December 31, 2022 |
|--------------------------|----------------------|-------------------|----------------------|---------------------|----------------------|
| Land and Easements | \$ 27,837 | \$ - | \$ 27,837 | \$ - | \$ 27,837 |
| Water System: | | | | | |
| Water Capacity | 25,139,261 | 1,254,145 | 26,393,406 | - | 26,393,406 |
| Water Facilities | 4,912,629 | - | 4,912,629 | - | 4,912,629 |
| Sewer System: | | | | | |
| Sewer Facilities | 3,520,011 | - | 3,520,011 | - | 3,520,011 |
| Total Assets | 33,599,738 | 1,254,145 | 34,853,883 | - | 34,853,883 |
| Accumulated Depreciation | (14,365,755) | (732,470) | (15,098,225) | (759,237) | (15,857,462) |
| Net Capital Assets | <u>\$ 19,233,983</u> | <u>\$ 521,675</u> | <u>\$ 19,755,658</u> | <u>\$ (759,237)</u> | <u>\$ 18,996,421</u> |

The 2022 activity relating to capital assets reflected depreciation expense of \$759,237.

Additional information on the District's capital assets can be found within Note 4 of this report.

Budgetary Highlights

The District prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of capital outlay in addition to operations and nonoperating revenue and contributions. Depreciation is not reflected on the budget since it does not affect funds available. This budgetary accounting is required by state statutes.

Actual revenue of the District was less than the budgeted revenue, primarily as a result of less water and sewer revenues than what was projected during 2022.

Actual expenditures of the District were less than the appropriation by \$2,120,308, primarily as a result of fewer capital expenditures than expected.

Economic Factors and Next Year's Budgets and Rates

- The assessed valuation of property in the District increased \$2,091,670, or 2.32%, in 2022.
- The mill levy for 2022 remained the same as 2021.
- Water service and usage fees revenues are anticipated to increase in 2023 in response to Centennial's rate increase to the District. Usage of water has been calculated based upon the average usage of the past three years.
- Sewer service and usage fees revenues are anticipated to increase in 2023 in response to Centennial's rate increase to the District.
- The District anticipates and budgets to replace its master meters, and backflow preventers in 2023. However, these projects may be delayed until future years.
- The 2023 budget was completed during the ongoing global health crisis created by the COVID-19 (coronavirus) outbreak, the duration and consequences of which are still largely unknown. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while the District expects this matter to have some negative impacts on its operating results, the related financial impact and duration cannot be reasonably estimated at this time.

**NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022 AND 2021**

Request for Information

Management's discussion and analysis is designed to provide a general overview of the District's finances. Questions concerning any of the information provided within this report or requests for additional information should be addressed to: Office of Northern Douglas County Water and Sanitation District, 8390 East Crescent Parkway, Suite 300, Greenwood Village, CO 80111.

BASIC FINANCIAL STATEMENTS

NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021

| ASSETS | <u>2022</u> | <u>2021</u> |
|--|-----------------------------|-----------------------------|
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 7,086,455 | \$ 6,025,219 |
| Cash and Cash Equivalents - Restricted | 111,000 | 131,000 |
| Investments - Government Securities | 4,375,293 | 150,109 |
| Accounts Receivable - Service | | |
| Net of Allowance for Doubtful Accounts of \$30,000 | 178,959 | 181,231 |
| Accounts Receivable - Non-service | 7,887 | 7,812 |
| Property Taxes Receivable | 1,269,807 | 1,243,021 |
| Tap Options Receivable | - | 306,565 |
| Interest Receivable | 38,091 | 35,262 |
| Prepaid Expenses | 450 | 30,120 |
| Total Current Assets | <u>13,067,942</u> | <u>8,110,338</u> |
| NONCURRENT ASSETS | | |
| Investments - Government Securities | 11,668,530 | 17,023,848 |
| Total Noncurrent Assets | <u>11,668,530</u> | <u>17,023,848</u> |
| CAPITAL ASSETS, NET | | |
| | <u>18,996,421</u> | <u>19,755,658</u> |
| Total Assets | <u><u>\$ 43,732,893</u></u> | <u><u>\$ 44,889,844</u></u> |
| LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION | | |
| CURRENT LIABILITIES | | |
| Accounts Payable and Accrued Expenses | \$ 230,591 | \$ 883,163 |
| Deposits Payable | 22,200 | 24,500 |
| Total Current Liabilities | <u>252,791</u> | <u>907,663</u> |
| DEFERRED INFLOW OF RESOURCES | | |
| Property Tax Revenue | 1,269,807 | 1,243,021 |
| Total Deferred Inflow of Resources | <u>1,269,807</u> | <u>1,243,021</u> |
| NET POSITION | | |
| Invested in Capital Assets | 18,996,421 | 19,755,658 |
| Restricted | 111,000 | 131,000 |
| Unrestricted | 23,102,874 | 22,852,502 |
| Total Net Position | <u>42,210,295</u> | <u>42,739,160</u> |
| Total Liabilities, Deferred Inflow of Resources, and Net Position | <u><u>\$ 43,732,893</u></u> | <u><u>\$ 44,889,844</u></u> |

See accompanying Notes to Basic Financial Statements.

**NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2022 AND 2021**

| | 2022 | 2021 |
|--|---------------|---------------|
| WATER OPERATIONS | | |
| Water Income | \$ 2,142,748 | \$ 2,344,610 |
| Direct Water Expenses | (1,884,069) | (1,898,392) |
| Depreciation and Amortization | (682,710) | (655,949) |
| Gross Loss from Water Operations | (424,031) | (209,731) |
| SEWER OPERATIONS | | |
| Sewer Income | 996,555 | 951,463 |
| Direct Sewer Expenses | (700,035) | (669,630) |
| Depreciation | (76,527) | (76,521) |
| Gross Profit from Sewer Operations | 219,993 | 205,312 |
| Total Gross Loss from Operations | (204,038) | (4,419) |
| GENERAL AND ADMINISTRATIVE EXPENSES | 859,017 | 728,680 |
| OPERATING LOSS | (1,063,055) | (733,099) |
| NONOPERATING REVENUES | | |
| Property Taxes | 1,242,977 | 1,137,791 |
| Specific Ownership Taxes | 109,936 | 110,643 |
| Net Investment Loss | (806,866) | (183,494) |
| Developer Reimbursements | - | 20,000 |
| Miscellaneous | 6,785 | 5,536 |
| Total Nonoperating Revenues | 552,832 | 1,090,476 |
| NONOPERATING EXPENSES | | |
| County Treasurer's Fees | 18,642 | 17,083 |
| Meter Replacements | - | 269,236 |
| Total Nonoperating Expenses | 18,642 | 286,319 |
| INCOME (LOSS) BEFORE CONTRIBUTIONS | (528,865) | 71,058 |
| CAPITAL CONTRIBUTIONS | | |
| Tap and Option Fees | - | 1,254,145 |
| Total Capital Contributions | - | 1,254,145 |
| CHANGE IN NET POSITION | (528,865) | 1,325,203 |
| Net Position - Beginning of Year | 42,739,160 | 41,413,957 |
| NET POSITION - END OF YEAR | \$ 42,210,295 | \$ 42,739,160 |

See accompanying Notes to Basic Financial Statements.

NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

| | 2022 | 2021 |
|--|----------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from Customers | \$ 3,141,575 | \$ 3,326,260 |
| Payments to Suppliers | (4,068,323) | (2,824,937) |
| Net Cash Provided (Used) by Operating Activities | (926,748) | 501,323 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Property Tax Collections for Operations | 1,242,977 | 1,137,791 |
| Specific Ownership Taxes | 109,861 | 111,143 |
| Miscellaneous Income | 6,785 | 5,535 |
| County Treasurer's Fees | (18,642) | (17,083) |
| Tap Fee Receivable | 306,565 | (306,565) |
| Net Cash Provided by Noncapital Financing Activities | 1,647,546 | 930,821 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Tap Fees and Tap Option Fees | - | 1,254,145 |
| Purchased Capacity | - | (1,254,145) |
| Nonoperating Expenses | - | (269,236) |
| Developer Deposits | - | 31,784 |
| Net Cash Used By Capital and Related Financing Activities | - | (237,452) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Sale (Purchase) of Investments | 103,509 | (5,453,998) |
| Net Interest and Dividends Received | 216,929 | 202,995 |
| Net Cash Provided (Used) by Investing Activities | 320,438 | (5,251,003) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1,041,236 | (4,056,311) |
| Cash and Cash Equivalents - Beginning of Year | 6,156,219 | 10,212,530 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 7,197,455 | \$ 6,156,219 |
| RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| Operating Loss | \$ (1,063,055) | \$ (733,099) |
| Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities: | | |
| Depreciation and Amortization | 759,237 | 732,470 |
| (Increase) Decrease in: | | |
| Service Charges Receivable | 2,272 | 30,187 |
| Prepaid Expenses | 29,670 | 4,108 |
| Increase (Decrease) in: | | |
| Accounts Payable and Accrued Expenses and Deposits Payable | (654,872) | 467,657 |
| Net Cash Provided (Used) by Operating Activities | \$ (926,748) | \$ 501,323 |
| NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES | | |
| Change in Fair Market Value | \$ 1,026,624 | \$ 332,857 |

See accompanying Notes to Basic Financial Statements.

**NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 DEFINITION OF REPORTING ENTITY

Northern Douglas County Water & Sanitation District (the District), a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Douglas County, Colorado. The District was established to provide water and sewer services to properties in the service area of the District. The District has entered into an Extended Service Area Agreement with Centennial Water and Sanitation District (Centennial) to provide water supply and water and sewage treatment (see Note 6).

The District follows the 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, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District has no employees, and all services are provided by consultant contracts.

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 as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used because the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of Accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for property and equipment are shown as increases in assets. Tap fees and contributed assets from developers are recorded as capital contributions when received.

**NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses

The District distinguishes between operating revenues and expenses and 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 services provided. Operating expenses include the cost of services, administrative expenses, and depreciation of 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 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 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, publication, and public hearing requirements.

Cash Equivalents

For purposes of the statement of cash flows, the District considers cash deposits, certificates of deposit, and highly liquid investments (including restricted and designated investments) with a maturity of three months or less when purchased, to be cash equivalents.

Accounts Receivable

Accounts receivable are shown net of allowance for uncollectibles. Accounts receivable are expensed as bad debts at the time they are determined to be uncollectible.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is 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 calendar year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if 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 inflow of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

**NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets which include land, water and sewer lines, and purchased capacity in Centennial are reported by the District. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

| | |
|-------------|----------|
| Capacity | 46 Years |
| Water Lines | 46 Years |
| Sewer Lines | 46 Years |

Tap Fees and Contributed Lines

Tap fees are recorded as capital contributions when received. Lines contributed to the District by developers are recorded as capital contributions and additions to the systems at acquisition value when received.

Deferred Inflow/Outflow of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, deferred property tax revenue, is deferred, and recognized as an inflow of resources in the period that the amount becomes available.

NOTE 3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2022 and 2021 are classified in the accompanying financial statements as follows:

| | 2022 | 2021 |
|--|--------------|--------------|
| Statement of Net Position: | | |
| Cash and Cash Equivalents | \$ 7,086,455 | \$ 6,025,219 |
| Cash and Cash Equivalents - Restricted | 111,000 | 131,000 |
| Total Cash and Cash Equivalents | \$ 7,197,455 | \$ 6,156,219 |

**NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2022**

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Cash and cash equivalents as of December 31, 2022 and 2021 consist of the following:

| | 2022 | 2021 |
|--------------------------------------|--------------|--------------|
| Deposits with Financial Institutions | \$ 473,332 | \$ 367,146 |
| Investments | 6,724,123 | 5,789,073 |
| Total Cash and Cash Equivalents | \$ 7,197,455 | \$ 6,156,219 |

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. 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 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.

At December 31, 2022 and 2021, the District's cash deposits had a bank balance and a carrying balance of \$473,332 and \$367,146, respectively.

Investments

The District has adopted a formal investment policy that follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, 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 or investment custodial risk disclosure requirements 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.

**NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Investments (Continued)

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

- * Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- * General obligation and revenue bonds of U.S. 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
- * 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 are recorded at amortized cost), and COLOTRUST and CSIP (which are recorded at net asset value).

As of December 31, 2022, the District had the following investments:

| <u>Investment</u> | Less Than | | Value |
|--|----------------------|----------------------|----------------------|
| | 1 Year | 1-5 Years | |
| Colorado Liquid Asset Trust (Colostrust) | \$ 3,911,163 | \$ - | \$ 3,911,163 |
| Colorado Surplus Asset Fund Trust (CSAFE) | 1,724,879 | - | 1,724,879 |
| Colorado Statewide Investment Program (CSIP) | 1,088,081 | - | 1,088,081 |
| U.S. Treasury Issues | 4,032,645 | 10,981,232 | 15,013,877 |
| Agency Securities | 96,345 | - | 96,345 |
| Municipal Issues | 246,303 | 687,298 | 933,601 |
| Total | <u>\$ 11,099,416</u> | <u>\$ 11,668,530</u> | <u>\$ 22,767,946</u> |

- * As of January 31, 2023, the District's US Treasury Issues are valued at \$15,283,525, Agency Securities are valued at \$96,743 and Municipal Issues are valued at \$940,935.

**NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Fair Value Measurement and Application (Continued)

As of December 31, 2021, the District had the following investments:

| <u>Investment</u> | Less Than | | Value |
|--|---------------------|----------------------|----------------------|
| | 1 Year | 1-5 Years | |
| Colorado Liquid Asset Trust (Colotrust) | \$ 3,023,967 | \$ - | \$ 3,023,967 |
| Colorado Surplus Asset Fund Trust (CSAFE) | 1,695,685 | - | 1,695,685 |
| Colorado Statewide Investment Program (CSIP) | 1,069,421 | - | 1,069,421 |
| U.S. Treasury Issues | 150,109 | 15,918,114 | 16,068,223 |
| Agency Securities | - | 98,956 | 98,956 |
| Municipal Issues | - | 1,006,778 | 1,006,778 |
| Total | <u>\$ 5,939,182</u> | <u>\$ 17,023,848</u> | <u>\$ 22,963,030</u> |

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (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 currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

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. COLOTRUST PRIME and COLOTRUST PLUS+ are rated AAAM by Standard & Poor's. COLOTRUST EDGE is rated AAAs/S1 by Fitch Ratings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

**NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust currently offers two portfolios – CSAFE CASH FUND and CSAFE CORE.

CSAFE CASH FUND operations similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper, any security allowed under CRS 24-75-601.

CSAFE CORE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$2.00 transactional share price. CSAFE CORE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE CASH FUND is rated AAmmf and CSAFE CORE is rated AAaf/S1 by Fitch Ratings. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

CSIP

The District invested in the Colorado Statewide Investment Program (the Fund), an investment program established for local government entities in Colorado, nonprofit institutions and other institutional entities. The Program invests in the Colorado Investors Class of the PFM Funds Prime Series, a money market mutual fund registered under the Investment Company Act of 1940. The Fund is managed to maintain a dollar-weighted average portfolio of 60 days or less and seeks to maintain a value per share of \$1.00. The Fund is rated AAAM by Standard & Poor's.

**NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Restricted and Designated Cash and Investments

Restricted cash and cash equivalents as of December 31, 2022 and 2021, consisted of \$111,000 and \$131,000, respectively, for Emergency Reserves as required by Article X, Section 20 of the Constitution of the state of Colorado.

At December 31, 2022 and 2021, the Board had designated cash and investments totaling \$18,000,000 and \$18,000,000, respectively, for future replacements. Such designated amounts are considered not to be available for general operations. Designations indicate management's intention for future utilization of such cash and are subject to changes by management.

U.S. Treasury Issues (Level 1)

The District invested a portion of its reserve money into U.S. Treasury Issues. As of December 31, 2022, investment details are as follows:

| <u>Description</u> | <u>Market Value</u> | <u>S&P Rating</u> | <u>Coupon Rate</u> | <u>Maturity Date</u> |
|----------------------------|----------------------|---------------------------|--------------------|----------------------|
| U.S. Treasury Notes | \$ 1,013,786 | n/a | 2.750 | 7/31/2023 |
| U.S. Treasury Notes | 881,719 | n/a | 2.625 | 12/31/2023 |
| U.S. Treasury Notes | 836,855 | n/a | 1.750 | 7/31/2024 |
| U.S. Treasury Notes | 662,266 | n/a | 1.500 | 11/30/2024 |
| U.S. Treasury Notes | 826,313 | n/a | 0.500 | 3/31/2025 |
| U.S. Treasury Notes | 629,234 | n/a | 0.250 | 8/31/2025 |
| U.S. Treasury Notes | 626,063 | n/a | 0.375 | 11/30/2025 |
| U.S. Treasury Notes | 578,094 | n/a | 0.375 | 1/31/2026 |
| U.S. Treasury Notes | 579,008 | n/a | 0.500 | 2/28/2026 |
| U.S. Treasury Notes | 1,590,703 | n/a | 0.375 | 10/31/2023 |
| U.S. Treasury Notes | 546,437 | n/a | 2.250 | 12/31/2023 |
| U.S. Treasury Notes | 1,540,430 | n/a | 0.625 | 10/15/2024 |
| U.S. Treasury Notes | 522,725 | n/a | 0.750 | 11/15/2024 |
| U.S. Treasury Notes | 1,475,203 | n/a | 0.250 | 10/31/2025 |
| U.S. Treasury Notes | 529,900 | n/a | 2.250 | 11/15/2025 |
| U.S. Treasury Notes | 2,175,141 | n/a | 0.875 | 9/30/2026 |
| Total U.S. Treasury Issues | <u>\$ 15,013,877</u> | | | |

**NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

U.S. Treasury Issues (Level 1) (Continued)

As of December 31, 2021, investment details are as follows:

| <u>Description</u> | <u>Market Value</u> | <u>S&P Rating</u> | <u>Coupon Rate</u> | <u>Maturity Date</u> |
|----------------------------|----------------------|---------------------------|--------------------|----------------------|
| U.S. Treasury Notes | \$ 50,047 | n/a | 1.375 | 1/31/2022 |
| U.S. Treasury Notes | 100,062 | n/a | 0.375 | 3/31/2022 |
| U.S. Treasury Notes | 99,875 | n/a | 0.125 | 6/11/2023 |
| U.S. Treasury Notes | 1,059,273 | n/a | 2.750 | 7/31/2023 |
| U.S. Treasury Notes | 726,031 | n/a | 2.625 | 12/31/2023 |
| U.S. Treasury Notes | 894,551 | n/a | 1.750 | 7/31/2024 |
| U.S. Treasury Notes | 710,938 | n/a | 1.500 | 11/30/2024 |
| U.S. Treasury Notes | 884,953 | n/a | 0.500 | 3/31/2025 |
| U.S. Treasury Notes | 678,016 | n/a | 0.250 | 8/31/2025 |
| U.S. Treasury Notes | 678,781 | n/a | 0.375 | 11/30/2025 |
| U.S. Treasury Notes | 628,875 | n/a | 0.375 | 1/31/2026 |
| U.S. Treasury Notes | 631,414 | n/a | 0.500 | 2/28/2026 |
| U.S. Treasury Notes | 1,647,164 | n/a | 0.125 | 10/31/2022 |
| U.S. Treasury Notes | 1,640,719 | n/a | 0.375 | 10/1/2023 |
| U.S. Treasury Notes | 1,636,595 | n/a | 0.625 | 10/15/2024 |
| U.S. Treasury Notes | 1,594,570 | n/a | 0.250 | 10/31/2025 |
| U.S. Treasury Notes | 2,406,359 | n/a | 0.875 | 9/30/2026 |
| Total U.S. Treasury Issues | <u>\$ 16,068,223</u> | | | |

Agency Securities (Level 1)

The District invested a portion of its reserve money into Agency Securities rated AA+ by Standard & Poor's. As of December 31, 2022, investment details are as follows:

| <u>Description</u> | <u>Market Value</u> | <u>S&P Rating</u> | <u>Coupon Rate</u> | <u>Maturity Date</u> |
|-------------------------|---------------------|---------------------------|--------------------|----------------------|
| Freddie Mac | \$ 96,345 | AA+ | 0.125 | 10/16/2023 |
| Total Agency Securities | <u>\$ 96,345</u> | | | |

As of December 31, 2021, investment details are as follows:

| <u>Description</u> | <u>Market Value</u> | <u>S&P Rating</u> | <u>Coupon Rate</u> | <u>Maturity Date</u> |
|-------------------------|---------------------|---------------------------|--------------------|----------------------|
| Freddie Mac | \$ 98,956 | AA+ | 0.125 | 10/16/2023 |
| Total Agency Securities | <u>\$ 98,956</u> | | | |

**NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Municipal Issues (Level 1)

The District invested a portion of its reserve money into Municipal Issues rated AA+/AA by Standard and Poor's.

As of December 31, 2022, investment details are as follows:

| <u>Description</u> | <u>Market Value</u> | <u>S&P Rating</u> | <u>Coupon Rate</u> | <u>Maturity Date</u> |
|----------------------------|---------------------|---------------------------|--------------------|----------------------|
| Tennessee State Sch BD Au | \$ 246,303 | AA+ | 2.523 | 11/1/2023 |
| Wisconsin State | 236,455 | AA+ | 0.361 | 5/1/2024 |
| Long Beach CA CCD | 229,368 | AA | 2.000 | 5/1/2026 |
| Silicon Valley Clean Water | 221,475 | AA | 1.027 | 8/1/2026 |
| Total Municipal Issues | <u>\$ 933,601</u> | | | |

As of December 31, 2021, investment details are as follows:

| <u>Description</u> | <u>Market Value</u> | <u>S&P Rating</u> | <u>Coupon Rate</u> | <u>Maturity Date</u> |
|----------------------------|---------------------|---------------------------|--------------------|----------------------|
| Tennessee State Sch BD Au | \$ 257,883 | AA+ | 2.523 | 11/1/2023 |
| Wisconsin State | 246,780 | AA+ | 0.361 | 5/1/2024 |
| Long Beach CA CCD | 256,213 | AA | 2.000 | 5/1/2026 |
| Silicon Valley Clean Water | 245,903 | AA | 1.027 | 8/1/2026 |
| Total Municipal Issues | <u>\$ 1,006,778</u> | | | |

NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the years ended December 31, 2022 and 2021, follows:

| | Balance December 31, 2021 | Additions | Retirements/ Reclassifications | Balance December 31, 2022 |
|--|---------------------------------|--------------|-----------------------------------|---------------------------------|
| Capital Assets, Not Being Depreciated: | | | | |
| Easements | \$ 27,837 | \$ - | \$ - | \$ 27,837 |
| Total Capital Assets, Not Being Depreciated | 27,837 | - | - | 27,837 |
| Capital Assets, Being Depreciated: | | | | |
| Water Capacity | 26,393,406 | - | - | 26,393,406 |
| Water System | 4,912,629 | - | - | 4,912,629 |
| Sewer System | 3,520,011 | - | - | 3,520,011 |
| Total Capital Assets, Being Depreciated | 34,826,046 | - | - | 34,826,046 |
| Less Accumulated Depreciation For: | | | | |
| Water Capacity | 11,028,999 | 574,433 | - | 11,603,432 |
| Water System | 2,300,796 | 108,277 | - | 2,409,073 |
| Sewer System | 1,768,430 | 76,527 | - | 1,844,957 |
| Total Accumulated Depreciation | 15,098,225 | 759,237 | - | 15,857,462 |
| Total Capital Assets, Being Depreciated, Net | 19,727,821 | (759,237) | - | 18,968,584 |
| Total Capital Assets, Net | \$ 19,755,658 | \$ (759,237) | \$ - | \$ 18,996,421 |

NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 CAPITAL ASSETS (CONTINUED)

| | Balance December 31, 2020 | Additions | Retirements/ Reclassifications | Balance December 31, 2021 |
|--|---------------------------------|-------------------|-----------------------------------|---------------------------------|
| Capital Assets, Not Being Depreciated: | | | | |
| Easements | \$ 27,837 | \$ - | \$ - | \$ 27,837 |
| Total Capital Assets, Not Being Depreciated | 27,837 | - | - | 27,837 |
| Capital Assets, Being Depreciated: | | | | |
| Water Capacity | 25,139,261 | 1,254,145 | - | 26,393,406 |
| Water System | 4,912,629 | - | - | 4,912,629 |
| Sewer System | 3,520,011 | - | - | 3,520,011 |
| Total Capital Assets, Being Depreciated | 33,571,901 | 1,254,145 | - | 34,826,046 |
| Less Accumulated Depreciation For: | | | | |
| Water Capacity | 10,481,325 | 547,674 | - | 11,028,999 |
| Water System | 2,192,521 | 108,275 | - | 2,300,796 |
| Sewer System | 1,691,909 | 76,521 | - | 1,768,430 |
| Total Accumulated Depreciation | 14,365,755 | 732,470 | - | 15,098,225 |
| Total Capital Assets, Being Depreciated, Net | 19,206,146 | 521,675 | - | 19,727,821 |
| Total Capital Assets, Net | <u>\$ 19,233,983</u> | <u>\$ 521,675</u> | <u>\$ -</u> | <u>\$ 19,755,658</u> |

Depreciation expense for the years ended December 31, 2022 and 2021, was charged to the following operations:

| | 2022 | 2021 |
|-------|-------------------|-------------------|
| Water | \$ 682,710 | \$ 655,949 |
| Sewer | 76,527 | 76,521 |
| Total | <u>\$ 759,237</u> | <u>\$ 732,470</u> |

NOTE 5 NET POSITION

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

Invested in capital assets consists of capital assets, net of accumulated depreciation.

**NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 5 NET POSITION (CONTINUED)

The restricted component of 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 a restricted net position for emergencies as required by the TABOR amendment.

The unrestricted net position is the remaining net position of the District. As of December 31, 2022 and 2021, it includes \$18,000,000 in board designation for future capital replacements.

NOTE 6 INTERGOVERNMENTAL AGREEMENTS

Extended Service Area (ESA)

Centennial Water and Sanitation District (Centennial) provides water supply as well as water and sewage treatment services to the District under an Extended Service Area Water and Sewer Agreement (ESA) dated May 3, 1989, which was revised and replaced on August 1, 1994. The term of the agreement is for 50 years to August 2044 and may be extended. The area agreed to be served by Centennial currently constitutes the majority of the District. Upon payment of tap fees for capacity in its water supply and water and sewage treatment facilities, Centennial provides services to the District and bills the District for water delivered based on metered usage at rates not to exceed 200% of the rates charged by Centennial to Highlands Ranch Districts. Centennial has approval rights over the area to be included within the Centennial Service Area, the location of points of connection to its system, and the number of taps available for service. In this regard, Centennial’s commitment to provide taps is on a “when, as, and if available” basis. The District agreed to use Centennial as its sole source of water supply within the service area of the ESA and adopt the same standards as Centennial within the Centennial Service Area. The District bills its customers directly.

NOTE 7 RECEIVABLES

Receivables as of year-end and for the District’s activities are as follows:

| | <u>2022</u> | <u>2021</u> |
|-----------------------------|---------------------|---------------------|
| Accounts - Service Billings | \$ 178,959 | \$ 181,231 |
| Property Taxes | 1,269,807 | 1,243,021 |
| Specific Ownership Taxes | 7,887 | 7,812 |
| Tap Options Receivable | - | 306,565 |
| Interest | 38,091 | 35,262 |
| Total | <u>\$ 1,494,744</u> | <u>\$ 1,773,891</u> |

**NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 8 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; or acts of God.

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, public officials' liability, boiler and machinery and workers' compensation 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 9 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.

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.

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'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.

**NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

On November 2, 1993, a majority of the District's electors authorized the collection, retention, and spending of revenues from any source other than property taxes without regard to any limitations imposed by TABOR.

On November 7, 1995, a majority of the District's electors approved an annual increase in property taxes of \$137,000 provided that the total mill levy for operations does not exceed 25 mills. Such revenue is exempt from revenue raising limitations under TABOR and Section 29-1-302, C.R.S.

SUPPLEMENTARY INFORMATION

**NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
SCHEDULE OF EXPENSES
YEAR ENDED DECEMBER 31, 2022 AND 2021**

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|---------------------|
| DIRECT WATER EXPENSES | | |
| Water Purchases | \$ 1,788,729 | \$ 1,840,502 |
| Meter Purchases and Installation | 74,383 | 44,750 |
| Water System Inspection | 20,957 | 13,140 |
| Depreciation and Amortization | 682,710 | 655,949 |
| Total Direct Water Expenses | <u>\$ 2,566,779</u> | <u>\$ 2,554,341</u> |
| DIRECT SEWER EXPENSES | | |
| Sewage Treatment | \$ 700,035 | \$ 652,838 |
| Sewer Cleaning | - | 5,535 |
| Sewer - TV Video Program | - | 8,887 |
| Sewer Line and Manhole Repairs | - | 2,370 |
| Depreciation | 76,527 | 76,521 |
| Total Direct Sewer Expenses | <u>\$ 776,562</u> | <u>\$ 746,151</u> |
| GENERAL AND ADMINISTRATIVE EXPENSES | | |
| Accounting | \$ 72,233 | \$ 87,481 |
| Audit | 5,000 | 4,750 |
| Bad Debt Expense | - | 15,000 |
| Directors' Fees | 4,200 | 1,800 |
| Election Costs | 1,107 | - |
| Engineering | 206,592 | 205,182 |
| Insurance | 30,120 | 34,228 |
| Legal | 55,091 | 36,215 |
| Membership Dues | 1,238 | 6,238 |
| Management | 93,685 | 102,481 |
| Meter Reading and Billing | 110,898 | 105,439 |
| Miscellaneous | 82,638 | 22,276 |
| Repairs and Maintenance | 192,315 | 100,465 |
| Utilities | 562 | 3,747 |
| Web Page Development | 3,338 | 3,378 |
| Total General and Administrative Expenses | <u>\$ 859,017</u> | <u>\$ 728,680</u> |

**NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND FUNDS AVAILABLE –
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2022**

| | Original and Final Budget | Actual | Variance - Positive (Negative) |
|--|---------------------------------|-----------------------------|--------------------------------------|
| REVENUES | | | |
| Water Service Fees | \$ 2,366,469 | \$ 2,142,748 | \$ (223,721) |
| Sewer Service Fees | 1,080,135 | 996,555 | (83,580) |
| Miscellaneous Income | 35,000 | 6,785 | (28,215) |
| Property Taxes | 1,243,021 | 1,242,977 | (44) |
| Specific Ownership Taxes | 99,442 | 109,936 | 10,494 |
| Net Investment Income (Loss) | 100,000 | (806,866) | (906,866) |
| Developer Reimbursement | 20,000 | - | (20,000) |
| Contributed Capital - Construction | 100,000 | - | (100,000) |
| Total Revenues and Transfers | <u>5,044,067</u> | <u>3,692,135</u> | <u>(1,351,932)</u> |
| EXPENDITURES | | | |
| Direct Water Expenses | 1,976,935 | 1,884,069 | 92,866 |
| Direct Sewer Expenses | 724,025 | 700,035 | 23,990 |
| General and Administrative Expenses | 1,104,745 | 877,659 | 227,086 |
| Nonoperating Expenses | 1,630,000 | - | 1,630,000 |
| Contributed Facilities | 100,000 | - | 100,000 |
| Contingency | 46,366 | - | 46,366 |
| Total Expenditures and Transfers | <u>5,582,071</u> | <u>3,461,763</u> | <u>2,120,308</u> |
| EXCESS REVENUES OVER (UNDER) EXPENDITURES | (538,004) | 230,372 | 768,376 |
| Funds Available - Beginning of Year | <u>23,184,240</u> | <u>22,983,501</u> | <u>(200,739)</u> |
| FUNDS AVAILABLE - END OF YEAR | <u><u>\$ 22,646,236</u></u> | <u><u>\$ 23,213,873</u></u> | <u><u>\$ 567,637</u></u> |

**NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
RECONCILIATION OF BUDGETARY BASIS (ACTUAL)
TO STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2022**

| | Actual |
|--|-----------------------------|
| Funds Available Are Defined As Follows: | |
| Current and Noncurrent Assets | |
| Restricted and Unrestricted Current Assets | \$ 24,736,472 |
| Less Current Liabilities and Deferred Inflow of Resources | <u>(1,522,599)</u> |
| Funds Available | <u><u>\$ 23,213,873</u></u> |
| | |
| Reconciliation of Budgetary Basis (Actual) to Statement of Revenues, Expenses, and Changes in Net Position: | |
| Revenue (Budgetary Basis) | <u>\$ 3,692,135</u> |
| Total Revenue Per Statement of Revenues, Expenses, and Changes in Net Position | 3,692,135 |
| | |
| Expenditures (Budgetary Basis) | 3,461,763 |
| Depreciation and Amortization | <u>759,237</u> |
| Total Expenses Per Statement of Revenues, Expenses, and Changes in Net Position | <u>4,221,000</u> |
| Change in Net Position Per Statement of Revenues, Expenses, and Changes in Net Position | <u><u>\$ (528,865)</u></u> |

**NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
 SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
 DECEMBER 31, 2022**

| Year Ended December 31, | Prior Year Assessed Valuation for Current Year Property Tax Levy | Mills Levied | Property Taxes | | Percent Collected to Levied |
|--|---|-----------------|----------------|-----------|-----------------------------------|
| | | | Levied | Collected | |
| 2018 | \$ 73,693,550 | 12.806 | 943,720 | 941,935 | 99.8% |
| 2019 | 74,252,870 | 12.806 | 950,882 | 949,654 | 99.9 |
| 2020 | 83,938,040 | 12.806 | 1,074,911 | 1,073,012 | 99.8 |
| 2021 | 89,590,610 | 12.806 | 1,147,297 | 1,137,791 | 99.2 |
| 2022 | 97,065,500 | 12.806 | 1,243,021 | 1,242,977 | 100.0 |
| Estimated for the Year Ending December 31, 2023 | \$ 99,157,170 | 12.806 | \$ 1,269,807 | | |

NOTE:

Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years. Information received from the County Treasurer does not permit identification of specific assessment.