

**CRESTVIEW WATER
AND SANITATION DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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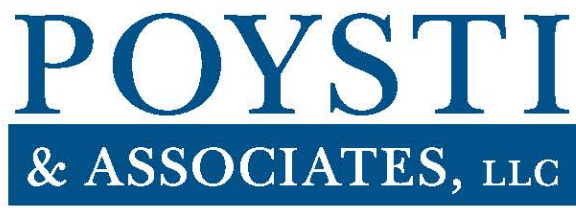
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Independent Auditor's Report

Board of Directors
Crestview Water and Sanitation District
Denver, Colorado

I have audited the accompanying basic financial statements of Crestview Water and Sanitation District (the District) as of and for the years ended December 31, 2019 and 2018, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The individual departmental schedules listed in the table of contents are presented for purpose of additional analysis and are not a required part of the basic financial statements. The individual departmental schedules are the responsibility of management and were derived from and relate 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 of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

January 22, 2020
Denver, Colorado



MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE DISTRICT

This section of the Annual Financial Report for Crestview Water and Sanitation District (District) presents a discussion and analysis of the District's financial condition and operating results during the period from January 1, 2019 to December 31, 2019. It is provided as a narrative introduction and overview of the financial statements contained in the following Annual Financial Report and should be read in conjunction with the District's financial statements.

The Crestview Water and Sanitation District, formerly the Baker Metropolitan Water and Sanitation District, is a quasi-municipal corporation and a political subdivision of the State of Colorado organized and existing under and by the virtue of the laws of the State of Colorado. The District was established by Order and Decree of the District Court of Adams County, Colorado, June 30, 1949.

The District encompasses approximately four square miles (2,600 acres) largely in an unincorporated portion of southwest Adams County, and includes within its boundaries small portions of the cities of Arvada and Westminster.

The District was created for the purpose of providing water and sanitation service for the inhabitants of the District. The District, governed by a five-member board, operates the water and sanitary sewer systems pursuant to the laws of the State of Colorado, particularly Title 32, Article 1, C.R.S. 1973, as amended.

Water is provided to the District by Denver Water in accordance with Distributor Contract No. M236. The District serves approximately 5,340 residential, commercial, industrial and public customer taps. The distribution system is operated and maintained by the District and encompasses approximately 55 miles of piping and 4 elevated storage tanks. Meters are read monthly for billing purposes.

Wastewater treatment for the District is performed by Metro Wastewater Reclamation District (Metro) pursuant to the terms and conditions of a perpetual contract between Crestview and Metro. The collection system is operated and maintained by the District and encompasses approximately 59 miles of piping and one sewage lift station. The District serves approximately 6,060 sanitary sewer residential, commercial, industrial, and public customers.

The District does not have any general obligation or other bond indebtedness. Capital projects, capital additions and equipment additions are financed from cash and cash equivalents designated for capital replacement and contingencies.

The District employs personnel to operate, maintain and repair the transmission and distribution system and wastewater collection system. The District also employs a pipeline replacement crew to replace the District's aging water mains. The District owns, operates, and maintains vehicles, equipment and supplies to accomplish these functions.

The District owns property and buildings to house a business office, maintenance headquarters, pipeline headquarters, garages, elevated water storage tanks, sewage lift station and system operation stations.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis, the basic financial statements, and supplementary information.

The financial statements include comparative data of assets, liabilities, deferred inflows of resources and changes in net position for the current fiscal reporting period (2019) and the prior fiscal reporting period (2018). Liabilities include current liabilities of accounts payable and accrued liabilities. Deferred inflows of resources include property taxes and other special assessments earned but levied for a subsequent period. Net position includes capital assets and unrestricted assets designated for capital replacement, reserves for contingencies and unrestricted funds.

The departmental statements of revenues, expenses and changes in net position - proprietary fund compares the current fiscal reporting period (2019) and the prior fiscal reporting period (2018) and includes operating revenue, water and sewer sales, sale of supplies, inspections and miscellaneous revenue, also, operating expenses for water, sewer, and administrative and general. Water and sewer connection fees are included in non-operating revenue and expenses along with general property and specific ownership taxes, interest income, tax collection fees, and miscellaneous revenue.

The financial statements also include notes that explain some of the information in the financial statements and provide data that is more detailed. The statements are followed by a section of supplementary information that further explains and supports the information in the financial statements.

The financial statements provide both long-term and short-term information about the District's overall operating financial status. These statements explain how general expenditures were financed in the short term as well as what remains for future spending.

The financial statements report information about the District as a whole using the accrual method of accounting. The statement of net position includes all of the District's assets and liabilities.

The financial statements of the District are reported in one category. All of the District's basic activities are reported as Proprietary Fund activities. The operating revenues and expenses are from the activities of the District in providing water and sewer services to the community.

FINANCIAL HIGHLIGHTS

The District is in good financial position at the end of the reporting period. The District completed general and emergency repairs and maintenance to the water distribution and wastewater collections systems as well as restorative and remedial improvements to the systems from funds budgeted for those purposes. The reserves are sufficient to meet most emergency repair or replacement needs and will be further funded for future cost increases in parts and construction of water and sewer utility emergencies. The District maintains an adequate checking account balance to meet payroll, vendor, service and other obligations.

Generally, the District's financial position has remained steady from the previous year. However, the water distribution and wastewater collection systems continue to deteriorate with age and will require additional funding to address the replacement needs.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

REVIEW OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenues:			
Water sales	\$ 4,889,932	\$ 4,808,895	\$ 4,614,807
Sewer charges	3,150,367	3,118,698	2,927,045
Sale of supplies	36,346	75,715	10,432
Miscellaneous and inspections	<u>67,248</u>	<u>12,528</u>	<u>50,324</u>
Total operating revenues	<u>8,143,893</u>	<u>8,015,836</u>	<u>7,602,608</u>
 Operating expenses:			
Water	3,821,712	3,806,971	3,706,608
Sewer	1,961,145	1,824,324	2,041,698
Administrative and general	<u>679,893</u>	<u>588,642</u>	<u>606,275</u>
Total operating expenses	<u>6,462,750</u>	<u>6,219,937</u>	<u>6,354,581</u>
 Net operating gain	1,681,143	1,795,899	1,248,027
 Total non-operating revenues (net)	<u>907,317</u>	<u>725,725</u>	<u>660,739</u>
 Income before contributions	2,588,460	2,521,624	1,908,766
 Tap fees collected	<u>412,735</u>	<u>808,405</u>	<u>594,415</u>
 Change in net position	3,001,195	3,330,029	2,503,181
 Net position- beginning of year	<u>28,229,137</u>	<u>24,899,108</u>	<u>22,395,927</u>
 Net position- end of year	<u>\$ 31,230,332</u>	<u>\$ 28,229,137</u>	<u>\$ 24,899,108</u>

REVIEW OF NET POSITION

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current assets	\$ 18,975,303	\$ 16,937,798	\$ 14,227,402
Non-current assets	<u>13,332,414</u>	<u>12,820,386</u>	<u>11,541,780</u>
Total assets	<u>\$ 32,307,717</u>	<u>\$ 29,758,184</u>	<u>\$ 25,769,182</u>
Total current liabilities	<u>\$ 404,697</u>	<u>\$ 879,508</u>	<u>\$ 247,286</u>
Deferred inflows of resources:			
Unavailable revenue – property taxes	<u>\$ 672,688</u>	<u>\$ 649,539</u>	<u>\$ 622,788</u>
Net position			
Net investment in capital assets	\$ 13,332,414	\$ 12,820,386	\$ 11,541,780
Unrestricted	<u>17,987,918</u>	<u>15,408,751</u>	<u>13,357,328</u>
Total net position	<u>\$ 31,230,332</u>	<u>\$ 28,229,137</u>	<u>\$ 24,899,108</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The District replaced 5,231 linear feet of water mains in 2019, 324 linear feet of 4" water main, 1,542 linear feet of 6" and 3,365 linear feet of 8" water main. Crestview's pipeline replacement crew will be replacing water mains in the District in two separate projects in 2020. Project #1 for 2020 will consist of 1,465 linear feet of water main replacement and Project #2 for 2020 consisting of 3,225 linear feet of water main replacement.

The District contracted to have twenty-four manholes spray lined in 2019. Crestview also contracted with Granite Inliner to have 33 linear feet of sewer mains lined using Cured-In-Place Pipe (CIPP) applications.

In 2019, The District replaced 214 "large" meters within the District at a cost of \$143,066. Large meters are classified as 1 inch and larger. 92 - 1" meters, 50 - 1.5" meters, 62 - 2" meters, 5 - 3" meters, 3 - 4" meters and 2 - 6" meters were replaced.

The District purchased a new maintenance van, a new tandem axle dump truck and one new pick-up truck in 2019.

A summary of changes in capital assets is provided in the financial statements, Note 3. Changes in infrastructure are also reported in the financial statements, Note 3, under capital assets.

The District is committed by contract to purchase potable water from Denver Water and to have collected wastewater processed by Metro Wastewater Reclamation District. A commitment to both is included in the financial statements, Note 4. The District began a five-year lease on a printer/copier in 2016.

There have been no changes in credit rating or debt limitations that could affect the financing of planned facilities improvements or services and the District currently has no outstanding long-term debt.

OTHER POTENTIALLY SIGNIFICANT MATTERS

The District entered into a Cost Sharing Agreement with the developer of the Midtown at Clear Creek subdivision, Brookfield Residential, to participate in the installation of a 20-inch water main to replace two existing 14-inch water mains constructed in the 1960s.

The total cost to Brookfield Residential for the construction of the 20-inch water main was \$291,591.00. As part of the plans to construct Filing 6 within the Midtown at Clear Creek subdivision, Brookfield Residential was required to install an 8-inch water main as part of the development. Crestview determined that the 8-inch water main should be upsized to a 20-inch main to replace the two 14-inch water mains. The estimated cost of the 8-inch water main was \$84,118 and was deducted from the cost of the 20-inch water main to obtain the amount Crestview was to reimburse to Brookfield Residential. Crestview's cost sharing amount was \$207,473.00. This payment has not been paid to Brookfield Residential as the main has not been through final acceptance by Crestview.

No other potentially significant matters are approved and agreed upon or currently known that would be expected to have an effect on the financial position of the District.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

CONTACTING THE DISTRICT'S ADMINISTRATIVE OFFICE

This financial report is designed to provide our constituents with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the District's Administrative Office at:

303-429-1881
7145 Mariposa Street
P.O. Box 21299
Denver, Colorado, 80221-0299

CRESTVIEW WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
PROPRIETARY FUND

<u>December 31,</u>	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 7,020,328	\$ 8,583,480
Investments	8,151,444	4,953,756
Accounts receivable - property taxes	686,130	666,463
Other accounts receivable	502,381	478,490
Inventories	698,000	400,000
Prepaid insurance	23,800	18,924
Cash and cash equivalents - designated for capital replacement and contingencies	<u>1,893,220</u>	<u>1,836,685</u>
Total current assets	<u>18,975,303</u>	<u>16,937,798</u>
 <u>Non-current Assets</u>		
Capital assets	<u>13,332,414</u>	<u>12,820,386</u>
 Total Assets	 <u>\$ 32,307,717</u>	 <u>\$ 29,758,184</u>
 <u>Liabilities</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 261,710	\$ 789,054
Accrued liabilities	<u>142,987</u>	<u>90,454</u>
 Total Current Liabilities	 <u>\$ 404,697</u>	 <u>\$ 879,508</u>
 <u>Deferred Inflows of Resources</u>		
Unavailable revenue - property taxes	<u>\$ 672,688</u>	<u>\$ 649,539</u>
 <u>Net Position</u>		
Net investment in capital assets	\$ 13,332,414	\$ 12,820,386
Unrestricted	<u>17,897,918</u>	<u>15,408,751</u>
 Total Net Position	 <u>\$ 31,230,332</u>	 <u>\$ 28,229,137</u>

The accompanying notes are an integral part of these financial statements.

CRESTVIEW WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUE AND EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND

For the Years Ended December 31,	<u>2019</u>	<u>2018</u>
Operating Revenues		
Water sales	\$ 4,889,932	\$ 4,808,895
Sewer charges	3,150,367	3,118,698
Sale of supplies	36,346	75,715
Miscellaneous and inspections	<u>67,248</u>	<u>12,528</u>
Total operating revenues	<u>8,143,893</u>	<u>8,015,836</u>
Operating Expenses		
Water	3,821,712	3,806,971
Sewer	1,961,145	1,824,324
Administrative and general	<u>679,893</u>	<u>588,642</u>
Total operating expenses	<u>6,462,750</u>	<u>6,219,937</u>
Net operating gain	<u>1,681,143</u>	<u>1,795,899</u>
Non-Operating Revenues (Expenses)		
General property taxes	669,535	634,591
Specific ownership taxes	37,250	36,034
Net investment income	204,962	39,774
Miscellaneous	(3,311)	16,684
Tax collection fee	<u>(1,119)</u>	<u>(1,358)</u>
Total non-operating revenues (net)	<u>907,317</u>	<u>725,725</u>
Income before contributions	2,588,460	2,521,624
Tap fees collected	<u>412,735</u>	<u>808,405</u>
Change in net position	3,001,195	3,330,029
Net Position		
Balance - January 1	<u>28,229,137</u>	<u>24,899,108</u>
Balance - December 31	<u>\$ 31,230,332</u>	<u>\$ 28,229,137</u>

The accompanying notes are an integral part of these financial statements.

CRESTVIEW WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND

<u>For the Years Ended December 31,</u>	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Cash received from customers	\$ 8,052,754	\$ 7,808,513
Cash paid to suppliers	(5,079,091)	(3,984,496)
Cash paid to employees	(1,519,008)	(1,502,495)
Other cash received	<u>67,248</u>	<u>12,528</u>
Net cash provided by operating activities	<u>1,521,903</u>	<u>2,334,050</u>
Cash flows from non-capital financing activities		
Cash received from property and other taxes	710,267	664,294
Collection fees paid	(1,119)	(1,358)
Other cash received (net)	<u>(14,311)</u>	<u>16,684</u>
Net cash provided by non-capital financing activities	<u>694,837</u>	<u>679,620</u>
Cash flows from capital and related financing activities		
Cash received from tap fees	412,735	808,405
Cash received from sale of fixed assets	11,000	0
Purchase of fixed assets	<u>(1,154,366)</u>	<u>(1,519,680)</u>
Net cash used in capital and related financing activities	<u>(730,631)</u>	<u>(711,275)</u>
Cash flows from investing activities		
Purchase of investments	(3,197,688)	(966,705)
Interest received	<u>204,962</u>	<u>39,774</u>
Net cash used in investing activities	<u>(2,992,726)</u>	<u>(926,931)</u>
Net increase in cash	(1,506,617)	1,375,464
Cash and cash equivalents - beginning of year	<u>10,420,165</u>	<u>9,044,701</u>
Cash and cash equivalents - end of year	<u>\$ 8,913,548</u>	<u>\$ 10,420,165</u>
Summary of cash and cash equivalents:		
Unrestricted cash and cash equivalents	\$ 7,020,328	\$ 8,583,480
Designated cash and cash equivalents	<u>1,893,220</u>	<u>1,836,685</u>
	<u>\$ 8,913,548</u>	<u>\$ 10,420,165</u>
Reconciliation of operating gain to net cash provided by operating activities:		
Net operating gain	\$ 1,681,143	\$ 1,795,899
Adjustments to reconcile operating gain to net cash used by operating activities:		
Depreciation	472,709	468,450
Changes in assets and liabilities		
Increase in current asset	(326,767)	(335,145)
Increase (decrease) in current liabilities	<u>(305,182)</u>	<u>404,846</u>
Net cash provided by operating activities	<u>\$ 1,521,903</u>	<u>\$ 2,334,050</u>

The accompanying notes are an integral part of these financial statements.

CRESTVIEW WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Crestview Water and Sanitation District (District) conform to U.S. generally accepted accounting principles as applicable to governmental entities. The following summary of significant accounting policies is presented to assist the reader in evaluating the District's financial statements.

Financial Reporting Entity

The District was incorporated under the laws of the State of Colorado and operates in metropolitan Denver under an elected Board of Directors form of government. As required by U.S. generally accepted accounting principles, the financial statements of the reporting entity include those of the District (the primary government) which has no component units.

Basis of Presentation

The accounts of the District are organized on the basis of an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to a private business enterprise.

The enterprise fund is reported using the economic resource measurement focus and the accrual basis of accounting, that is, revenue is recognized when it is earned and expenses are recognized when they are incurred.

Capital Assets

Expenditures of \$1,000 or more for capital assets are stated at cost when purchased or, when donated, at fair value on the date of the donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Water wells	99 years
Buildings and building improvements	15-75 years
Lift stations, sewer collection, and water distribution systems	50-75 years
Machinery and equipment	3-20 years

Budget and Budgetary Accounting

An annual State prescribed budget is adopted even though it is not required for enterprise funds by U.S. generally accepted accounting principles. The statement of revenue and expenditures - budget and actual presents comparisons of the legally adopted budget with actual data on the budgetary basis. The actual data presented differs from U.S. generally accepted accounting principles and a reconciliation of the differences is shown on Note 8.

Property Taxes

Property taxes are not due and payable until after the assessment year has ended and are not included in the budget or statement of revenue, expenditures and changes in net position of the assessment year. Property taxes are initially recorded as deferred revenue in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year for which they were levied.

CRESTVIEW WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes (continued)

Property taxes are collected and remitted monthly to the District by Adams County, Colorado. The property tax calendar is detailed below:

District certifies mill levies to the county	December 15
Lien date	January 1
Collection dates	
First half	February 28
In full	April 30
Second half	June 15
Delinquent notices	August 1
Tax sale	Mid-November

Tax and Spending Limitations

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District is an enterprise fund receiving less than 10% of its revenue from taxes and, therefore, under the terms of the amendment is exempt from these limitations.

Income Tax

Corporate income tax liabilities are not recognized because the District is a non-profit quasi-municipality.

Inventories

Supply inventories are recorded at cost on the first-in-first-out method.

Cash Flows

For purposes of the statements of cash flows, the District considers all deposits with maturities of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and volunteers and natural disasters. It carries commercial insurance coverage of these risks of loss. Claims have not exceeded coverage in any of the last three fiscal years.

Operating/Non-Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing water and wastewater services. Non-operating revenues and expenses include capital financing, investing and other activities not related to the provision of water and wastewater services.

CRESTVIEW WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – CASH AND INVESTMENTS

Cash deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. As of December 31, 2019, State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The fair value of the collateral must be at least equal to 102% of the uninsured deposits.

The Federal Deposit Insurance Corporation (FDIC) coverage for government accounts is \$250,000 per official custodian. Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's deposits were not exposed to custodial credit risk, as all deposits were insured by the FDIC and/or were collateralized by securities held by the pledging financial institution and covered by eligible collateral as determined by PDPA. The District does not have a deposit policy for custodial credit risk.

A summary of the District's cash is as follows:

	<u>2019</u>	<u>2018</u>
Checking accounts - interest bearing	\$ 7,019,728	\$ 8,582,880
Petty cash	600	600
	<u>\$ 7,020,328</u>	<u>\$ 8,583,480</u>

The Board of Directors have designated cash to fund future capital expenditures. Funds are transferred periodically from operating accounts. Major repairs and additions to capital assets will be paid for from this board-designated cash.

Investments

In accordance with its investment policy, the District manages its exposure to declines with the implementation of the prudent investor rule as a guideline for investments decisions, which the District makes in following state statutes regarding investments.

Colorado Revised Statutes limit investment maturities to five years of less or three years or less (depending upon the type of investment), unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

CRESTVIEW WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

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

- 1) Obligations of the United States and certain U.S. government agency securities.*
- 2) General obligation and reserve bonds of U.S. local government entities.
- 3) Bankers' acceptances of certain banks.
- 4) Commercial paper.
- 5) Written repurchase agreements collateralized by certain authorized securities.
- 6) Certain money market funds.*
- 7) Guaranteed investment contracts.
- 8) Local government investment pools.
- 9) Certain reverse repurchase agreements.
- 10) Certain corporate bonds and certain international securities.
- 11) Certain securities lending agreements

The District generally limits its concentration of investments to those noted with an asterisk (*) above, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirement or subject to investment custodial credit risk for investments that are in the possession of another party. The bond mutual fund is rated AAA by Morningstar and has an average maturity of one to five years.

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.

The District has one recurring fair value measurement for U.S. government agency securities of \$8,151,444 as of December 31, 2019. These Securities are measured using Level 1 inputs.

NOTE 3 – CAPITAL ASSETS

The following is a summary of changes in the capital asset accounts:

	<u>December 31,</u> <u>2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31,</u> <u>2019</u>
Source of supply	\$ 329,593	\$ 0	\$ 0	\$ 329,593
Collection,				
transmission,				
and distribution	15,355,491	729,342	0	16,084,833
Buildings	1,813,697	0	0	1,813,697
Office equipment	66,746	11,437	0	78,183
Shop equipment	391,097	0	(2,565)	388,532
Transportation				
equipment	<u>2,016,361</u>	<u>243,958</u>	<u>(20,593)</u>	<u>2,239,726</u>
	19,972,985	984,737	(23,158)	20,934,564
Less accumulated				
depreciation	<u>(7,152,599)</u>	<u>(472,709)</u>	<u>23,158</u>	<u>(7,602,150)</u>
	<u>\$ 12,820,386</u>	<u>\$ 512,028</u>	<u>\$ 0</u>	<u>\$ 13,332,414</u>

CRESTVIEW WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CAPITAL ASSETS (CONTINUED)

	<u>December 31,</u> <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31,</u> <u>2018</u>
Source of supply	\$ 329,593	\$ 0	\$ 0	\$ 329,593
Collection, transmission, and distribution	13,897,928	1,457,563	0	15,355,491
Buildings	1,813,697	0	0	1,813,697
Office equipment	70,839	0	(4,093)	66,746
Shop equipment	396,944	0	(5,847)	391,097
Transportation equipment	<u>1,726,868</u>	<u>289,493</u>	<u>0</u>	<u>2,016,361</u>
	18,235,869	1,747,056	(9,940)	19,972,985
Less accumulated depreciation	<u>(6,694,089)</u>	<u>(468,450)</u>	<u>9,940</u>	<u>(7,152,599)</u>
	<u>\$ 11,541,780</u>	<u>\$ 1,278,606</u>	<u>\$ 0</u>	<u>\$ 12,820,386</u>

NOTE 4 – COMMITMENTS

The District has made commitments to purchase water and sewer services and have been budgeted as follows for the year ending December 31, 2020:

Water purchases	\$ 2,510,644
Metro sewer charges	<u>1,324,627</u>
	<u>\$ 3,835,271</u>

NOTE 5 – OPERATING LEASES

The District leases office equipment under operating lease agreements expiring through July 2021. The amount of lease payments made under these agreements for the years ended December 31, 2019 and 2018, totaled \$7,346 and \$7,346. Minimum annual rental commitments are as follows as of December 31:

2020	\$ 3,406
2021	1,527

NOTE 6 – RETIREMENT PLAN

Crestview Water and Sanitation District provides retirement benefits for all of its full-time employees through a joint contributory, defined contribution plan in the Colorado County Officials and Employees Retirement Association as authorized by Colorado Revised Statute (C.R.S.) 24-54-101. The Colorado Retirement Association plan is maintained and operated pursuant to C.R.S. 24-54-102 through 24-54-112 and issues a publicly available financial report that includes financial statements and required supplementary information.

CRESTVIEW WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – RETIREMENT PLAN (CONTINUED)

Benefits depend upon the sum of the employee’s contributions to the plan plus accumulated earnings, and the District’s contribution plus accumulated earnings. At retirement, a participant is entitled to receive:

- (a) An amount equal to his or her own contributions plus net earnings.
- (b) The portion of the balance in the Trust Fund vested in him or her.

The contribution rate is 6% for the employees and 6% for the District of the employee’s base payroll. The District’s total payroll for 2019 and 2018 was \$1,435,606 and \$1,387,442 and contributions were based on a payroll of \$1,216,014 and \$1,282,085. Both the District and the covered employees made the required contributions for 2019 and 2018 of \$138,839 and \$113,460. In addition, employees made voluntary contributions of \$14,679 and \$31,897 for the years ended December 31, 2019 and 2018.

NOTE 7 – TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20, of the Colorado Constitution, commonly known as the Taxpayer 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. District management believes its water and sewer operations, and all activities related thereto, are carried on as an enterprise within the meaning of TABOR and the Enterprise Act, C.R.S. 37-45-1-01, *et seq.* The District’s annual budget and financial statements are deemed by the District to the annual budget and financial statements of the enterprise.

Spending and revenue limits are determined based on the prior-year’s fiscal year spending adjusted for allowable increases based on 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 voters approve retention of such revenue.

The District’s management believes it is in compliance with the provision 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.

NOTE 8 – RECONCILIATION OF ACTUAL AND BUDGET DATA (SCHEDULE 6)

	<u>2019</u>
Changes in net position - net expenses over revenues	\$ 3,001,195
Add depreciation	472,709
Less capital additions	<u>(984,739)</u>
Statement of revenues and expenditures compared to budget	<u>\$ 2,489,165</u>

CRESTVIEW WATER AND SANITATION DISTRICT
DEPARTMENTAL STATEMENTS OF NET POSITION
PROPRIETARY FUND

December 31,	2019			2018
	Water	Sewer	Total	Memorandum Total
Assets				
Cash on hand	\$ 0	\$ 600	\$ 600	\$ 600
Cash in bank-checking	5,476,882	1,492,846	6,969,728	8,582,880
Investments	1,993,526	6,157,918	8,151,444	4,953,756
Receivables				
Taxes	596,384	89,746	686,130	666,463
Accounts	301,429	200,952	502,381	478,490
Inventory of supplies (at cost)	589,000	109,000	698,000	400,000
Prepaid expenses	13,090	10,710	23,800	18,924
Designated assets				
Cash	995,126	898,094	1,893,220	1,836,685
Capital assets				
Source of supply	329,593	0	329,593	329,593
Collection, transmission, and distribution systems	10,866,147	5,218,686	16,084,833	15,355,491
Buildings and land	1,237,064	576,633	1,813,697	1,813,697
Office equipment	53,326	24,857	78,183	66,746
Shop equipment	265,005	123,527	388,532	391,097
Transportation equipment	1,527,644	712,082	2,239,726	2,016,361
Accumulated depreciation	<u>(4,964,225)</u>	<u>(2,637,925)</u>	<u>(7,602,150)</u>	<u>(7,152,599)</u>
Total Assets	<u>\$ 19,279,991</u>	<u>\$ 13,027,726</u>	<u>\$ 32,307,717</u>	<u>\$ 29,758,184</u>
Liabilities				
Accounts payable	\$ 259,272	\$ 2,438	\$ 261,710	\$ 789,054
Accrued vacation and sick pay	<u>94,971</u>	<u>48,016</u>	<u>142,987</u>	<u>90,454</u>
Total Liabilities	<u>\$ 354,243</u>	<u>\$ 50,454</u>	<u>\$ 404,697</u>	<u>\$ 879,508</u>
Deferred inflows of resources				
Unavailable revenue	<u>\$ 582,942</u>	<u>\$ 89,746</u>	<u>\$ 672,688</u>	<u>\$ 649,539</u>
Net position				
Net investment in capital assets	\$ 9,314,554	\$ 4,017,860	\$ 13,332,414	\$ 12,820,386
Unrestricted				
Designated for capital replacement	900,000	900,000	1,800,000	1,750,000
Reserved for contingencies	95,126	48,094	143,220	86,685
Unrestricted	<u>8,033,126</u>	<u>7,921,572</u>	<u>15,954,698</u>	<u>13,572,066</u>
Net Position	<u>\$ 18,342,806</u>	<u>\$ 12,887,526</u>	<u>\$ 31,230,332</u>	<u>\$ 28,229,137</u>

CRESTVIEW WATER AND SANITATION DISTRICT
DEPARTMENTAL SCHEDULE OF REVENUE AND EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND

For the Years Ended December 31,	2019			2018
	Water	Sewer	Total	Memorandum Total
Operating Revenues				
Water sales	\$ 4,889,932	\$ 0	\$ 4,889,932	\$ 4,808,895
Sewer charges	0	3,150,367	3,150,367	3,118,698
Sale of supplies	36,346	0	36,346	75,715
Miscellaneous and inspections	59,325	7,923	67,248	12,528
Total Operating Revenues	4,985,603	3,158,290	8,143,893	8,015,836
Operating Expenses				
Water	3,821,712	0	3,824,420	3,806,971
Sewer	0	1,961,145	1,958,736	1,824,324
Administrative and general	365,436	314,457	679,594	588,642
Total Operating Expenses	4,187,148	2,275,602	6,462,750	6,219,937
Net Operating Income	798,455	882,688	1,681,143	1,795,899
Non-Operating Revenues (Expenses)				
General property taxes	468,675	200,860	669,535	634,591
Specific ownership tax	26,075	11,175	37,250	36,034
Interest income	102,481	102,481	204,962	39,774
Miscellaneous	(1,656)	(1,655)	(3,311)	16,684
County treasurer's collection fee	(783)	(336)	(1,119)	(1,358)
Total Non-Operating Revenues (Net)	594,792	312,525	907,317	725,725
Income before contributions	1,393,247	1,195,213	2,588,460	2,521,624
Tap fees collected	269,210	143,525	412,735	808,405
Change in Net Position	\$ 1,662,457	\$ 1,338,738	\$ 3,001,195	\$ 3,330,029

CRESTVIEW WATER AND SANITATION DISTRICT
SCHEDULE OF WATER OPERATING EXPENSES
PROPRIETARY FUND

For the Years Ended December 31,	<u>2019</u>	<u>2018</u>
Source of Supply		
Depreciation	\$ 855	\$ 855
Water purchased	<u>2,541,847</u>	<u>2,398,846</u>
	<u>2,542,702</u>	<u>2,399,701</u>
Transmission and Distribution Expense		
Automotive	8,041	13,476
Depreciation	323,517	313,140
Insurance	39,432	27,716
Miscellaneous	50,231	62,427
Outside services	15,731	10,123
Repairs and maintenance	166,018	267,916
Salaries, wages and benefit	653,954	697,393
Telephone	4,355	5,624
Utilities	<u>17,731</u>	<u>9,455</u>
	<u>1,279,010</u>	<u>1,407,270</u>
Total Water Operating Expenses	<u>\$ 3,821,712</u>	<u>\$ 3,806,971</u>

CRESTVIEW WATER AND SANITATION DISTRICT
SCHEDULE OF SEWER OPERATING EXPENSES
PROPRIETARY FUND

<u>December 31,</u>	<u>2019</u>	<u>2018</u>
Collection and Transmission Expense		
Automotive	\$ 4,434	\$ 1,356
Depreciation	137,188	140,958
Insurance	25,208	15,287
Miscellaneous	6,843	4,145
Outside services	15,731	10,123
Repairs and maintenance	19,295	65,261
Salaries, wages and benefits	434,945	376,237
Telephone	2,454	3,164
Utilities	<u>4,814</u>	<u>5,319</u>
	650,912	621,850
 Sewage Treatment Expenses		
Metro sewer charge	<u>1,310,233</u>	<u>1,202,474</u>
 Total Sewer Operating Expenses	<u>\$ 1,961,145</u>	<u>\$ 1,824,324</u>

CRESTVIEW WATER AND SANITATION DISTRICT
SCHEDULE OF ADMINISTRATIVE AND GENERAL EXPENSES
PROPRIETARY FUND

For the Years Ended December 31,	<u>2019</u>			<u>2018</u>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Memorandum Total</u>
Automotive	\$ 0	\$ 0	\$ 0	\$ 128
Depreciation	5,575	5,574	11,149	13,497
Directors' fees	3,475	3,475	6,950	8,000
Insurance	14,887	12,180	27,067	15,286
Legal	13,000	13,000	26,000	24,800
Miscellaneous	3,725	3,724	7,449	1,346
Office expense	37,455	37,454	74,909	68,326
Outside services	14,006	14,005	28,011	18,024
Publication	49	48	97	124
Repairs and maintenance	1,402	1,402	2,804	964
Salaries, wages and benefits	265,453	217,189	482,642	426,856
Telephone	1,135	1,134	2,269	2,930
Training and seminars	3,771	3,770	7,541	3,436
Utilities	<u>1,503</u>	<u>1,502</u>	<u>3,005</u>	<u>4,925</u>
 Total Administrative and General	 <u>\$ 365,436</u>	 <u>\$ 314,457</u>	 <u>\$ 679,893</u>	 <u>\$ 588,642</u>

CRESTVIEW WATER AND SANITATION DISTRICT
DEPARTMENTAL SCHEDULE OF REVENUE AND EXPENSES
BUDGET AND ACTUAL
PROPRIETARY FUND

For the Year Ended December 31,			2019
	<u>Budget</u>	<u>Actual</u>	Variance
	(Non-GAAP)	(Non-GAAP)	Favorable (Unfavorable)
Revenue			
Water sales	\$ 4,631,428	\$ 4,889,932	\$ 258,504
Sewer charges	2,891,500	3,150,367	258,867
Interest	48,000	204,962	156,962
Tap fees and charges	655,200	412,735	(242,465)
General property taxes	649,539	669,535	19,996
Specific ownership taxes	30,000	37,250	7,250
Miscellaneous	<u>368,600</u>	<u>100,283</u>	<u>(268,317)</u>
 Total Revenue	 <u>9,274,267</u>	 <u>9,465,064</u>	 <u>190,797</u>
Expenditures			
Water Source			
Purchased water	2,466,131	2,541,847	(75,716)
Transmission and Distribution			
Automotive	12,000	8,041	3,959
Employee benefits	141,478	163,614	(22,136)
Insurance	52,684	39,432	13,252
Miscellaneous	36,274	50,231	(13,957)
Outside services	13,900	15,731	(1,831)
Payroll taxes	36,953	32,396	4,557
Repairs and maintenance	290,000	166,018	123,982
Salaries and wages	469,671	457,944	11,727
Telephone	6,501	4,355	2,146
Utilities	13,257	17,731	(4,474)
Sewer Collection and Processing			
Automotive	12,000	4,434	7,566
Employee benefits	94,304	108,285	(13,981)
Insurance	32,887	25,208	7,679
Metro sewer charges	1,310,233	1,310,233	0
Miscellaneous	21,017	6,843	14,174
Outside services	13,900	15,731	(1,831)
Payroll taxes	24,632	23,074	1,558
Repairs and maintenance	20,000	19,295	705
Salaries and wages	313,114	303,586	9,528
Telephone	3,727	2,454	1,273
Utilities	7,457	4,814	2,643

CRESTVIEW WATER AND SANITATION DISTRICT
DEPARTMENTAL SCHEDULE OF REVENUE AND EXPENSES
BUDGET AND ACTUAL
PROPRIETARY FUND

For the Year Ended December 31,			2019
	<u>Budget</u>	<u>Actual</u>	Variance
	(Non-GAAP)	(Non-GAAP)	Favorable (Unfavorable)
Expenditures (Continued)			
Administrative and General			
Automotive	\$ 700	\$ 0	\$ 700
County treasurer fee	2,000	1,119	881
Directors' fees	8,000	6,950	1,050
Employee benefits	87,201	159,639	(72,438)
Insurance	34,577	27,067	7,510
Legal	24,000	26,000	(2,000)
Miscellaneous	29,430	7,449	21,981
Office expense	61,500	74,909	(13,409)
Outside services	24,750	28,011	(3,261)
Payroll taxes	22,776	23,262	(486)
Publication	200	97	103
Repairs and maintenance	900	2,804	(1,904)
Salaries and wages	297,726	299,741	(2,015)
Telephone	3,356	2,269	1,087
Training and seminars	10,000	7,541	2,459
Utilities	6,900	3,005	3,895
Capital Additions	<u>2,323,720</u>	<u>984,739</u>	<u>1,338,981</u>
Total Expenditures	<u>8,329,856</u>	<u>6,975,899</u>	<u>1,353,957</u>
Net Revenues Over Expenditures	944,411	2,489,165	<u>\$ 1,544,754</u>
Available Resources			
Balance - January 1	<u>13,572,066</u>	<u>13,572,066</u>	
Balance - December 31	<u>\$ 14,516,477</u>	<u>\$ 16,061,231</u>	