

Spring Canyon Water and Sanitation District
FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
December 31, 2019

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REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS

Board of Directors
Spring Canyon Water and Sanitation District

Report on the Financial Statements

We have audited the accompanying financial statements of the Spring Canyon Water and Sanitation District (the "District"), as of and for the year ended December 31, 2019, which collectively comprise the District's basic financial statements, as listed in the table of contents.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants ("U.S. GAAS").

We conducted our audit in accordance with U.S. GAAS. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether these financial statements are free of material misstatement.

An audit includes 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Spring Canyon Water and Sanitation District, as of December 31, 2019, and the change in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management's Discussion and Analysis

The Board of Directors has opted not to present the Management's Discussion and Analysis information that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this omitted information.

Supplementary Information

Our audit was conducted with the purpose of forming an opinion on the financial statements of the Spring Canyon Water and Sanitation District taken as a whole. The supplementary information on page 20 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management of the District and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to our auditing procedures applied in the audit of the financial statements and certain other 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 our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Marc James & Associates PC

Highlands Ranch, CO
September 23, 2020

BASIC FINANCIAL STATEMENTS

Spring Canyon Water and Sanitation District

STATEMENT OF NET POSITION

December 31, 2019

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,912,865
Accounts receivable	
Customer	97,841
Property taxes	62,679
Other	425
Total accounts receivable	<u>160,945</u>
Total current assets	2,073,810
CAPITAL ASSETS - net of accumulated depreciation and amortization of \$2,072,689	<u>4,849,207</u>
Total assets	6,923,017
LIABILITIES	
CURRENT LIABILITIES	
Loan payable - current portion	129,611
Accounts payable	45,810
Accrued payroll liabilities	12,803
Accrued interest payable	7,919
Total current liabilities	<u>196,143</u>
LONG-TERM LIABILITIES	
Loans payable - less current portion	2,246,046
Accrued compensated absences	5,435
Total long-term liabilities	<u>2,251,481</u>
Total liabilities	2,447,624
DEFERRED INFLOWS OF RESOURCES	
Property taxes	62,679
NET POSITION	
Net investment in capital assets	2,473,550
Restricted	220,400
Unrestricted	<u>1,718,764</u>
Total net position	<u>\$ 4,412,714</u>

The accompanying notes are an integral part of this financial statement

Spring Canyon Water and Sanitation District

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

For the Year ended December 31, 2019

OPERATING REVENUES	
Water and sanitary sewer services	\$ 1,095,572
Miscellaneous income	<u>5,764</u>
Total operating revenues	1,101,336
OPERATING EXPENSES	
System operations	398,072
General and administration	351,497
Depreciation	<u>161,653</u>
Total operating expenses	<u>911,222</u>
OPERATING INCOME	190,114
NON-OPERATING REVENUES	
Property and specific ownership taxes	63,535
Tap fees	38,925
Interest	<u>36,972</u>
Total non-operating revenues	139,432
NON-OPERATING EXPENSE	
Interest	<u>48,999</u>
CHANGE IN NET POSITION	280,547
NET POSITION - Beginning	<u>4,132,167</u>
NET POSITION - Ending	<u><u>\$ 4,412,714</u></u>

The accompanying notes are an integral part of this financial statement

Spring Canyon Water and Sanitation District

STATEMENT OF CASH FLOWS

For the Year ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,101,793
Payments to suppliers	(575,060)
Payments to employers	<u>(138,677)</u>
Net cash provided by operating activities	388,056
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Property taxes	63,535
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(474,080)
Tap fees	38,925
Principal payments - loans payable	(127,057)
Interest	<u>(49,422)</u>
Net cash used by capital and related financing activities	(611,634)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>36,972</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(123,071)
CASH AND CASH EQUIVALENTS - Beginning	<u>2,035,936</u>
CASH AND CASH EQUIVALENTS - Ending	<u><u>\$ 1,912,865</u></u>

The accompanying notes are an integral part of this financial statement

Spring Canyon Water and Sanitation District

STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 190,114
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	161,653
Change in assets and liabilities	
Customer accounts receivable	474
Other receivables	(17)
Prepaid expenses	21,168
Accounts payable	11,361
Accrued expenses	4,828
Compensated absences	<u>(1,525)</u>
Total adjustments	<u>197,942</u>
Net cash provided by operating activities	<u>\$ 388,056</u>

The accompanying notes are an integral part of this financial statement

Spring Canyon Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Spring Canyon Water and Sanitation District (the “District”) conform to the accounting principles generally accepted in the United States of America (“US GAAP”) as applicable to governmental entities. The following is a summary of the more significant policies consistently applied in the preparation of the basic financial statements of the District.

1. Reporting Entity

The District was established under State of Colorado statutes as a quasi-municipal corporation and is governed by a five-member Board of Directors pursuant to the provisions of the Colorado Special District Act. The District’s service area is located in Larimer County, Colorado.

The District’s primary function is to provide water and sanitary sewer services to the residents of the District. The majority of the District’s operations and administrative functions are provided through contract service arrangements.

As required by US GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local government entities. The District has no component units as defined by Governmental Accounting Standards Board (“GASB”), Statement No. 14, *The Reporting Entity* and GASB No. 39, *Determining Whether Certain Organizations are Component Units*.

2. Measurement Focus, Financial Accounting Framework and Presentation

The accounting policies of the District’s conform to generally accepted accounting principles as applicable to governmental units accounted for as an enterprise fund. The enterprise fund is used for the business-type activities since the District’s water and sanitation operations 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.

The District’s financial statements are maintained using accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred regardless of when the cash is received and distributed.

The District distinguishes between operating revenues and expenditures and non-operating items. Operating revenues and expenditures generally result from providing services and producing and delivering goods in connection with the District’s principal ongoing business of providing water and wastewater services. The District’s primary operating revenues are for charges to customers for sales of water and sanitary sewer service. Operating expenses include the cost of sales and service, administrative expenses and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenue and expenses.

3. Cash and Cash Equivalents

The District considers cash and cash equivalents to include cash on hand, demand deposits and money market accounts.

Spring Canyon Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4. *Water and Sanitary Sewer Services and Customer Accounts Receivable*

The District extends credit to property owners within the District for water usage, sanitary sewer services and other user fees. Customer accounts receivables are reviewed by District management on a monthly basis. It is the District's policy to certify past due customer accounts receivable annually with the Larimer County Treasurer for collection, if applicable. In addition, the District may file a lien upon or foreclose on the owner's property for past due customer accounts receivable. As such, no allowance for doubtful customer accounts receivable was deemed necessary for 2019.

5. *Fair Value of Financial Instruments*

The District's financial instruments include cash and cash equivalents, customer accounts receivable, accounts payable, accrued liabilities and deferred inflows of resources. The District estimates that the fair value of these financial instruments as of December 31, 2019 does not differ materially from the aggregate carrying values used in the accompanying financial statements. The carrying amount of these financial instruments approximates the fair value due to the short maturity of these financial instruments.

6. *Capital Assets*

The District records capital assets with an initial, individual cost of more than \$5,000 and estimated useful life in excess of one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are stated at cost except for any capital assets that are contributed, which are stated at fair value when contributed.

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

Buildings and improvements	20-39 years
Water treatment and distribution system	5-50 years
Wastewater collection and treatment system	15-50 years
Equipment and software	3-7 years

7. *Property Taxes Receivable*

Property taxes are levied on December 15 of each year, and attach as an enforceable lien on subject property as of January 1 of the following year. The property taxes are payable in full on April 30 or if paid in two installments, due on February 28 and June 15. Property taxes are considered to be delinquent as of August 1. Larimer County bills and collects the property taxes on behalf of the District and remits the collections, less the County Treasurer's fees, to the District on a monthly basis. As the property taxes result in an enforceable lien on the subject property, in the event the property taxes are not paid, the subject property will be sold at public auction to collect the delinquent property taxes. Accordingly, no provision is deemed necessary for uncollected property taxes.

As of December 31, the District has reflected the levied property taxes as a receivable and the related deferred inflow of resources.

Spring Canyon Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

8. *Use of Estimates*

The preparation of financial statements in conformity with U.S. GAAP involves the use of management's estimates that affect the reported amounts of assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. These estimates are based upon management's best judgment, after considering past events and assumptions about future events. Actual results could differ from those estimates. The District has estimated the useful lives of its depreciable capital assets and the need for no allowance for doubtful customer accounts receivable.

9. *Deferred Inflows of Resources*

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. As discussed, the District has one item that qualifies for reporting in this category; property taxes receivable is recognized as a deferred inflow of resources as of December 31, 2019.

NOTE B – BUDGET INFORMATION

The District's annual budget is prepared on a budgetary basis. An annual appropriated budget is adopted. All annual appropriations lapse at the end of the District's fiscal year.

The District conforms to the following procedures, in accordance with the State of Colorado Revised Statutes, in the establishment of the budgetary information reflected in the accompanying financial statements.

On or before October 15, the District's Manager submits a proposed budget for the subsequent fiscal year to the District's Board of Directors. The budget sets forth all proposed expenditures for administration, operations, maintenance, debt service, and capital projects for the budget year; all anticipated revenues for the budget year; estimated beginning and ending fund balances; actual figures for the prior fiscal year and projected figures through the end of the current year; and a written budget message describing the important features of the budget.

Following receipt of the proposed budget, the District publishes notice of the hearing at which the adoption of the proposed budget will be considered, a statement that the proposed budget is available for inspection, and that any interested elector may file objections to the proposed budget prior to its adoption. The budget hearing is held at a regular or special Board of Directors' meeting.

Following the budget hearing, the Board of Directors adopts the budget and makes appropriations for the budget year. The District also certifies a mill levy for collection in the budget year. Because the District certifies a mill levy, the adoption of the budget, appropriations and certification of the mill levy must occur on or before December 15. Expenditures in excess of the amounts appropriated for a Fund or transfer of moneys between Funds must be approved by the Board of Directors in the same manner as the adoption of the budget.

For 2019, the District's amended budgeted expenditures exceeded budgeted revenue by \$293,160. It was anticipated that the shortage would be funded from the use of prior year surpluses.

Spring Canyon Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE C – CASH AND INVESTMENTS

The Colorado Public Deposit Protection Act (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine the eligibility. Amounts on deposit in excess of the Federal Deposit Insurance Corporation (“FDIC”) insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows institutions to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits. The market value of the collateral must be equal to 102% of the aggregate uninsured public deposits.

As of December 31, 2019, all of the District’s deposits were either insured by the FDIC or held in eligible depositories.

At December 31, 2019, the District had \$1,890,729 invested in the Colorado Local Government Liquid Trust (“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 operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. 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 repurchase agreements collateralized by certain obligations of the U.S. government agencies. The District’s investments are in the COLOTRUST PLUS+ portfolio. COLOTRUST is rated AAAM by Standard & Poor’s.

COLOTRUST determines the net asset value (“NAV”) of the shares of each portfolio as of the close of business of each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of COLOTRUST, are accrued daily. The NAV is calculated at fair value using various inputs to determine value in accordance with GASB guidance. It is the goal of the Trust to maintain a NAV of \$1.00 per share, however changes in interest rates may affect the fair value of the securities held by COLOTRUST and there can be no assurance that the NAV will not vary from \$1.00 per share.

Spring Canyon Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE D – CAPITAL ASSETS

The changes in the District's capital assets for the year ended December 31, 2019 are as follows:

	Balance December 31, 2018	Additions	Disposals	Balance December 31, 2019
Capital assets				
Not subject to depreciation				
Construction in process	-	442,080	-	442,080
Subject to depreciation				
Buildings and improvements	47,200	-	-	47,200
Water treatment and distribution system	4,351,050	-	-	4,351,050
Wastewater collection and treatment system	1,997,834	-	-	1,997,834
Equipment	51,732	32,000	-	83,732
Total capital assets	6,447,816	474,080	-	6,921,896
Accumulated depreciation				
Buildings and improvements	21,083	1,386	-	22,469
Water treatment and distribution system	563,075	93,511	-	656,586
Wastewater collection and treatment system	1,279,700	64,480	-	1,344,180
Equipment	47,178	2,276	-	49,454
Total accumulated depreciation	1,911,036	161,653	-	2,072,689
Net capital assets	\$ 4,536,780	\$ 312,427	\$ -	\$ 4,849,207

During 2019, the District essentially completed Phase 1 of the Central Transmission Corridor Pipe Replacement Project and started Phase 2, incurring costs totaling \$338,582. In addition, the District began the Water Meter Replacement Project and incurred costs totaling \$103,498. The projects are reflected as construction in process as of December 31, 2019. It is anticipated that the construction in process will be completed and placed in service in 2020.

As further discussed in NOTE G, the District has an agreement with the Fort Collins-Loveland Water District under which the District purchases potable water. As such, the District permanently decommissioned the water treatment plant. Based on Larimer County Assessor's valuation, the District's management believes that the value of the water treatment plant retains a value equal to, or in excess of, the amount included on the Statement of Net Position.

Spring Canyon Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE E - LOANS PAYABLE

Colorado Water Resources and Power Development Authority ("CWRPDA")

2015 Loan

In April 2015, the District entered into a \$2,200,000 loan agreement ("2015 Loan Agreement") with CWRPDA, for the purpose of financing the construction of a permanent connection (the "Project") to the Fort Collins-Loveland Water District as further discussed in NOTE G. The 2015 Loan requires semiannual payments, including interest at 2.0%, of \$68,168, due on May 1 and November 1, with a final payment due on May 1, 2035.

Under the terms of the 2015 Loan Agreement, the District is subject to certain covenants, including pledging revenue, with a minimum rate guarantee, generated from the water delivery system, and pledging to maintain a three-month reserve of the annual budget for operation and maintenance expenses. The District has restricted \$220,400 in satisfaction of the reserve requirement at December 31, 2019.

2016 Loan

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

2017 Loan

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

Loan Covenants

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

Additionally, under the terms of the loan agreements, the District must maintain an operating reserve, defined as current assets less current liabilities equal to three months of operating expenses.

As of December 31, 2019, the District was in compliance with the above loan covenants.

Spring Canyon Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE E - LOANS PAYABLE - *continued*

Change in Loans Payable

The change in the District's Loans Payable for the year ended December 31, 2019 is as follows:

	Balance December 31, 2018	Additions	Payments	Balance December 31, 2019	Due within one year
2015 Loan	\$ 1,948,913	\$ -	\$ 100,782	\$ 1,848,130	\$ 102,808
2016 Loan	273,373	-	13,190	260,183	13,455
2017 Loan	280,428	-	13,085	267,343	13,348
	<u>\$ 2,502,714</u>	<u>\$ -</u>	<u>\$ 127,057</u>	<u>\$ 2,375,657</u>	<u>\$ 129,611</u>

Future Minimum Payments

The future minimum payments for the Loans Payable as of December 31, 2019, are as follows:

<u>Year ended December 31, 2019</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	129,611	46,868	176,479
2021	132,216	44,263	176,479
2022	134,874	41,605	176,479
2023	137,585	38,894	176,479
2024	140,350	36,129	176,479
2025-2029	745,217	137,179	882,396
2030-2034	823,183	59,213	882,396
2035-2036	132,621	2,151	134,732
Total	<u>\$ 2,375,657</u>	<u>\$ 406,302</u>	<u>\$ 2,781,959</u>

NOTE F – NET POSITION

Net Position

Net Position represents the difference between assets plus any deferred outflows, less liabilities and any deferred inflows of resources. The District reports three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions may be imposed by external organizations such as federal or state laws or lenders. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net positions are available, the District will use the most restrictive net position first.

Spring Canyon Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE G – COMMITMENTS AND CONTINGENCIES

Intergovernmental Agreement - Fort Collins-Loveland Water District

In February 2015, the District and Fort Collins-Loveland Water District ("FCLWD") entered into an intergovernmental agreement (the "Agreement") whereby the District's existing drinking water system was interconnected with that of FCLWD for the purpose of acquiring a permanent drinking water supply (the "Project") as a drinking water supply alternative to the District's then existing water treatment plant and allowed for the permanent decommissioning of the District's water treatment plant.

Under the terms of the Agreement, the District purchases treated drinking water, to a maximum of 40,000,000 gallons per year, plus or minus 10%, on a "take or pay" basis.

Utility Management and Operator in Responsible Charge Contract

The District has a contract for Utility Management and Operator in Responsible Charge services, as defined in the contract, related to the operation of the District with an independent contractor. Under the terms of the contract, the independent contractor receives a monthly service fee. Additional services as necessary and approved are to be based upon the estimated number of hours to be incurred and hourly rates as specified in the contract. The contract can be extended upon agreement in writing by the District and the independent contractor. The contract may be terminated by either party by providing notice no less than 3 days prior to the termination date.

Intergovernmental Agreement - South Fort Collins Sanitation District

The District has an intergovernmental agreement with the South Fort Collins Sanitation District for sanitary sewer treatment services.

Deferred Compensation Plan

The District offers employees a deferred compensation plan (the Plan) created in accordance with Internal Revenue Service Code Section 457, administered by the Special District Association. The plan is available to all full-time District employees, and permits them to defer a portion of their salaries until future years. The plan allows the District, as resolved annually by the Board, to make discretionary contributions up to 5% of each eligible employee's salary. The Board authorized a contribution rate of 5% for all eligible employees in 2019. The District contributed \$5,376 for the year ended December 31, 2019. The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency. The assets under the Plan are not property of the District and are held by a second-party administrator for the exclusive benefit of the Plan participants and their beneficiaries.

Spring Canyon Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE H – 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 and debt limitations which apply to the State of Colorado and all local governments.

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 calculation of the fiscal year spending limits will require judicial interpretation.

NOTE I – MANAGEMENT’S EVALUATION OF SUBSEQUENT EVENTS

The preparation of the District’s financial statements and accompanying notes in conformity with US GAAP requires management of the District to evaluate transactions and events subsequent to the Statement of Net Position date involving the District. Management has evaluated the subsequent transactions and events of the District through September 23, 2020, which is the date the financial statements and accompanying notes were available for issuance.

- In December 2019, an outbreak of a novel strain of coronavirus (“COVID-19”) originated in Wuhan, China and has since spread to a number of other countries, including the United States. In March 2020, the World Health Organization characterized COVID-19 as a pandemic.

COVID-19 could adversely affect the economies and financial markets of the United States, including Colorado, resulting in an economic downturn that could affect property taxes and other sources of revenue to the District. We are continuing to monitor and assess the effects of the COVID-19 pandemic on the District; however, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

SUPPLEMENTARY INFORMATION

Spring Canyon Water and Sanitation District

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET TO
ACTUAL (BUDGETARY BASIS) AND RECONCILIATION
TO CHANGE IN NET POSITION - U.S. GAAP BASIS

For the Year ended December 31, 2019

	Original Budget	Amended and Final Budget	Actual	Variance
REVENUES				
Water operations	\$ 716,134	\$ 702,548	693,162	\$ (9,386)
Sewer operations	379,701	370,363	388,329	17,966
Tap fees	-	38,925	38,925	-
Transfer fees	-	-	1,199	1,199
Property and specific ownership taxes	63,571	63,542	63,535	(7)
Interest	15,000	35,000	36,972	1,972
Penalties and interest	-	-	10,696	10,696
Miscellaneous	19,000	18,765	7,950	(10,815)
Total revenues	1,193,406	1,229,143	1,240,768	11,625
EXPENDITURES				
OPERATIONS				
General and administrative	406,187	433,135	353,024	80,111
Water operations				
Water sources	1,000	1,000	-	1,000
Treatment	153,223	153,223	138,158	15,065
Transmission and distribution	142,000	131,373	129,175	2,198
Sewer operations				
Collection and transmission	80,500	83,990	46,139	37,851
Treatment	98,700	84,600	84,600	-
CAPITAL EXPENDITURES				
Capital expenditures	340,814	458,503	474,080	(15,577)
DEBT SERVICE				
Principal payments	127,057	127,057	127,057	-
Interest	48,613	49,422	49,422	-
Total expenditures	1,398,094	1,522,303	1,401,655	120,648
CHANGE IN NET POSITION - BUDGETARY	\$ (204,688)	\$ (293,160)	(160,887)	\$ 132,273
RECONCILIATION TO CHANGE IN NET POSITION - U.S. GAAP BASIS				
Principal payments			127,057	
Capital expenditures			474,080	
Change in accrued compensation			1,527	
Change in accrued interest			423	
Depreciation			(161,653)	
CHANGE IN NET POSITION - U.S. GAAP BASIS			\$ 280,547	