

St. Mary's Glacier 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
St. Mary's Glacier Water and Sanitation District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the St. Mary's Glacier 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 ("US GAAS").

We conducted our audit in accordance with US 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.

Opinions on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the St. Mary's Glacier Water and Sanitation District, as of December 31, 2019, and the respective changes in financial position, and where applicable, cash flows thereof and the budgetary comparison for the general fund 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 St. Mary's Glacier Water and Sanitation District taken as a whole. The supplementary information on pages 26 and 27 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
July 27, 2020

GOVERNMENT-WIDE FINANCIAL STATEMENTS

St. Mary's Glacier Water and Sanitation District

STATEMENT OF NET POSITION

December 31, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 12,972	\$ 117,475	\$ 130,447
Cash and cash equivalents - restricted	-	47,604	47,604
User accounts receivable, net of allowance for doubtful accounts	-	178,021	178,021
Certified user accounts receivable		23,527	23,527
Property taxes receivable	34,970	-	34,970
Loan receivable	-	148,004	148,004
Other receivables	178	429	607
Prepaid expenses and deposits	-	16,713	16,713
Total current assets	48,120	531,773	579,893
NON-CURRENT ASSETS			
Capital assets, net of accumulated depreciation	-	2,629,187	2,629,187
Total assets	48,120	3,160,960	3,209,080
LIABILITIES			
CURRENT LIABILITIES			
Loans payable - current portion	-	18,516	18,516
Accounts payable	-	183,666	183,666
Total current liabilities	-	202,182	202,182
NON-CURRENT LIABILITIES			
Loans payable, less current portion	-	19,467	19,467
Total liabilities	-	221,649	221,649
DEFERRED INFLOWS OF RESOURCES			
Property taxes	34,970	-	34,970
NET POSITION			
Net investment in capital assets, less related debt	-	2,591,204	2,591,204
Restricted for emergencies	920	-	920
Restricted for debt service		47,604	47,604
Unrestricted	12,230	300,503	312,733
Total net position	\$ 13,150	\$ 2,939,311	\$ 2,952,461

The accompanying notes are an integral part of this financial statement

St. Mary's Glacier Water and Sanitation District

STATEMENT OF ACTIVITIES

For the Year ended December 31, 2019

	Governmental Activities	Business-Type Activities	Total
OPERATING REVENUE			
User fees and surcharges	\$ -	\$ 690,330	\$ 690,330
Availability of service fees	-	97,950	97,950
Tap fees	-	18,000	18,000
Administrative transfer fees	-	13,600	13,600
Liens, late fees and interest from users	-	888	888
Other	-	8,197	8,197
Total operating revenue	-	828,965	828,965
OPERATING EXPENSES			
Operating	-	352,978	352,978
General and administration	20,240	215,200	235,440
Non-capitalized capital expenditures	-	36,999	36,999
Depreciation	-	137,610	137,610
Total operating expenses	20,240	742,787	763,027
OPERATING INCOME (LOSS)	(20,240)	86,178	65,938
NON-OPERATING REVENUES (EXPENSES)			
Property taxes	28,733	-	28,733
Specific ownership taxes	1,995	-	1,995
Grants	-	225,187	225,187
Debt forgiveness	-	314,490	314,490
Interest income (expense)	124	(3,026)	(2,902)
Net non-operating revenue	30,852	536,651	567,503
CHANGE IN NET POSITION	10,612	622,829	633,441
NET POSITION - beginning	2,538	2,316,482	2,319,020
NET POSITION - ending	\$ 13,150	\$ 2,939,311	\$ 2,952,461

The accompanying notes are an integral part of this financial statement

FUND FINANCIAL STATEMENTS

St. Mary's Glacier Water and Sanitation District

BALANCE SHEET - GOVERNMENTAL FUND - GENERAL FUND

December 31, 2019

ASSETS	
Cash and cash equivalents	\$ 12,972
Property taxes receivable	34,970
Other receivables	<u>178</u>
Total assets	<u><u>\$ 48,120</u></u>
DEFERRED INFLOWS OF RESOURCES	
Property taxes	\$ 34,970
FUND BALANCE	
Restricted for emergencies	860
Unrestricted	<u>12,290</u>
Total fund balance	<u>13,150</u>
Total deferred inflows and fund balance	<u><u>\$ 48,120</u></u>

The accompanying notes are an integral part of this financial statement

St. Mary's Glacier Water and Sanitation District

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - GOVERNMENTAL FUND - GENERAL FUND

For the Year ended December 31, 2019

REVENUES	
Property taxes	\$ 28,733
Specific ownership taxes	1,995
Interest	<u>124</u>
Total revenues	30,852
EXPENDITURES	
General and administration	<u>20,240</u>
REVENUES IN EXCESS OF EXPENDITURES	10,612
FUND BALANCE - beginning	<u>2,538</u>
FUND BALANCE - ending	<u><u>\$ 13,150</u></u>

The accompanying notes are an integral part of this financial statement

St. Mary's Glacier Water and Sanitation District

STATEMENT OF REVENUES AND EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET TO ACTUAL - GOVERNMENTAL FUND - GENERAL FUND

For the Year ended December 31, 2019

	Original Budget	Amended and Final Budget	Actual	Variance
REVENUES				
Property taxes and other taxes	\$ 30,179	\$ 30,725	\$ 30,728	\$ 3
Other	-	100	124	24
Total revenues	30,179	30,825	30,852	27
EXPENDITURES				
OPERATIONS				
Accounting and audit	7,500	7,500	6,500	1,000
Legal	13,000	13,000	-	13,000
Office supplies and miscellaneous	8,440	9,000	12,874	(3,874)
Treasurer fees	862	862	866	(4)
Total expenditures	29,802	30,362	20,240	10,122
EXCESS OF REVENUES OVER EXPENDITURES	\$ 377	\$ 463	\$ 10,612	\$ 10,149

The accompanying notes are an integral part of this financial statement

St. Mary's Glacier Water and Sanitation District

STATEMENT OF NET POSITION - PROPRIETARY FUND -
WATER AND SANITATION ENTERPRISE FUND

December 31, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 117,475
Cash and cash equivalents - restricted	47,604
User accounts receivable, net of allowance for doubtful accounts	178,021
Certified user accounts receivable	23,527
Grants receivable	148,004
Other receivables	429
Prepaid expenses and deposits	<u>16,713</u>
Total current assets	531,773

NON-CURRENT ASSETS

Capital assets, net of accumulated depreciation	<u>2,629,187</u>
Total assets	3,160,960

LIABILITIES

CURRENT LIABILITIES

Loans payable - current portion	18,516
Accounts payable	183,666
Total current liabilities	202,182

NON-CURRENT LIABILITIES

Loans payable, less current portion	<u>19,467</u>
Total liabilities	221,649

NET POSITION

Net investment in capital assets, net of related debt	2,591,204
Unrestricted	<u>348,107</u>
Total net position	<u>\$ 2,939,311</u>

St. Mary's Glacier Water and Sanitation District

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION -
PROPRIETARY FUND - WATER AND SANITATION ENTERPRISE FUND

For the Year ended December 31, 2019

OPERATING REVENUE	
User fees and surcharges	\$ 690,330
Availability of service fees	97,950
System development fees	18,000
Administrative transfer fees	13,600
Liens, late fees and interest from users	888
Other	<u>8,197</u>
Total operating revenue	828,965
OPERATING EXPENDITURES	
Operating	352,978
General and administration	215,200
Non-capitalized capital expenditures	36,999
Depreciation	<u>137,610</u>
Total operating expenditures	<u>742,787</u>
OPERATING INCOME	86,178
NON-OPERATING REVENUES (EXPENDITURES)	
Grants	225,187
Debt forgiveness	314,490
Interest expense	<u>(3,026)</u>
Net non-operating revenue	<u>536,651</u>
CHANGE IN NET POSITION	622,829
NET POSITION - beginning	<u>2,316,482</u>
NET POSITION - ending	<u><u>\$ 2,939,311</u></u>

The accompanying notes are an integral part of this financial statement

St. Mary's Glacier Water and Sanitation District

STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - WATER AND SANITATION ENTERPRISE FUND

For the Year ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 735,232
Payments to suppliers	(446,476)
Payments to employees	(57,698)
Net cash provided by operating activities	231,058
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Grants	466,385
Net cash provided by non-capital financing activities	466,385
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Increase in restricted cash and cash equivalents	(47,604)
Principal payments on loans payable	(22,014)
Interest payments on loans payable	(3,026)
Net cash used by capital and related financing activities	(72,644)
CASH FLOWS FROM INVESTING ACTIVITIES	
Increase in capital assets	(562,475)
NET INCREASE IN CASH AND CASH EQUIVALENTS	62,324
CASH AND CASH EQUIVALENTS - beginning	55,151
CASH AND CASH EQUIVALENTS - ending	<u><u>\$ 117,475</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES	
Operating income	\$ 86,178
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	137,610
Allowance for doubtful accounts	1,241
Changes in assets and liabilities	
Accounts receivable	(94,974)
Prepaid expenses	(13,080)
Accounts payable	115,456
Other accrued liabilities	(1,373)
Net cash provided by operating activities	<u><u>\$ 231,058</u></u>

The accompanying notes are an integral part of this financial statement

St. Mary's Glacier Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of St. Mary's Glacier 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 Clear Creek 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

Business-Type Activities

The accounting policies of the District's business-type activities 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 business-type 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 expenses and non-operating items. Operating revenues and expenses 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 business-type activities operating revenues are from charges to customers for sales of water and 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.

St. Mary's Glacier Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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

2. *Measurement Focus and Financial Accounting Framework - continued*

Governmental Activities

The governmental activities financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if the revenues are collectible within the current period, or soon thereafter, to pay liabilities of the current period. For that purpose, the District considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period.

For 2019, the District has one Governmental Fund:

- *General Fund* – The General Fund is the general operating fund of the District. It is used to account for all of the financial resources not accounted for and reported in another fund,

Additionally, the District has one proprietary fund:

- *Water and Sanitation Enterprise Fund* - The Water and Sanitation Enterprise Fund is used to account for those operations financed and operated in a manner similar to a private business or where the Board of Directors has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The intent of the District is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

3. *Unrestricted Cash and Cash Equivalents*

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

4. *User Fees and User Fees Receivable*

The District extends credit to property owners within the District for water usage, sanitary sewer services and other user fees. User fees receivables are reviewed by District management on a monthly basis. It is the District's policy to certify past due user fees receivables annually with the Clear Creek County Treasurer for collection. In addition, the District may file a lien upon or foreclose on the owner's property for past due user accounts receivables.

Due to the uncertainty in the District's ability to fully collect specific delinquent user fee receivables, an allowance for doubtful user fees receivable was established in the amount of \$19,548. The District has the option to certify the delinquent user fees receivables to the Clear Creek County Treasurer for collection. In the event of subsequent collections of the delinquent user fees receivables, certifications or additional delinquencies, the allowance for doubtful user accounts receivable will be adjusted accordingly.

St. Mary's Glacier Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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

5. *Fair Value of Financial Instruments*

The District's financial instruments include cash and cash equivalents, user fees receivable, accounts payable 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, within the business-type activities, as 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:

Infrastructure - water system	20-35 years
Infrastructure - waste water system	45 years
Office and field equipment	3-10 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. Clear Creek 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.

8. *Use of Estimates*

The preparation of financial statements in conformity with US 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 allowance for doubtful user accounts receivable.

St. Mary's Glacier Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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

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; deferred property taxes are recognized as an inflow of resources in the period that the amounts become available.

NOTE B – BUDGET INFORMATION

The District's annual budget is prepared on a Non-GAAP 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.

The State of Colorado requires a balanced budget. For 2019, the District's Water and Sanitation Enterprise Fund budgeted revenues exceeded the budgeted expenditures by \$48,177.

NOTE C – AVAILABILITY OF SERVICE FEE ("AOS")

The District accesses a \$240 annual fee for the availability of service to all property owners within the District. The AOS fee is to be used for the payment of principal and interest amounts. Accordingly, the District has reflected the available cash, \$47,604, as restricted as of December 31, 2019.

St. Mary's Glacier Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE D – 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 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. The Colorado Division of Banking for banks and savings associations is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. As of December 31, 2019, all of the District's funds were held in eligible public depositories.

NOTE E – 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 depreciated				
Land	\$ 20,937	\$ -	\$ -	\$ 20,937
Water system design	-	562,474	-	562,474
Depreciated				
Buildings	17,192	-	-	17,192
Infrastructure - water system	2,260,622	-	-	2,260,622
Infrastructure - waste water system	2,535,410	-	-	2,535,410
Office and field equipment	146,265	-	-	146,265
Total capital assets	4,980,426	562,474	-	5,542,900
Accumulated depreciation				
Buildings	8,957	454	-	9,411
Infrastructure - water system	1,280,803	66,852	-	1,347,655
Infrastructure - waste water system	1,407,515	56,342	-	1,463,857
Office and field equipment	78,828	13,962	-	92,790
Total accumulated depreciation	2,776,103	137,610	-	2,913,713
Net capital assets	\$ 2,204,323	\$ 424,864	\$ -	\$ 2,629,187

In 2019, further discussed in NOTE F, the District began a project for the installation of a new well, rehabilitation of the existing well and improvements to the District's distribution system. The costs incurred are reflected above as water system design. Upon completion, the costs will be segregated in to the various components and depreciated over the estimated useful lives of the various components.

St. Mary's Glacier Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE F - LOANS PAYABLE

Colorado Department of Local Affairs ("DOLA")

1999 Colorado Department of Local Affairs

In 1999, the District entered into a loan agreement in the amount of \$76,000 with DOLA, the proceeds of which were used to partially finance the construct of a waste water treatment facility. The loan was paid in full in 2019.

2001 Colorado Department of Local Affairs

In 2001, the District entered into a loan agreement in the amount of \$254,000 with DOLA, the proceeds of which were used to construct various improvements to the District's water system. Under the terms of the agreement, principal and interest payments at 5% in the amount of \$20,414 are due annually on September 1 with a final a payment due in 2021.

Loan Covenant

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

Future Minimum Payments

The future minimum payments under the DOLA loan agreements as of December 31, 2019 are as follows:

<u>Year ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 18,516	\$ 1,898	\$ 20,414
2021	19,467	922	20,389
Total	\$ 37,983	\$ 2,820	\$ 40,803

The change in the District's DOLA loans payable for the year ended December 31, 2019 is as follows:

	<u>Balance December 31, 2018</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance December 31, 2019</u>	<u>Due within one year</u>
1999 DOLA	\$ 4,406	\$ -	\$ 4,406	\$ -	\$ -
2001 DOLA	55,592	-	17,609	37,983	18,516
	<u>\$ 59,998</u>	<u>\$ -</u>	<u>\$ 22,015</u>	<u>\$ 37,983</u>	<u>\$ 18,516</u>

St. Mary's Glacier Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE F - LOANS PAYABLE - *continued*

Colorado Water Resources and Power Development Authority

\$300,000 Design and Engineering Loan

In August 2018, the District entered into a loan agreement with the Colorado Water Resources and Power Development Authority ("CWRPDA") under which CWRPDA agreed to loan the District up to \$300,000 for the design and engineering cost associated with the drinking water system improvements. Further, under the terms of the loan agreement, 100% of principal was forgiven upon the loan closing.

During 2019, the District made draw requests under the loan agreement totaling \$225,187 and the forgiveness of the principal is reflected as grant revenue. As of December 31, 2019, there were no additional funds available.

\$3,000,000 Project Construction Loan ("Construction Loan")

In December 2018, the District entered into a loan agreement with CWRPDA under which CWRPDA agreed to loan to the District up to \$3 million for the installation of a new well, rehabilitation of the existing well and improvements to the District's distribution system as defined in the loan agreement. Under the terms of the Construction Loan, the District must initiate construction with 12 months after the loan closing.

The District irrevocably pledged and granted lien upon the source of repayment as described in the Construction Loan agreement for the punctual payment of the principal and the interest, as applicable. The Construction Loan requires the payment of principal and interest, as applicable semi-annually on May 1 and November 1 in accordance with the schedule as amended as necessary. The Construction Loan carries an interest rate of 0%.

Under the terms of the Construction Loan agreement, the District shall establish and maintain an operating and maintenance reserve in an amount equal to three months of operating and maintenance expenses, excluding depreciation.

At the discretion of CWRPDA, and if such funds are available, and the District is deemed eligible, the Construction Loan maybe forgiven in an amount equal to 100% of the principal amount pursuant to the terms and conditions of the loan agreement. In February 2019, CWRPDA awarded the District \$1.2 million of principal forgiveness. As such, while the total amount of the loan remains at \$3 million, the District's total potential outstanding loan principal will be no more than \$1.8 million. During 2019, the District requested draws totaling \$319,490 of which, \$314,490 was forgiven. The District's initial payment, of \$5,000 was due on November 1, 2019.

The future minimum payments, based upon the \$1.8 million, under the CWRPDA loan agreement as of December 31, 2019 are as follows:

<u>Year ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 30,424	\$ -	\$ 30,424
2021	30,424	-	30,424
2022	30,424	-	30,424
2023	30,424	-	30,424
2024	30,424	-	30,424
Thereafter	1,643,880	-	1,643,880
Total	\$ 1,795,000	\$ -	\$ 1,795,000

St. Mary's Glacier Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE G – FUND BALANCE/NET POSITION

Fund Balance

The District utilizes the fund balance presentation as required under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances, as applicable, are categorized as non-spendable, restricted, committed, assigned, or unassigned.

Non-spendable – represents amounts that cannot be spent because they are either in non-spendable form or legally required to remain intact;

Restricted – represents amounts with external constraints placed on the use of these resources or imposed by enabling legislation;

Committed – represents amounts that may only be used for specific purposes imposed by a formal action of the District's highest level of decision-making authority, the District's Board of Directors. Committed resources cannot be used for any other purpose, unless the District's Board of Directors remove or change the specific use by the same type of action used to commit those amounts, either by resolution or by ordinance;

Assigned – represents amounts that the District intends to use for specific purposes, as expressed by the District's Board of Directors or a District official delegated the authority to assign such amounts;

Unassigned – represents the residual classification for the general fund or deficit balances in other funds, as applicable.

Amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Unrestricted amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of these unrestricted fund balances classifications could be used.

As of December 31, 2019 the District's governmental fund balance consisted of the emergency reserve, restricted, as required by State of Colorado Revised Statutes with the balance as unrestricted.

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 are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

St. Mary's Glacier Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE G – FUND BALANCE/NET POSITION - *continued*

Net Position - continued

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.

NOTE H – COMMITMENTS AND CONTINGENCIES

Vidler Water Agreement

In 1974, the District entered into an agreement with the Vidler Tunnel Water Company to purchase in perpetuity 25 acre feet of water. In 1994, this agreement was renegotiated to provide, among other things, an annual escalation based on the U.S. City Average All Urban Consumers Price Index as published by the U.S. Department of Labor, Bureau of Labor Statistics. For the year ended December 31, 2019, the District paid \$6,300 under this agreement.

Contract Operator Agreement

The District has a contract for services, as defined in the agreement, related to the operation of the District with an independent contractor. Under the terms of the agreement, the independent contractor receives a monthly service fee of \$15,346. 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 agreement. The agreement automatically and successively renews each calendar year. The agreement may be terminated by either party by providing notice no less than 30 days prior to the termination date.

Contract Management Agreement

The District has a contract for services, as defined in the agreement, related to the management of the District with an independent contractor. The agreement is to automatically renew on January 1 for an additional one-year term, subject to annual budgeting and appropriations by the District unless otherwise terminated by either the contractor or the District. Under the terms of the agreement the annual fee is to be based upon the estimated number of hours to be incurred and hourly rates as specified in the agreement.

Office and Storage Lease

The District has an informal lease for office and storage space with St. Mary's Glacier Metropolitan District under which they paid St. Mary's Glacier Metropolitan District \$5,587 for 2019.

Grants

Grants awarded to the District may contain clauses providing that the grants and related expenditures are subject to financial reporting, audit and possible subsequent adjustment. As of December 31, 2019 the District believes it has complied with all of the specific requirements and has not received notification of any potential adjustments.

St. Mary's Glacier Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE H – COMMITMENTS AND CONTINGENCIES - *continued*

Drinking Water System Improvement – Phase 2 Contract

In December 2018, the District entered into a contract with a consultant under which the consultant will assist the District with the preparation the final construction plans, specifications and supporting documentation necessary for final regulatory approval of the District's drinking water system improvements. Additionally, the consultant is to provide oversight and assistance during construction related to bidding, awarding and construction of the approved drinking water system improvements. As of December 31, 2019, there remained \$191,345 available on this contract.

NOTE I – 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 J – 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 July 27, 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. The District continues 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

St. Mary's Glacier Water and Sanitation District
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP-Budgetary Basis) TO ACTUAL

PROPRIETARY FUND - WATER AND SANITATION ENTERPRISE FUND

For the Year ended December 31, 2019

	Original and Final Budget	Actual	Variance
REVENUES			
User fees and surcharges	\$ 684,870	\$ 690,280	\$ 5,410
Administrative transfer fees	8,000	13,600	5,600
System development fees	36,000	18,000	(18,000)
Availability of service fees	99,600	97,950	(1,650)
Tap fees	-	-	-
Liens, late fees and interest from users	4,000	938	(3,062)
Grants	240,000	225,187	(14,813)
Debt forgiveness	3,000,000	314,490	(2,685,510)
Other	100	8,197	8,097
Total revenues	4,072,570	1,368,642	(2,703,928)
EXPENDITURES			
OPERATIONS			
Accounting and finance	44,260	44,860	600
Allowance for doubtful user accounts	64,750	510	(64,240)
Engineering	-	43,300	43,300
Chemicals	8,037	24,068	16,031
Insurance	21,740	17,415	(4,325)
Legal	50,000	48,012	(1,988)
District management fees	57,776	57,776	-
Equipment rental	1,545	-	(1,545)
Fuel	3,605	3,069	(536)
Rent and storage	6,000	5,587	(413)
Miscellaneous	-	2,474	2,474
Parts and materials	46,350	28,561	(17,789)
Permits, fees and dues	12,875	6,418	(6,457)
Machinery repairs and maintenance	8,240	10,492	2,252
Utilities and locates	21,039	21,939	900
Salaries and benefits	58,835	57,698	(1,137)
System maintenance	213,194	224,410	11,216
Telephone and internet	2,270	2,288	18
Water assessments	6,336	6,300	(36)
CAPITAL EXPENDITURES	3,272,500	562,474	(2,710,026)
DEBT SERVICE			
Principal	122,041	27,015	(95,026)
Interest	3,000	3,026	26
Total expenditures	4,024,393	1,197,692	(2,826,701)
REVENUES IN EXCESS OF EXPENDITURES	\$ 48,177	\$ 170,950	\$ 122,773

RECONCILIATION TO CHANGE IN NET POSITION (US GAAP Basis)

PROPRIETARY FUND - WATER AND SANITATION ENTERPRISE FUND

For the Year ended December 31, 2019

REVENUES IN EXCESS OF EXPENDITURES	\$ 170,950
RECONCILIATION TO CHANGE IN NET POSITION - US GAAP BASIS	
Capital expenditures	562,474
Principal payments	27,015
Depreciation	<u>(137,610)</u>
CHANGE IN NET POSITION - US GAAP BASIS	<u>\$ 622,829</u>