

Clear Creek Valley Water and Sanitation District

Financial Statements and Supplementary Information

December 31, 2020




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Report of Independent Certified Public Accountants

Members of the Board of Directors
Clear Creek Valley Water and Sanitation District

Opinion

We have audited the accompanying financial statements of the business-type activities of Clear Creek Valley Water and Sanitation District as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the City of Clear Creek Valley Water and Sanitation District, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Clear Creek Valley Water and Sanitation District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Clear Creek Valley Water and Sanitation District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.



- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Clear Creek Valley Water and Sanitation District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Clear Creek Valley Water and Sanitation District's ability to continue as a going concern for a reasonable period of time.

Other-Matters

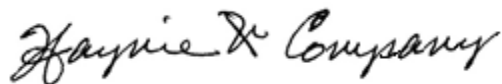
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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. We 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 we obtained during our audit of the basic financial statements. We 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clear Creek Valley Water and Sanitation District's financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Littleton, Colorado
October 26, 2021

Clear Creek Valley Water and Sanitation District Management Discussion and Analysis

As management of the Clear Creek Valley Water and Sanitation District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2020.

Financial Highlights

- As of the close of the current fiscal year, the District's net position was \$15,325,259
- Net position increased by \$435,054

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of the government-wide financial statements, fiduciary fund statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

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

The statement of revenues, expenses and changes in net position presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cashflows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements identify functions of the District that are principally supported by service charges. The governmental activities of the District include the financing, construction of, and maintenance of governmental infrastructure including a sanitation system and facilities constructed or acquired by the District.

The government-wide financial statements can be found on pages 1, 2 and 3 of this report.

Fiduciary fund Financial Statements

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the programs of the District. The Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position are included in the basic financial statement section of this report and can be found on pages 4 and 5.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 6-13 of this report.

Other Information

A budgetary comparison statement has been provided in this section to demonstrate compliance with State budget law. The budget statements are found after the basic financial statements on page 14 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's assets exceeded liabilities by \$\$15,325,259 at the close of the most recent fiscal year.

| Net Position | |
|----------------------------------|-----------------------------|
| | <u>2020</u> |
| Current Assets | \$ 14,314,226 |
| Property, Plant & Equipment | <u>2,176,521</u> |
| Total Assets | 16,490,747 |
| Deferred Outflows of Resources | <u>3,042</u> |
| Current Liabilities | <u>301,442</u> |
| Deferred Inflows of Resources | <u>393,525</u> |
| Net Investment in Capital Assets | 2,176,521 |
| Restricted - TABOR reserve | 14,007 |
| Unrestricted | <u>13,134,731</u> |
| Total Net Position | <u><u>\$ 15,325,259</u></u> |

Change in Net Position

| | <u>2020</u> |
|--|-----------------------------|
| Operating Revenue | \$ 1,155,499 |
| Non-Operating Revenue | <u>568,141</u> |
| Total Revenues | 1,723,640 |
| Depreciation Expense | 135,535 |
| Govt/Admin/Other Operating Expense | <u>1,230,987</u> |
| Total Expenses | 1,366,522 |
| Income/Loss Before Contributions | 357,118 |
| Capital Contributions | <u>77,936</u> |
| | 435,054 |
| Net Position- Beginning of Year, as restated | <u>14,890,205</u> |
| Net Position - End of Year | <u><u>\$ 15,325,259</u></u> |

Review of Expenses

A majority of sewer operating expenses are made up of the by-pass charges which amounted to \$799,202 in 2020.

Budgetary Highlights

The District prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of capital outlay in addition to operations and nonoperating revenue and contributions. Capital contributions of facilities and depreciation are not reflected on the budget since they do not affect "funds available". This budgetary accounting is required by State statutes.

Actual revenue of the District was \$26,590 more than budgeted, primarily as a result of connection and inclusion fees higher than budgeted.

Actual expenditures of the District were \$392,790 less than the appropriation mainly because capital expenditures and maintenance performed were less than budgeted

Capital Assets Activity

The activity related to capital assets during 2020 is as follows:

| | <u>2020</u> |
|--------------------------------|----------------------------|
| Building and System | \$ 5,066,481 |
| Equipment and Furniture | <u>375,143</u> |
| | 5,441,624 |
| Accumulated Depreciation | <u>(3,265,103)</u> |
| Net Property Plant & Equipment | <u><u>\$ 2,176,521</u></u> |

Additional information on the District's capital assets can be found in Notes 2 and 4 of the financial statements.

Economic Factors and Next Year's Budgets and Rates

The District expects to maintain a customer base of 6,218 service units. The District's 2021 service fees will remain at \$90 semi-annually per service unit. The District will continue to monitor rates on an annual basis to ensure proper fees are charged for this service.

Requests for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to:

Office of the Clear Creek Valley Water and Sanitation District
5420 Harlan St.
P.O. Box 156
Arvada, Colorado 80001

Basic Financial Statements

Clear Creek Valley Water and Sanitation District
Statement of Net Position
December 31, 2020

| | 2020 |
|---|---------------------|
| ASSETS | |
| Current assets | |
| Cash and cash equivalents | \$ 817,947 |
| Investments | 12,913,898 |
| Receivables | |
| Accounts receivable | 89,720 |
| County Treasurer | 5,113 |
| Property taxes | 473,563 |
| Prepays and other assets | 13,985 |
| Total current assets | 14,314,226 |
| Property, plant and equipment | |
| Buildings and system | 5,066,481 |
| Equipment and furniture | 375,143 |
| | 5,441,624 |
| Accumulated depreciation | 3,265,103 |
| Net property, plant and equipment | 2,176,521 |
| Total Assets | \$16,490,747 |
| Deferred outflows of resources | |
| Deferred outflows related to pension | 3,042 |
| LIABILITIES AND NET POSITION | |
| Current liabilities | |
| Accounts payable and accrued expenses | \$ 301,442 |
| Net pension liability | 393,525 |
| Total current liabilities | 694,967 |
| Deferred inflows of resources | |
| Property tax revenue | 473,563 |
| Net Position | |
| Net investment in capital assets | 2,176,521 |
| Restricted - TABOR reserve (Note 8) | 14,007 |
| Unrestricted | 13,134,731 |
| Total net position | 15,325,259 |
| Total Liabilities and Net Position | \$16,493,789 |

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

Clear Creek Valley Water and Sanitation District
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2020

| | 2020 |
|--|---------------|
| Operating Revenues | |
| Sewer service charges | \$ 1,106,103 |
| Other income | 49,396 |
| Total operating revenues | 1,155,499 |
| Operating Expenses | |
| Personnel and related expenses | 226,091 |
| By-pass charges | 799,202 |
| Other services and expenses | 198,958 |
| Depreciation | 135,535 |
| Total operating expenses | 1,359,786 |
| Operating Income (loss) | (204,287) |
| Non-Operating Revenue (Expense): | |
| Taxes - property | 435,877 |
| Taxes - specific ownership | 31,008 |
| Net investment income | 101,255 |
| County treasurer's fee | (6,736) |
| Total non-operating revenue (expenses) | 561,405 |
| Income Before Contributions | 357,118 |
| Capital Contributions (connection and inclusion fees) | 77,936 |
| Change in Net Position | 435,054 |
| Net position—beginning of year, as restated | 14,890,205 |
| Net position—end of year | \$ 15,325,259 |

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

Clear Creek Valley Water and Sanitation District
Statement of Cash Flows
For the Year Ended December 31, 2020

| | 2020 |
|---|--------------|
| Cash flows from operating activities | |
| Cash received from customers | \$ 1,109,583 |
| Cash paid to suppliers and others | (950,250) |
| Cash paid to employees for services | (198,958) |
| Net cash from operating activities | (39,625) |
| Cash flows from non-capital and related financing activities | |
| Property and specific ownership taxes received | 466,886 |
| Treasurer's fees paid | (6,736) |
| Net cash from capital and related financing activities | 460,150 |
| Cash flows from capital and related financing activities | |
| Purchases and construction of property and equipment | (60,995) |
| Connection and inclusion fees | 77,936 |
| Net cash from capital and related financing activities | 16,941 |
| Cash flows from investing activities | |
| Net sale (purchase) of investments | (397,114) |
| Interest received on investment securities | 101,255 |
| Net cash from investing activities | (295,859) |
| Net change in cash and cash equivalents | 141,607 |
| Cash and cash equivalents—beginning of year | 676,340 |
| Cash and cash equivalents—end of year | \$ 817,947 |
| Reconciliation of operating loss to net cash from operating activities | |
| Operating income (loss) | \$ (204,287) |
| Adjustments to reconcile operating loss to net cash from operating activities | |
| Depreciation | 135,535 |
| Change in accounts receivable | (47,850) |
| Change in prepaids | (12,238) |
| Change in accounts payable and accrued expenses | 61,962 |
| Change in deferred outflows of resources | (3,042) |
| Change in net pension liability | 30,295 |
| Net cash from operating activities | \$ (39,625) |

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

Clear Creek Valley Water and Sanitation District
Statement of Fiduciary Net Position
Pension Trust Fund
December 31, 2020

| | 2020 |
|---|-----------------------|
| ASSETS | |
| Cash | \$ 5,037 |
| Investments - Stocks, Bonds and Mutual funds - At Fair Market Value: | |
| Exchange - traded products | 227,500 |
| Total Assets | \$ 232,537 |
| LIABILITIES AND NET POSITION | |
| Liabilities | |
| Accrued expenses | - |
| Total Liabilities | - |
| NET POSITION HELD IN TRUST FOR PENSION BENEFITS | \$ 232,537 |

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

Clear Creek Valley Water and Sanitation District
Statement of Changes in Fiduciary Net Position
Pension Trust Fund
For the Year Ended December 31, 2020

| | 2020 |
|--|-------------|
| ADDITIONS | |
| Employee Contribution | \$ - |
| Employer Contribution | 2,603 |
| Dividends and Interest | 8,216 |
| Unrealized Gain on Investments | 3,948 |
| Total Additions | 14,767 |
| DEDUCTIONS | |
| Benefit Payments | 42,445 |
| Administrative Expenses | 3,376 |
| Realized Loss on Investments | 709 |
| Total Deductions | 46,530 |
| Change in Plan Net Position | (31,763) |
| Plan net position—beginning of year | 264,300 |
| Plan net position—end of year | \$ 232,537 |

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

Clear Creek Valley Water and Sanitation District

Notes to Basic Financial Statements

December 31, 2020

1. Organization

Definition of Reporting Entity - The District, a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Jefferson County, Colorado. The District was established to provide water and sanitation services.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organization and functions should be included within the reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other governmental entity.

2. Significant Accounting Policies

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

The more significant accounting policies of the District are described as follows:

- a) **Basis of Accounting** - The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for property, plant and equipment are shown as increases in total assets.

Clear Creek Valley Water and Sanitation District

Notes to Basic Financial Statements (continued)

December 31, 2020

2. Summary of Significant Accounting Policies (continued)

- b) **Budgets** - In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can be modified only upon completion of notice and hearing requirements.
- c) **Property, Plant and Equipment** - Property, plant and equipment are recorded at cost except for those assets that have been contributed which are stated at estimated fair market value at the date of contribution or at developers' cost. These assets are being depreciated over their estimated useful lives of 7 to 40 years on a straight line basis.
- d) **Property taxes** - Property taxes are levied by the District Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set before December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of December 31 of each year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectable taxes are recorded initially as deferred revenue in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

- e) **Compensated Absences** - The District's financial statements include a provision for vacations earned but not taken by District employees.
- f) **Cash Equivalents** - The District considers cash deposits and highly liquid investments with original maturities of three months or less to be cash equivalents.
- g) **Contributed Capital** - Tap fees are recorded as contributed capital when received. Lines contributed to the District by developers are recorded as contributed capital and additions to the systems at the developer's cost.

Clear Creek Valley Water and Sanitation District

Notes to Basic Financial Statements (continued)

December 31, 2020

3. Cash and Investments

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified by PDPA. PDPA allows the institution 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 the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The State Regulatory Commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Colorado statutes define eligible investments for local governments. These include U.S. Treasury obligations, repurchase agreements, Colorado and local governmental obligations and others.

The District had cash balances on deposit with original maturities of less than three months stated at cost, which approximates market, as follows:

| December 31, 2020 | Carrying | Bank |
|-------------------------------|-------------------|-------------------|
| Composition of cash balances: | | |
| Cash in checking | <u>\$ 817,558</u> | <u>\$ 846,044</u> |

For deposits, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2020, the District's bank balance was not exposed to custodial credit risk. Of the bank balances, \$250,000 was covered by federal depository insurance for each of the years ended December 31, 2020.

As of December 31, 2020, \$596,044 was collateralized by PDPA. Deposits that are exposed to custodial credit risk are collateralized with securities held by the pledging financial institution through PDPA.

The District's cash deposits and investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes deposits not covered by depository insurance and uncollateralized. Category 2 includes deposits not covered by depository insurance and collateralized with securities held by the pledging financial institution. Category 3 includes deposits not covered by depository insurance and collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. The District has not adopted a formal investment policy.

Clear Creek Valley Water and Sanitation District

Notes to Basic Financial Statements (continued)

December 31, 2020

3. Cash and Investments (continued)

Investments

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

- obligations of the United States and certain U.S. government agency securities,
- certain international agency securities,
- general obligation and revenue bonds of U.S. local government entities,
- bankers' acceptances of certain banks,
- commercial paper,
- written repurchase agreements collateralized by certain authorized securities,
- certain money market funds,
- guaranteed investment contracts, and
- local government investment pools.

Interest Rate Risk – Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

Credit Risk - The District has not adopted a formal investment policy, however the District follows State statutes regarding investments. Colorado statutes specify types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. government agency entities, certain money market funds, and local government pools.

Local Government Investment Pools - As of December 31, 2020, the District had \$8,456,296 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds and is registered with the State Securities Commissioner. Colotrust is rated AAAM by Standard and Poor's. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. Colotrust offers shares in two portfolios, Colotrust Prime and Colotrust Plus+. The District funds are only invested in Colotrust Plus+. The portfolio may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank serves as custodian for Colotrust's portfolios pursuant to a custodian agreement.

Clear Creek Valley Water and Sanitation District

Notes to Basic Financial Statements (continued)

December 31, 2020

3. Cash and Investments (continued)

Substantially all securities owned by Colotrust are held by the Federal Reserve Bank in the account maintained for the custodial banks. The custodian acts as safekeeping agent for Colotrust investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by Colotrust. Colotrust records its investments at fair value and the District records its investments in Colotrust using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice paid.

At December 31, 2020, the District had the following investments:

| Investment | Rating | Investment Maturities (in Years) | | |
|-----------------------------------|--------|-------------------------------------|--------------|---------------|
| | | Less than 1 | 1 to 5 | Total |
| Certificates of Deposit | N/A | \$ 1,574,983 | \$ 2,882,620 | \$ 4,457,603 |
| Money Market and Investment Pools | | 8,456,295 | - | 8,456,295 |
| | | \$10,031,278 | \$ 2,882,620 | \$ 12,913,898 |

Fair Value Measurement and Application – The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. All of the District's investments, except those that are held in local government investment pools, are measured at fair value using Level 1 inputs.

4. Property, Plant and Equipment

An analysis of the changes in capital assets for the year ended December 31, 2020 follows:

| | Balance December 31, 2019 | Additions | Retirements | Balance December 31, 2020 |
|---|---------------------------------|-------------|-------------|---------------------------------|
| Capital assets, being depreciated: | | | | |
| Plant and systems | \$ 5,014,974 | \$ 51,508 | \$ - | \$ 5,066,482 |
| Furniture and equipment | 375,143 | - | - | 375,143 |
| Total capital assets, being depreciated | 5,390,117 | 51,508 | - | 5,441,625 |
| Accumulated depreciation | (3,139,056) | (126,048) | - | (3,265,104) |
| Total capital assets, net | \$ 2,251,061 | \$ (74,540) | \$ - | \$ 2,176,521 |

Clear Creek Valley Water and Sanitation District

Notes to Basic Financial Statements (continued)

December 31, 2020

5. Risk Management

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

The District maintains insurance through a public entity risk pool, more fully described in Note 6, for all significant risks of loss. Settled claims have not exceeded the District's coverage in any of the past five years.

6. Public Entity Risk Pool

The District is a member and obtains insurance coverage from the Colorado Special Districts Property and Liability Pool. The Pool is sponsored by the Special District Association of Colorado. Districts joining the Pool are required to make a surplus contribution in addition to normal premiums. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula. In the event aggregate losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and capital and surplus accumulated by the Pool, the Pool may require additional contributions from the Pool members.

7. Retirement Plan

The District provides retirement for its employees through the Clear Creek Valley Water and Sanitation District Pension Trust, a single-employer defined benefit pension plan. The Plan is funded by the District to provide retirement benefits as well as death and disability benefits. The plan is administered through Cetera Advisor Networks, LLC. The plan is financed on a pay-as-you-go basis.

Employees are eligible to participate in the plan upon attaining age 20½ and upon completion of 6 months of service. The employee vesting schedule is as follows:

| Years of Service | Vested Percentage |
|------------------|-------------------|
| 1-2 | 0% |
| 3 | 20% |
| 4 | 40% |
| 5 | 60% |
| 6 | 80% |
| 7 or more | 100% |

Employee normal retirement is at age 65 years. The retirement benefit is 2% of average monthly compensation for each year of participation to a maximum of 30 years.

Clear Creek Valley Water and Sanitation District

Notes to Basic Financial Statements (continued)

December 31, 2020

7. Retirement Plan (continued)

Total covered payroll for this plan for 2020 was \$171,456. In 2020, the District contributions were \$2,603.

An actuarial valuation is performed every two years to determine the pension benefit obligation. The latest available actuarial valuation was performed as of January 1, 2020.

The measurement date was December 31, 2019. The following assumptions were used in computing the pension benefit obligation for this plan:

- Rate of return on investments and discount rate: 6.00%
- Actuarial Method: Entry Age Normal
- Investment Return: 6% pre-retirement and 5% post-retirement
- Mortality: For Expense (BOY): 1971 GAM mortality (post-retirement only)
- Mortality: For Obligation (EOY): 1971 GAM mortality (post-retirement only)
- Projected earnings increases for all ages due to inflation: 2.00%
- Turnover: None
- Retirement Age: All employees are assumed to retire at normal retirement age

Plan membership as of January 1, 2020 was as follows:

| | |
|--------------------------|----------|
| Active members | 2 |
| Terminated vested member | 1 |
| Retirees | <u>2</u> |
| Total | 5 |

The pension plan expense for 2020 was \$29,856. The net pension liability is impacted by a change in the discount rate as follows:

| | 1% Decrease (5.00%) | Current Rate (6.00%) | 1% Increase (7.00%) |
|-----------------------|--------------------------------|---------------------------------|--------------------------------|
| Net pension liability | \$ 410,987 | \$393,525 | \$ 376,598 |

Clear Creek Valley Water and Sanitation District

Notes to Basic Financial Statements (continued)

December 31, 2020

7. Retirement Plan (continued)

At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Difference between projected and actual investment earnings | \$ 439 | \$ - |
| Contributions subsequent to measurement date | 2,603 | - |
| Total | \$ 3,042 | \$ - |

\$2,603 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense (income) as follows:

| Year ending December 31, | |
|-------------------------------------|--------|
| 2021 | \$ 110 |
| 2022 | 110 |
| 2023 | 110 |
| 2024 | 109 |

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of rates of return for each major asset class included in the pension plan's target asset allocation as of the valuation date are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Nominal Rate of Return |
|--------------------|------------------------------|--|
| Equities | 30% | 8.0% - 10.0% |
| Fixed Income | 60% | 4.0% - 5.0% |
| Cash | 10% | 1.0% - 1.50% |
| Total | 100% | |

Clear Creek Valley Water and Sanitation District

Notes to Basic Financial Statements (continued)

December 31, 2020

8. Prior-Period Restatement

In the prior year, the net pension liability associated with the District Pension Trust did not properly reflect the actual liability. Therefore, the beginning Net Position has been restated as follows.

The effect of the above correction on Beginning Net Position is as follows:

| | |
|---|---------------------|
| Beginning Net Position as originally stated | \$15,183,435 |
| Adjustment to correctly state pension liability | <u>(293,230)</u> |
| Beginning Net Position, as restated | <u>\$14,890,205</u> |

9. Tax Spending and Debt Limitation

In 1992, Colorado voters approved Amendment 1, commonly known as the Taxpayer Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments. Enterprises, defined by TABOR 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.

TABOR establishes 1992 as the initial base for spending and revenue limits. Future spending and revenue limits can be adjusted for inflation and local growth without voter approval. TABOR requires the establishment of Emergency Reserves that must be at least 3% of spending (excluding bonded debt service). Excess funds within the spending and revenue limits can be reserved for general use and, when spent in subsequent years, are not subject to the spending limits mentioned above. The District's TABOR reserve at December 31, 2020 is \$14,007.

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing taxes or spending above the limits prescribed above, increasing a mill levy, extending an expiring tax or implementing a tax policy change directly causing a net tax revenue gain to any local government. Multiple fiscal year debt requires voter approval, except for bond refinancing at lower interest rates or adding employees to existing pension plans.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and many of the provisions, including the calculation of fiscal year spending limits, growth factors and qualifications as an Enterprise, will require judicial interpretation.

Clear Creek Valley Water and Sanitation District
Notes to Basic Financial Statements (continued)
December 31, 2020

10. Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which may negatively impact operations of the District. Other financial impacts could occur, though such potential impact is unknown at this time.

Required Supplementary Information

Clear Creek Valley Water and Sanitation District

Schedule of Contributions - Pension

Prior 10 Years

For the Year Ended December 31, 2020

| Year Ended December 31, | Actuarially Determined Contribution | Actual Contribution | Contribution Excess (Deficiency) | Covered Payroll | Actual Contribution as % of Covered Payroll |
|------------------------------------|--|--------------------------------|---|------------------------|--|
| 2017 | \$ 57,262 | \$ 73,803 | \$ 16,541 | \$ 194,270 | 37.99% |
| 2018 | \$ 45,367 | \$ 73,803 | \$ 28,436 | \$ 204,840 | 36.03% |
| 2019 | \$ 107,977 | \$ 105,432 | \$ (2,545) | \$ 183,799 | 57.36% |
| 2020 | \$ 77,572 | \$ 2,603 | \$ (74,969) | \$ 171,456 | 1.52% |

Note: This schedule is intended to show information for 10 years. Additional years will be added prospectively.

Clear Creek Valley Water and Sanitation District
Required Supplementary Information
Pension Fund
Schedule of Changes in Net Pension Liability and Related Ratios
Prior 10 Years

| Measurement period ended December 31, | <u>2019</u> |
|---|-------------------|
| Total pension liability | |
| Service cost | \$ 11,883 |
| Interest on the total pension liability | 38,141 |
| Benefit Payments | <u>(38,979)</u> |
| Net change in total pension liability | 11,045 |
| Total pension liability - Beginning | 655,168 |
| Total pension liability - Ending (a) | 666,213 |
| Plan fiduciary net position | |
| Employer contributions | 8,431 |
| Net investment income | 19,211 |
| Change in cash value of insurance | (3,298) |
| Benefit payments | (38,979) |
| Administrative expense | (1,883) |
| Insurance premiums | <u>(2,732)</u> |
| Net change in plan fiduciary net position | (19,250) |
| Plan fiduciary net position - beginning | 291,938 |
| Plan fiduciary net position - end (b) | 272,688 |
| District's net pension liability - ending (a)-(b) | \$ 393,525 |
| Plan fiduciary net position as a percentage of the total pension liability | 69.29% |

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available. Calculation of net pension liability was not prepared prior to 2019.

Note 2: The data provided in this schedule is based as of the measurement date of the District's net pension liability.

Supplementary Information

Clear Creek Valley Water and Sanitation District
Schedule of Revenues and Expenditures with Budget Comparison
For the Year Ended December 31, 2020

| | Original and Final Budget | Actual Amounts | Variance Favorable (Unfavorable) |
|--|---------------------------------|-------------------|--|
| Enterprise Activities: | | | |
| Revenue | | | |
| Sewer service charges | \$ 1,100,000 | \$ 1,106,103 | \$ 6,103 |
| Connection & inclusion fees | 31,000 | 77,936 | 46,936 |
| Investment income | 150,000 | 101,255 | (48,745) |
| Taxes - property | 445,986 | 435,877 | (10,109) |
| Taxes - specific ownership | 30,000 | 31,008 | 1,008 |
| Other | 18,000 | 49,396 | 31,396 |
| Total revenue | 1,774,986 | 1,801,576 | 26,590 |
| Expenditures | | | |
| Operating expenditures and capital outlay | | | |
| Audit fees | 7,500 | 9,125 | (1,625) |
| Directors fees | 6,000 | 3,800 | 2,200 |
| By-pass charges | 800,000 | 799,202 | 798 |
| Employee pension plan | 171,000 | 28,145 | 142,855 |
| Engineering fees | 15,000 | 64,998 | (49,998) |
| Insurance - employees medical | 35,000 | 35,466 | (466) |
| Insurance - other | 25,000 | 21,021 | 3,979 |
| Legal fees | 35,000 | 34,170 | 830 |
| Maintenance: plant and line | 250,000 | 23,060 | 226,940 |
| Maintenance: truck | 12,000 | 506 | 11,494 |
| Miscellaneous | 3,000 | 2,771 | 229 |
| Salaries and wages | 178,000 | 146,056 | 31,944 |
| Payroll taxes | 15,500 | 27,970 | (12,470) |
| Office expense | 30,000 | 11,058 | 18,942 |
| Property tax collection fees | 7,500 | 6,736 | 764 |
| Telephone | 4,500 | 3,768 | 732 |
| Utilities | 8,500 | 13,135 | (4,635) |
| Capital outlay | 50,000 | 29,723 | 20,277 |
| Total expenditures | 1,653,500 | 1,260,710 | 392,790 |
| Excess of revenue over expenditures (enterprise) | \$ 121,486 | \$ 540,866 | \$ 419,380 |
| Beginning funds available | 12,758,633 | | |
| Ending funds available | \$ 12,880,119 | | |
| Reconciling difference between budgetary basis and generally accepted accounting principles (GAAP) | | | |
| Excess of revenues over expenditures, budgetary basis | | \$ 540,866 | |
| Adjustments | | | |
| Expenses which are not expenditures for budgetary purposes | | | |
| Depreciation | | (135,535) | |
| Expenditures for budgetary purposes | | | |
| Capital outlay | | 29,723 | |
| Change in Net Position (GAAP basis) | | \$ 435,054 | |