

**CRESTVIEW WATER
AND SANITATION DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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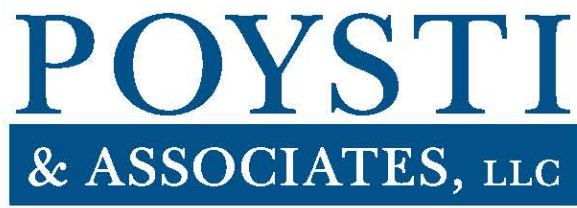
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Independent Auditor's Report

Board of Directors
Crestview Water and Sanitation District
Denver, Colorado

I have audited the accompanying basic financial statements of Crestview Water and Sanitation District (the District) as of and for the years ended December 31, 2020 and 2019, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

January 22, 2021
Denver, Colorado



MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE DISTRICT

This section of the Annual Financial Report for Crestview Water and Sanitation District (District) presents a discussion and analysis of the District's financial condition and operating results during the period from January 1, 2020 to December 31, 2020. It is provided as a narrative introduction and overview of the financial statements contained in the following Annual Financial Report and should be read in conjunction with the District's financial statements.

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

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

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

Water is provided to the District by Denver Water in accordance with Distributor Contract No. M236. The District serves approximately 5,340 residential, commercial, industrial and public customer taps. The distribution system is operated and maintained by the District and encompasses approximately 59 miles of piping and 4 elevated storage tanks. Meters are read monthly for billing purposes.

Wastewater treatment for the District is performed by Metro Wastewater Reclamation District (Metro) pursuant to the terms and conditions of a perpetual contract between Crestview and Metro. The collection system is operated and maintained by the District and encompasses approximately 62 miles of piping and one sewage lift station. The District serves approximately 6,070 sanitary sewer residential, commercial, industrial, and public customers.

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The financial statements include comparative data of assets, liabilities, deferred inflows of resources and changes in net position for the current fiscal reporting period (2020) and the prior fiscal reporting period (2019). Liabilities include current liabilities of accounts payable and accrued liabilities. Deferred inflows of resources include property taxes and other special assessments earned but levied for a subsequent period. Net position includes capital assets and unrestricted assets designated for capital replacement, reserves for contingencies and unrestricted funds.

The departmental statements of revenues, expenses and changes in net position - proprietary fund compares the current fiscal reporting period (2020) and the prior fiscal reporting period (2019) and includes operating revenue, water and sewer sales, sale of supplies, inspections and miscellaneous revenue, also, operating expenses for water, sewer, and administrative and general. Water and sewer connection fees are included in non-operating revenue and expenses along with general property and specific ownership taxes, interest income, tax collection fees, and miscellaneous revenue.

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

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

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

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

FINANCIAL HIGHLIGHTS

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

REVIEW OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenues:			
Water sales	\$ 5,634,616	\$ 4,889,932	\$ 4,808,895
Sewer charges	3,197,873	3,150,367	3,118,698
Sale of supplies	15,647	36,346	75,715
Miscellaneous and inspections	<u>23,936</u>	<u>67,248</u>	<u>12,528</u>
Total operating revenues	<u>8,872,072</u>	<u>8,143,893</u>	<u>8,015,836</u>
 Operating expenses:			
Water	4,028,994	3,821,712	3,806,971
Sewer	1,968,080	1,961,145	1,824,324
Administrative and general	<u>606,347</u>	<u>679,893</u>	<u>588,642</u>
Total operating expenses	<u>6,603,421</u>	<u>6,462,750</u>	<u>6,219,937</u>
 Net operating gain	2,268,651	1,681,143	1,795,899
 Total non-operating revenues (net)	<u>877,723</u>	<u>907,317</u>	<u>725,725</u>
 Income before contributions	3,146,374	2,588,460	2,521,624
 Tap fees collected	<u>543,700</u>	<u>412,735</u>	<u>808,405</u>
 Change in net position	3,690,074	3,001,195	3,330,029
 Net position- beginning of year	<u>31,230,332</u>	<u>28,229,137</u>	<u>24,899,108</u>
 Net position- end of year	<u>\$ 34,920,406</u>	<u>\$ 31,230,332</u>	<u>\$ 28,229,137</u>

REVIEW OF NET POSITION

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current assets	\$ 21,896,118	\$ 18,975,303	\$ 16,937,798
Non-current assets	<u>14,039,745</u>	<u>13,332,414</u>	<u>12,820,386</u>
Total assets	<u>\$ 35,935,863</u>	<u>\$ 32,307,717</u>	<u>\$ 29,758,184</u>
Total current liabilities	<u>\$ 306,397</u>	<u>\$ 404,697</u>	<u>\$ 879,508</u>
Deferred inflows of resources:			
Unavailable revenue – property taxes	<u>\$ 709,060</u>	<u>\$ 672,688</u>	<u>\$ 649,539</u>
Net position			
Net investment in capital assets	\$ 14,039,745	\$ 13,332,414	\$ 12,820,386
Unrestricted	<u>20,880,661</u>	<u>17,897,918</u>	<u>15,408,751</u>
Total net position	<u>\$ 34,920,406</u>	<u>\$ 31,230,332</u>	<u>\$ 28,229,137</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The District replaced 5,614 linear feet of water mains in 2020 consisting of 4,301 linear feet of 6" and 1,313 linear feet of 8" water main. Crestview's pipeline replacement crew will be replacing water mains in the District in two separate projects in 2021. Project #1 for 2021 will consist of 5,175 linear feet of water main replacement and if time allows Project #2 for 2021 will consist of 4,800 linear feet of water main replacement.

The District replaced its aging 6-inch sewer force main in 2020. The replacement consisted of replacing 1,673 linear feet of 6-inch AC pipe with 6" PVC pipe.

The District contracted to have twenty-three manholes spray lined in 2020.

The District purchased a 2020 Jeep Grand Cherokee for \$30,535, a 2018 John Deere 444K Loader for \$109,406, an asphalt roller and trailer for a combined total of \$21,554, a 2020 Ford F-150 for \$31,119, and a 2020 Ford Ranger for \$27,692 in 2020.

The District contracted to have twenty-four single pane windows at the District office replaced with more energy efficient dual pane windows in 2020.

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

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

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

OTHER POTENTIALLY SIGNIFICANT MATTERS

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

The total cost to Brookfield Residential for the construction of the 20-inch water main was \$291,591.00. As part of the plans to construct Filing 6 within the Midtown at Clear Creek subdivision, Brookfield Residential was required to install an 8-inch water main as part of the development. Crestview determined that the 8-inch water main should be upsized to a 20-inch main to replace the two 14-inch water mains. The estimated cost of the 8-inch water main was \$84,118 and was deducted from the cost of the 20-inch water main to obtain the amount Crestview was to reimburse to Brookfield Residential. Crestview's cost sharing amount was \$207,473.00. This payment was paid to Brookfield Residential in December 2020.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

CONTACTING THE DISTRICT'S ADMINISTRATIVE OFFICE

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

Mitch Terry
District Manager

303-429-1881
7145 Mariposa Street
P.O. Box 666
Denver, Colorado, 80036-0666

CRESTVIEW WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
PROPRIETARY FUND

December 31,	2020	2019
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 9,511,842	\$ 7,020,328
Investments	8,355,994	8,151,444
Accounts receivable - property taxes	715,428	686,130
Other accounts receivable	557,504	502,381
Inventories	827,000	698,000
Prepaid insurance	25,100	23,800
Cash and cash equivalents - designated for capital replacement and contingencies	<u>1,903,250</u>	<u>1,893,220</u>
Total current assets	21,896,118	18,975,303
Non-current Assets		
Capital assets	<u>14,039,745</u>	<u>13,332,414</u>
Total Assets	<u>\$ 35,935,863</u>	<u>\$ 32,307,717</u>
<u>Liabilities</u>		
Current Liabilities		
Accounts payable	\$ 203,387	\$ 261,710
Accrued liabilities	<u>103,010</u>	<u>142,987</u>
Total Current Liabilities	<u>\$ 306,397</u>	<u>\$ 404,697</u>
<u>Deferred Inflows of Resources</u>		
Unavailable revenue - property taxes	<u>\$ 709,060</u>	<u>\$ 672,688</u>
<u>Net Position</u>		
Net investment in capital assets	\$ 14,039,745	\$ 13,332,414
Unrestricted	<u>20,880,661</u>	<u>17,897,918</u>
Total Net Position	<u>\$ 34,920,406</u>	<u>\$ 31,230,332</u>

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

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

For the Years Ended December 31,	<u>2020</u>	<u>2019</u>
Operating Revenues		
Water sales	\$ 5,634,616	\$ 4,889,932
Sewer charges	3,197,873	3,150,367
Sale of supplies	15,647	36,346
Miscellaneous and inspections	<u>23,936</u>	<u>67,248</u>
Total operating revenues	<u>8,872,072</u>	<u>8,143,893</u>
Operating Expenses		
Water	4,028,994	3,821,712
Sewer	1,968,080	1,961,145
Administrative and general	<u>606,347</u>	<u>679,893</u>
Total operating expenses	<u>6,603,421</u>	<u>6,462,750</u>
Net operating gain	<u>2,268,651</u>	<u>1,681,143</u>
Non-Operating Revenues (Expenses)		
General property taxes	699,458	669,535
Specific ownership taxes	5,449	37,250
Net investment income	209,632	204,962
Miscellaneous	(36,364)	(3,311)
Tax collection fee	<u>(452)</u>	<u>(1,119)</u>
Total non-operating revenues (net)	<u>877,723</u>	<u>907,317</u>
Income before contributions	3,146,374	2,588,460
Tap fees collected	<u>543,700</u>	<u>412,735</u>
Change in net position	3,690,074	3,001,195
Net Position		
Balance - January 1	<u>31,230,332</u>	<u>28,229,137</u>
Balance - December 31	<u>\$ 34,920,406</u>	<u>\$ 31,230,332</u>

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

CRESTVIEW WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND

<u>For the Years Ended December 31,</u>	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Cash received from customers	\$ 8,793,013	\$ 8,052,754
Cash paid to suppliers	(4,706,875)	(5,079,091)
Cash paid to employees	(1,556,032)	(1,519,008)
Other cash received	<u>23,936</u>	<u>67,248</u>
Net cash provided by operating activities	<u>2,554,042</u>	<u>1,521,903</u>
Cash flows from non-capital financing activities		
Cash received from property and other taxes	711,981	710,267
Collection fees paid	(452)	(1,119)
Other cash received (net)	<u>(132,534)</u>	<u>(14,311)</u>
Net cash provided by non-capital financing activities	<u>578,995</u>	<u>694,837</u>
Cash flows from capital and related financing activities		
Cash received from tap fees	543,700	412,735
Cash received from sale of fixed assets	96,170	11,000
Purchase of fixed assets	<u>(1,276,445)</u>	<u>(1,154,366)</u>
Net cash used in capital and related financing activities	<u>(636,575)</u>	<u>(730,631)</u>
Cash flows from investing activities		
Purchase of investments	(204,550)	(3,197,688)
Interest received	<u>209,632</u>	<u>204,962</u>
Net cash provided by (used in) investing activities	<u>5,082</u>	<u>(2,992,726)</u>
Net increase (decrease) in cash	2,501,544	(1,506,617)
Cash and cash equivalents - beginning of year	<u>8,913,548</u>	<u>10,420,165</u>
Cash and cash equivalents - end of year	<u>\$ 11,415,092</u>	<u>\$ 8,913,548</u>
Summary of cash and cash equivalents:		
Unrestricted cash and cash equivalents	\$ 9,511,842	\$ 7,020,328
Designated cash and cash equivalents	<u>1,903,250</u>	<u>1,893,220</u>
	<u>\$ 11,415,092</u>	<u>\$ 8,913,548</u>
Reconciliation of operating gain to net cash provided by operating activities:		
Net operating gain	\$ 2,268,651	\$ 1,681,143
Adjustments to reconcile operating gain to net cash used by operating activities:		
Depreciation	520,228	472,709
Changes in assets and liabilities		
Increase in current asset	(185,423)	(326,767)
Decrease in current liabilities	<u>(49,414)</u>	<u>(305,182)</u>
Net cash provided by operating activities	<u>\$ 2,554,042</u>	<u>\$ 1,521,903</u>

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

CRESTVIEW WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

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

Basis of Presentation

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

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

Capital Assets

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

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

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

Budget and Budgetary Accounting

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

Property Taxes

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

CRESTVIEW WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes (continued)

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

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

Tax and Spending Limitations

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

Income Tax

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

Inventories

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

Cash Flows

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

Use of Estimates

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

Risk Management

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

Operating/Non-Operating Revenues and Expenses

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

CRESTVIEW WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – CASH AND INVESTMENTS

Cash deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. As of December 31, 2020, State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The fair value of the collateral must be at least equal to 102% of the uninsured deposits.

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

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

	<u>2020</u>	<u>2019</u>
Checking accounts - interest bearing	\$ 9,511,242	\$ 7,019,728
Petty cash	600	600
	<u>\$ 9,511,842</u>	<u>\$ 7,020,328</u>

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

Investments

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

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

CRESTVIEW WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

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

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

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

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and, Level 3 inputs are significant unobservable inputs.

The District has one recurring fair value measurement for U.S. government agency securities of \$8,355,994 as of December 31, 2020. These Securities are measured using Level 1 inputs.

NOTE 3 – CAPITAL ASSETS

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

	<u>December 31,</u> <u>2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31,</u> <u>2020</u>
Source of supply	\$ 329,593	\$ 0	\$ 0	\$ 329,593
Collection,				
transmission,				
and distribution	16,084,833	940,516	0	17,025,349
Buildings	1,813,697	19,237	0	1,832,934
Office equipment	78,183	0	0	78,183
Shop equipment	388,532	1,343	0	389,875
Transportation				
equipment	<u>2,239,726</u>	<u>266,463</u>	<u>(165,347)</u>	<u>2,340,842</u>
	20,934,564	1,227,559	(165,347)	21,996,776
Less accumulated				
depreciation	<u>(7,602,150)</u>	<u>(520,228)</u>	<u>165,347</u>	<u>(7,957,031)</u>
	<u>\$ 13,332,414</u>	<u>\$ 707,331</u>	<u>\$ 0</u>	<u>\$ 14,039,745</u>

CRESTVIEW WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CAPITAL ASSETS (CONTINUED)

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

NOTE 4 – COMMITMENTS

The District has made commitments to purchase water and sewer services and have been budgeted as follows for the year ending December 31, 2021:

Water purchases	\$ 2,541,200
Metro sewer charges	<u>1,540,737</u>
	<u>\$ 4,081,937</u>

NOTE 5 – OPERATING LEASES

The District leases office equipment under operating lease agreements expiring through July 2021. The amount of lease payments made under these agreements for the years ended December 31, 2020 and 2019, totaled \$3,406 and \$7,346. Minimum annual rental commitments are as follows as of December 31:

2021	\$ 1,527
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NOTE 6 – RETIREMENT PLAN

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

CRESTVIEW WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – RETIREMENT PLAN (CONTINUED)

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

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

The contribution rate is 6% for the employees and 6% for the District of the employee’s base payroll. The District’s total payroll for 2020 and 2019 was \$1,479,575 and \$1,435,606 and contributions were based on a payroll of \$1,309,743 and \$1,216,014. Both the District and the covered employees made the required contributions for 2020 and 2019 of \$155,752 and \$138,839. In addition, employees made voluntary contributions of \$14,329 and \$14,679 for the years ended December 31, 2020 and 2019.

NOTE 7 – TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20, of the Colorado Constitution, commonly known as the Taxpayer Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. District management believes its water and sewer operations, and all activities related thereto, are carried on as an enterprise within the meaning of TABOR and the Enterprise Act, C.R.S. 37-45-1-01, *et seq.* The District’s annual budget and financial statements are deemed by the District to the annual budget and financial statements of the enterprise.

Spending and revenue limits are determined based on the prior-year’s fiscal year spending adjusted for allowable increases based on inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the fiscal year spending limit must be refunded, unless voters approve retention of such revenue.

The District’s management believes it is in compliance with the provision of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate fiscal year spending limits and qualification as an enterprise, will require judicial interpretation.

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

	<u>2020</u>
Changes in net position - net expenses over revenues	\$ 3,690,074
Add depreciation	520,228
Less capital additions	<u>(1,277,559)</u>
Statement of revenues and expenditures compared to budget	<u>\$ 2,982,743</u>

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

December 31,	2020			2019
	Water	Sewer	Total	Memorandum Total
Assets				
Cash on hand	\$ 0	\$ 600	\$ 600	\$ 600
Cash in bank-checking	3,002,097	6,509,145	9,511,242	7,019,728
Investments	4,177,997	4,177,997	8,355,994	8,151,444
Receivables				
Taxes	620,281	95,147	715,428	686,130
Accounts	334,502	223,002	557,504	502,381
Inventory of supplies (at cost)	702,950	124,050	827,000	698,000
Prepaid expenses	13,805	11,295	25,100	23,800
Designated assets				
Cash	967,459	935,791	1,903,250	1,893,220
Capital assets				
Source of supply	329,593	0	329,593	329,593
Collection, transmission, and distribution systems	11,691,351	5,333,998	17,025,349	16,084,833
Buildings and land	1,269,586	563,348	1,832,934	1,813,697
Office equipment	54,154	24,029	78,183	78,183
Shop equipment	270,048	119,827	389,875	388,532
Transportation equipment	1,621,390	719,452	2,340,842	2,239,726
Accumulated depreciation	<u>(5,246,373)</u>	<u>(2,710,658)</u>	<u>(7,957,031)</u>	<u>(7,602,150)</u>
Total Assets	<u>\$ 19,808,840</u>	<u>\$ 16,127,023</u>	<u>\$ 35,935,863</u>	<u>\$ 32,307,717</u>
Liabilities				
Accounts payable	\$ 199,487	\$ 3,900	\$ 203,387	\$ 261,710
Accrued vacation and sick pay	<u>67,302</u>	<u>35,708</u>	<u>103,010</u>	<u>142,987</u>
Total Liabilities	<u>\$ 266,789</u>	<u>\$ 39,608</u>	<u>\$ 306,397</u>	<u>\$ 404,697</u>
Deferred inflows of resources				
Unavailable revenue	<u>\$ 613,913</u>	<u>\$ 95,147</u>	<u>\$ 709,060</u>	<u>\$ 672,688</u>
Net position				
Net investment in capital assets	\$ 9,989,749	\$ 4,049,996	\$ 14,039,745	\$ 13,332,414
Unrestricted				
Designated for capital replacement	900,000	900,000	1,800,000	1,800,000
Reserved for contingencies	67,459	35,791	103,250	143,220
Unrestricted	<u>7,970,930</u>	<u>11,006,481</u>	<u>18,977,411</u>	<u>15,954,698</u>
Net Position	<u>\$ 18,928,138</u>	<u>\$ 15,992,268</u>	<u>\$ 34,920,406</u>	<u>\$ 31,230,332</u>

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

For the Years Ended December 31,	2020			2019
	Water	Sewer	Total	Memorandum Total
Operating Revenues				
Water sales	\$ 5,634,616	\$ 0	\$ 5,634,616	\$ 4,889,932
Sewer charges	0	3,197,873	3,197,873	3,150,367
Sale of supplies	15,647	0	15,647	36,346
Miscellaneous and inspections	14,871	9,065	23,936	67,248
Total Operating Revenues	<u>5,665,134</u>	<u>3,206,938</u>	<u>8,872,072</u>	<u>8,143,893</u>
Operating Expenses				
Water	4,028,994	0	4,028,994	3,824,420
Sewer	0	1,968,080	1,968,080	1,958,736
Administrative and general	326,194	280,153	606,347	679,594
Total Operating Expenses	<u>4,355,188</u>	<u>2,248,233</u>	<u>6,603,421</u>	<u>6,462,750</u>
Net Operating Income	<u>1,309,946</u>	<u>958,705</u>	<u>2,268,651</u>	<u>1,681,143</u>
Non-Operating Revenues (Expenses)				
General property taxes	489,621	209,837	699,458	669,535
Specific ownership tax	3,814	1,635	5,449	37,250
Interest income	104,816	104,816	209,632	204,962
Miscellaneous	(18,182)	(18,182)	(36,364)	(3,311)
County treasurer's collection fee	(316)	(136)	(452)	(1,119)
Total Non-Operating Revenues (Net)	<u>579,753</u>	<u>297,970</u>	<u>877,723</u>	<u>907,317</u>
Income before contributions	1,889,699	1,256,675	3,146,374	2,588,460
Tap fees collected	<u>358,090</u>	<u>185,610</u>	<u>543,700</u>	<u>412,735</u>
Change in Net Position	<u>\$ 2,247,789</u>	<u>\$ 1,442,285</u>	<u>\$ 3,690,074</u>	<u>\$ 3,001,195</u>

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

For the Years Ended December 31,	<u>2020</u>	<u>2019</u>
Source of Supply		
Depreciation	\$ 855	\$ 855
Water purchased	<u>2,695,117</u>	<u>2,541,847</u>
	<u>2,695,972</u>	<u>2,542,702</u>
Transmission and Distribution Expense		
Automotive	3,217	8,041
Depreciation	358,034	323,517
Insurance	31,570	39,432
Miscellaneous	27,369	50,231
Outside services	13,750	15,731
Repairs and maintenance	230,425	166,018
Salaries, wages and benefit	642,260	653,954
Telephone	5,439	4,355
Utilities	<u>20,958</u>	<u>17,731</u>
	<u>1,333,022</u>	<u>1,279,010</u>
Total Water Operating Expenses	<u>\$ 4,028,994</u>	<u>\$ 3,821,712</u>

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

<u>December 31,</u>	<u>2020</u>	<u>2019</u>
Collection and Transmission Expense		
Automotive	\$ 19,302	\$ 4,434
Depreciation	147,223	137,188
Insurance	14,350	25,208
Miscellaneous	4,326	6,843
Outside services	13,750	15,731
Repairs and maintenance	15,636	19,295
Salaries, wages and benefits	424,888	434,945
Telephone	2,464	2,454
Utilities	<u>1,514</u>	<u>4,814</u>
	643,453	650,912
Sewage Treatment Expenses		
Metro sewer charge	<u>1,324,627</u>	<u>1,310,233</u>
Total Sewer Operating Expenses	<u>\$ 1,968,080</u>	<u>\$ 1,961,145</u>

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

For the Years Ended December 31,	<u>2020</u>			<u>2019</u>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Memorandum Total</u>
Depreciation	\$ 7,058	\$ 7,058	\$ 14,116	\$ 11,149
Directors' fees	3,425	3,425	6,850	6,950
Insurance	6,317	5,168	11,485	27,067
Legal	12,000	12,000	24,000	26,000
Miscellaneous	5,712	5,712	11,424	7,449
Office expense	37,216	37,216	74,432	74,909
Outside services	5,910	5,909	11,819	28,011
Publication	40	40	80	97
Repairs and maintenance	0	0	0	2,804
Salaries, wages and benefits	246,899	202,008	448,907	482,642
Telephone	981	981	1,962	2,269
Training and seminars	10	10	20	7,541
Utilities	626	626	1,252	3,005
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Administrative and General	<u>\$ 326,194</u>	<u>\$ 280,153</u>	<u>\$ 606,347</u>	<u>\$ 679,893</u>

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

For the Year Ended December 31,			2020
	<u>Budget</u>	<u>Actual</u>	Variance
	(Non-GAAP)	(Non-GAAP)	Favorable (Unfavorable)
Revenue			
Water sales	\$ 4,760,384	\$ 5,634,616	\$ 874,232
Sewer charges	3,111,866	3,197,873	86,007
Interest	98,000	209,632	111,632
Tap fees and charges	1,107,400	543,700	(563,700)
General property taxes	672,688	699,458	26,770
Specific ownership taxes	30,000	5,449	(24,551)
Miscellaneous	<u>132,400</u>	<u>3,219</u>	<u>(129,181)</u>
Total Revenue	<u>9,912,738</u>	<u>10,293,947</u>	<u>381,209</u>
Expenditures			
Water Source			
Purchased water	2,510,644	2,695,117	(184,473)
Transmission and Distribution			
Automotive	12,000	3,217	8,783
Employee benefits	124,025	150,711	(26,686)
Insurance	47,100	31,570	15,530
Miscellaneous	51,000	27,369	23,631
Outside services	0	13,750	(13,750)
Payroll taxes	36,366	35,571	795
Repairs and maintenance	449,000	230,425	218,575
Salaries and wages	492,596	455,978	36,618
Telephone	9,539	5,439	4,100
Utilities	16,686	20,958	(4,272)
Sewer Collection and Processing			
Automotive	12,000	19,302	(7,302)
Employee benefits	124,025	99,283	24,742
Insurance	28,500	14,350	14,150
Metro sewer charges	1324,627	1324,627	0
Miscellaneous	4,400	4,326	74
Outside services	0	13,750	(13,750)
Payroll taxes	25,536	33,043	(7,507)
Repairs and maintenance	65,000	15,636	49,364
Salaries and wages	330,049	292,562	37,487
Telephone	4,336	2,464	1,872
Utilities	7,585	1,514	6,071

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

For the Year Ended December 31,	2020		
	<u>Budget</u>	<u>Actual</u>	Variance
	(Non-GAAP)	(Non-GAAP)	Favorable (Unfavorable)
Expenditures (Continued)			
Administrative and General			
Automotive	\$ 700	\$ 0	\$ 700
County treasurer fee	2,000	452	1,548
Directors' fees	8,000	6,850	1,150
Employee benefits	99,220	127,354	(28,134)
Insurance	28,800	11,485	17,315
Legal	24,000	24,000	0
Miscellaneous	21,500	11,424	10,076
Office expense	85,900	74,432	11,468
Outside services	24,300	11,819	12,481
Payroll taxes	24,328	23,228	1,100
Publication	0	80	(80)
Salaries and wages	315,532	298,325	17,207
Telephone	3,470	1,962	1,508
Training and seminars	4,000	20	3,980
Utilities	6,070	1,252	4,818
Capital Additions	<u>2,503,580</u>	<u>1,227,559</u>	<u>1,276,021</u>
Total Expenditures	<u>8,826,414</u>	<u>7,311,204</u>	<u>1,515,210</u>
Net Revenues Over Expenditures	1,086,324	2,982,743	<u>\$ 1,896,419</u>
Available Resources			
Balance - January 1	<u>15,954,698</u>	<u>15,954,698</u>	
Balance - December 31	<u>\$ 17,041,022</u>	<u>\$ 18,937,441</u>	