

**INVERNESS WATER AND SANITATION
DISTRICT**

FINANCIAL STATEMENTS

December 31, 2020 and 2019



Logan and Associates, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Inverness Water and Sanitation District
Arapahoe and Douglas Counties, Colorado

We have audited the accompanying financial statements of the Inverness Water and Sanitation District as of and for the year ended December 31, 2020 and 2019, and the related notes to the financial statements, 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 the 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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 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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Inverness Water and Sanitation District as of December 31, 2020 and 2019, and the changes in financial position and its cash flows for the years then ended in conformity 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 i – iv 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.

Supplementary Information and Other Information

Our audit was performed for the purpose of forming opinions on the financial statements and related notes to financial statements that collectively comprise the Inverness Water and Sanitation District's basic financial statements. The budgetary comparison schedule and schedule of assessed valuation, mill levy and property taxes collected are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Other Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Logan and Associates, LLC

Aurora, Colorado
June 3, 2021

**Inverness Water and Sanitation District
Management Discussion and Analysis
December 31, 2020**

This management's discussion and analysis of the Inverness Water and Sanitation District (the "District") financial statements provides an overview of the District's financial activities for the fiscal year ended December 31, 2020. The intent of this discussion and analysis is to look at the District's financial performance as a whole; it should be read in conjunction with the basic financial statements and notes to enhance the reader's understanding of the District's overall financial and operational performance.

The District's 2020 operating revenues were about 15% higher than 2019 while operating expenses increased 8% from 2019 to 2020. The District revenue increase was attributable to high irrigation volumes throughout a dry 2020 and a 5% increase in water rates. In-building water consumption decreased related to COVID 19, however, that impact was dwarfed by the increase in irrigation water sales. Water costs were the primary driver of the operating costs increases. The District has increased use of more expensive renewable water supplies rather than production from the District's non-renewable deep well supply as well. The District has raised water rates over the past several years anticipating these increased water costs.

The District's net position for the year ended 2020 is approximately \$42.1MM compared to \$41.5MM at year end 2019. The District has very strong liquidity with current assets exceeding current liabilities by over \$6.0MM. The District's net investment in capital assets (fixed assets less long-term debt) is over \$23.3MM.

The District's strong liquidity and net position provide the District with the capability to upgrade and improve system infrastructure along with considerable operating cushion.

Financial Highlights

The Statement of Net Position describes the District's financial condition as of December 31, 2020, the close of the most recent fiscal year. The assets of the District exceeded its liabilities and deferred inflows of resources by \$42,066,395. As described in Note 4 and Note 7 of the financial statements, the District has \$29,744,497 of capital assets net of depreciation and investments of \$12,021,144 in authorities. These assets generally consist of land, wells, water rights, water and sewer treatment facilities, pipelines and other infrastructure required to provide water and sewer services for the District. By their nature, these assets are not available for future spending.

The District has \$4,168,848 of long-term liabilities. During 2020, the District repaid principal of \$2,302,897 on its general obligation debt. Note 5 describes the interest and payment terms of the various bonds and notes that comprise the long-term debt. The debt service payments are funded by property taxes assessed by the District.

Overview of the Financial Statements

This annual report consists of three parts; 1) Management's discussion and analysis (this section), 2) the Financial Statements including the accompanying footnotes, and 3) the Supplementary and Other Information.

The Financial Statements include the Statement of Net Position, the Statement of Revenues, Expenses and Change in Fund Net Position, the Statement of Cash Flows, and the Notes to Financial Statements which provide information integral to the Financial Statements.

These statements report information about the District as a whole and include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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 the District's

**Inverness Water and Sanitation District
Management Discussion and Analysis
December 31, 2020**

Net Position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other non-financial factors, however, such as changes in the District's property tax base and the condition of the infrastructure, are needed to assess the *overall health* of the District. The District operated with an increase in Net Position in both 2020 and 2019.

The Statement of Revenues, Expenses, and Changes in Net position presents information showing how the District'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 the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods such as 'deferred property taxes'.

The District's activity is reported as a business-type fund, which distinguishes operating revenues and expenses from non-operating items. This one proprietary fund combines the revenues and expenses of the water and wastewater operations as operating revenues and expenses. Not all revenues and expenses are considered operating revenues. Property and specific ownership taxes are reported as non-operating revenues. In addition, system development fees are reported as capital contributions and are netted in the "Other non-operating revenues and expenses" line item in the accompanying summary statements. Following are summary comparative financial statement information for the most recent two fiscal year-ends:

Comparative Statements of Net Position as of December 31:

	2020	2019
ASSETS		
Total current assets	\$ 7,585,491	\$ 9,635,777
Property tax receivable	1,552,000	1,557,000
Investment in Authorities	12,021,144	10,281,993
Capital assets, net	29,744,497	29,982,215
Total liabilities	\$ 50,903,132	\$ 51,456,985
DEFERRED OUTFLOWS OF RESOURCES		
Cost of Refunding	\$ 11,491	\$ 17,237
LIABILITIES		
Current liabilities	850,440	240,032
Current portion of Long-term debt	2,276,940	2,226,487
Long-term debt	4,168,848	5,877,805
Total Liabilities	\$ 7,296,228	\$ 8,344,324
DEFERRED INFLOWS OF RESOURCES		
Property tax revenue	\$ 1,552,000	\$ 1,557,000
NET POSITION		
Net investment in capital assets	23,298,709	21,877,923
Restricted fund balances	111,000	99,000
Unrestricted fund balances	18,656,686	19,595,975
Total Net Position	\$ 42,066,395	\$ 41,572,898

**Inverness Water and Sanitation District
Management Discussion and Analysis
December 31, 2020**

**Comparative Statements of Revenues, Expenses and Changes in
Net Position for the years ended December 31:**

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Water charges	\$ 2,509,266	\$ 1,830,199
Wastewater charges	1,123,316	1,276,912
Other operating revenue	235,787	267,187
Total Operating Revenues	<u>\$ 3,868,369</u>	<u>\$ 3,374,298</u>
OPERATING EXPENSES		
Water expenses	2,079,029	1,602,743
Wastewater expense	526,691	729,607
Professional services & administrative	1,069,277	956,450
Depreciation	1,552,981	1,538,450
Total Operating Expenses	<u>\$ 5,227,978</u>	<u>\$ 4,827,250</u>
NET OPERATING INCOME (LOSS)	<u>\$ (1,359,609)</u>	<u>\$ (1,452,952)</u>
NON-OPERATING REVENUES & EXPENSES		
Property & specific ownership taxes	1,754,313	1,837,725
Increase in investment in authorities	-	1,907,714
Interest expense	(214,425)	(217,807)
Other non-operating items (net)	52,980	102,147
Net non-operating income	<u>\$ 1,592,868</u>	<u>\$ 3,629,779</u>
CAPITAL CONTRIBUTIONS		
Tap fees	<u>\$ 260,238</u>	<u>\$ 346,833</u>
CHANGES IN NET POSITION	<u>\$ 493,497</u>	<u>\$ 2,523,660</u>
NET POSITION, beginning	<u>\$ 41,572,898</u>	<u>\$ 39,049,238</u>
NET POSITION, ending	<u>\$ 42,066,395</u>	<u>\$ 41,572,898</u>

Budgetary Highlights

The District's procedures in establishing budgetary data reflected in the financial statements are summarized in *Note 2* of the financial statements. The budget to actual comparison is presented in the supplementary information accompanying the financial statements.

Revenues

The District's 2020 operating revenues were over budget by \$336,369 generally as a result of District customers irrigating more in a dry year. The District's non-operating revenues were under budget by \$1,007,369. The District anticipated draws on the CWCB WISE infrastructure notes that were mostly deferred until 2021.

Expenses

The District's total operating expenses were \$57,997 more than budgeted operating expenses. The District's contributions to authorities and capital outlays were \$4,608,783 under budget.

**Inverness Water and Sanitation District
Management Discussion and Analysis
December 31, 2020**

Debt service fund

The District collected 91% of budgeted property taxes. The District paid the scheduled amounts due for principal and interest on the District's general obligation debt.

Contacting the District's Financial Management

This financial report is designed to provide our residents, customers, taxpayers, and creditors with a general overview of the District's financials and to show the District's accountability for the income it receives. If you have any questions regarding this report or need additional financial information, please contact District management per the following:

Mulhern MRE, Inc., District Manager
Inverness Water and Sanitation District
188 Inverness Drive West, Suite 150
Englewood, CO 80112

Phone: (303) 649-9857

BASIC FINANCIAL STATEMENTS

INVERNESS WATER AND SANITATION DISTRICT

STATEMENTS OF NET POSITION

December 31, 2020 and 2019

	2020	2019
ASSETS		
Current Assets		
Cash and Investments	\$ 5,928,563	\$ 8,091,150
Accounts Receivable - Service Charges	290,602	219,669
Accounts Receivable - Other	119,591	18,961
LTCWRF Renewal and Replacement Reserve	1,245,569	1,305,370
Prepaid Expenses	1,166	627
Property Taxes Receivable	1,552,000	1,557,000
Total Current Assets	9,137,491	11,192,777
Other Assets		
Investments in Authorities	12,021,144	10,281,993
Capital Assets		
Capital Assets, Not Being Depreciated	5,041,768	5,103,614
Capital Assets, Net of Accumulated Depreciation	24,702,729	24,878,601
Total Capital Assets	29,744,497	29,982,215
TOTAL ASSETS	50,903,132	51,456,985
DEFERRED OUTFLOWS OF RESOURCES		
Cost of Refunding, Net of Accumulated Amortization	11,491	17,237
LIABILITIES		
Current Liabilities		
Accounts Payable	792,512	191,553
Escrow Deposits Payable	8,000	8,000
Accrued Compensated Absences Payable	7,126	14,800
Accrued Interest Payable	42,802	25,679
Loans and Bonds Payable, Current Portion	2,276,940	2,226,487
Total Current Liabilities	3,127,380	2,466,519
Noncurrent Liabilities		
Loans and Bonds Payable	4,168,848	5,877,805
Total Noncurrent Liabilities	4,168,848	5,877,805
TOTAL LIABILITIES	7,296,228	8,344,324
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - Property Taxes	1,552,000	1,557,000
NET POSITION		
Net Investment in Capital Assets	23,298,709	21,877,923
Restricted for Emergency Reserve	111,000	99,000
Unrestricted	18,656,686	19,595,975
TOTAL NET POSITION	\$ 42,066,395	\$ 41,572,898

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

INVERNESS WATER AND SANITATION DISTRICT

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
Years Ended December 31, 2020 and 2019

	2020	2019
OPERATING REVENUES		
Charges for Services		
Water System	\$ 2,509,266	\$ 1,830,199
Wastewater System	1,123,316	1,276,912
Contract Operating Fees	171,600	165,000
Solar Revenue	61,009	51,326
Other	3,178	50,861
	3,868,369	3,374,298
OPERATING EXPENSES		
General & Administrative	1,069,277	956,450
Water Operations	2,079,029	1,602,743
Sewer Operations	526,691	729,607
Depreciation	1,552,981	1,538,450
	5,227,978	4,827,250
	(1,359,609)	(1,452,952)
NON-OPERATING REVENUES (EXPENSES)		
Property Taxes	1,414,762	1,516,936
Specific Ownership Taxes and Other Tax Equivalent Revenue	124,912	132,440
Property Tax Equivalent	214,639	188,349
Investment Income	83,000	130,626
Income from Investment in Authorities	-	1,907,714
County Treasurer's Fees	(24,274)	(22,733)
Debt Service - Interest Expense and Fiscal Charges	(214,425)	(217,807)
Amortization Cost of Refunding	(5,746)	(5,746)
	1,592,868	3,629,779
	233,259	2,176,827
CAPITAL CONTRIBUTIONS		
Tap Fees	260,238	346,833
	260,238	346,833
	493,497	2,523,660
NET POSITION, Beginning	41,572,898	39,049,238
NET POSITION, Ending	\$ 42,066,395	\$ 41,572,898

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

INVERNESS WATER AND SANITATION DISTRICT

STATEMENTS OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents
Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 3,461,019	\$ 3,039,720
Cash Received from Contract Services	171,600	165,000
Cash Received from Solar Revenue	61,009	51,326
Other Receipts	3,178	50,861
Cash Payments to Suppliers	(2,734,315)	(3,156,920)
Cash Payments to Employees and Related Benefits	(347,936)	(288,818)
Net Cash Provided (Used) by Operating Activities	614,555	(138,831)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property Taxes	1,414,762	1,516,936
Specific Ownership Taxes	124,912	132,440
Property Tax Equivalent	214,639	188,349
County Treasurer's Fees	(24,274)	(22,733)
Net Cash Provided by Noncapital Financing Activities	1,730,039	1,814,992
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash Received from Tap Fees	260,238	346,833
Income from Investment in Authorities	-	1,907,714
Acquisition of Capital Assets	(1,315,263)	(444,912)
CWCB Loan Proceeds	644,393	37,444
Principal Paid	(2,302,897)	(564,364)
Debt Service - Interest Expense and Fiscal Charges	(197,306)	(236,625)
Net Cash Provided (Used) by Capital and Related Financing Activities	(2,910,835)	1,046,090
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Investment Activity	83,000	130,626
LTCWRF Renewal and Replacement Reserve (Increase)	59,805	(132,405)
Net Investment in Authorities	(1,739,151)	(90,222)
Net Cash Provided (Used) by Investing Activities	(1,596,346)	(92,001)
Increase (Decrease) in Cash and Cash Equivalents	(2,162,587)	2,630,250
CASH AND CASH EQUIVALENTS, Beginning	8,091,150	5,460,900
CASH AND CASH EQUIVALENTS, Ending	\$ 5,928,563	\$ 8,091,150
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (1,359,609)	\$ (1,452,952)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Depreciation	1,552,981	1,538,450
Changes in Assets and Liabilities		
Accounts Receivable	(171,563)	(67,391)
Prepaid Expenses	(539)	(627)
Accounts Payable	600,959	(136,298)
Escrow Deposits Payable	-	(21,000)
Accrued Compensated Absences Payable	(7,674)	987
Net Cash Provided (Used) by Operating Activities	\$ 614,555	\$ (138,831)

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

INVERNESS WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Inverness Water and Sanitation District (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 Arapahoe and Douglas Counties, Colorado. The District was established in 1973 to provide water, sewer and storm drainage services and facilities to the District commercial business and residents. The District's primary revenue sources are property taxes and water and sewer charges. The District is governed by an elected five-member Board of Directors.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

Reporting Entity

The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if District officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. The District may also be financially accountable for organizations that are fiscally dependent upon it. Based on the application of the criteria, the District does not include additional organizations in its reporting entity.

Fund Accounting

The District uses a proprietary fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District uses a proprietary fund-type, an enterprise fund, to account for its activities of providing water and wastewater collection, transmission and treatment services to District residents. The enterprise fund uses the economic resources measurement focus and the accrual basis of accounting for reporting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

INVERNESS WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

The activities of the fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses. The fund distinguishes operating revenues and expenses from non-operating revenues and expenses, and capital contributions. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Net Position

Cash Equivalents and Investments - Cash equivalents include cash deposits and highly liquid investments with original maturities of three months or less when purchased. Investments are reported at fair value.

Accounts Receivables - All receivables are reported at their gross value. User services charges and tap fees create a perpetual lien on or against a property service until paid. Such liens may be foreclosed upon as provided by State statute. Therefore, an allowance for uncollectible accounts is not reported for user service charges and tap fees. The District collects reimbursement of engineering and design costs from developers in the District. The District believes all such reimbursable amounts are fully collectible, and therefore, has not reported an allowance for uncollectible accounts.

Capital Assets - Capital assets include water and supply contract rights, land and easements, water system, effluent water system, sewer system, storm drainage system, vehicles and equipment, are reported in the financial statements net of accumulated depreciation. Capital assets are defined by the District as assets with an individual cost of more than \$5,000 and an initial estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements that will be conveyed to other governmental entities are classified as construction in

INVERNESS WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

progress and are not depreciated. Land and easements are not depreciated.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives.

Water and Sewer Systems	10 - 50 years
Effluent Irrigation System	25 - 50 years
Storm Drainage System	45 - 50 years
Equipment and Vehicles	5 years

Water rights include acquisition, legal, and engineering costs related to the development and augmentation of those rights. Water rights have a perpetual life, therefore the cost is not amortized. All other costs, including costs incurred for the protection of those rights are expensed.

Compensated Absences – The District accrues vacation pay when earned. These amounts are reported in Accrued Compensated Absences Payable on the Statement of Net Position.

Long-Term Obligations – Long-term debt and other long-term obligations are reported at face value, net of unamortized debt premiums and discounts, as liabilities in the financial statements. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. The cost of refunding is reported as deferred outflows of resources and is amortized over the life of the related debt.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement classification represents a consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditures) until then. The District has an item related to debt refunding costs that is reported as deferred outflows of resources at December 31, 2020 and 2019.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement classification represents an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until then. The District has an item related to unavailable revenue – property taxes that is reported as deferred inflows of resources at December 31, 2020 and 2019.

INVERNESS WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

Capital Contributions – Tap fees collected are recorded as capital contributions when received. Water and sewer lines contributed to the District by developers are recorded as capital contributions when conveyance of the lines are received.

Net Position – Net position results from the accumulation of net earnings from operating income, non-operating revenues and expenses, and capital contributions and are classified in the financial statements as follows:

- Net Investment in Capital Assets – The investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of related debt obligations and deferred inflows of resources.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – This classification includes the residual net position that does not meet the classification of “net investment in capital assets” or “restricted.”

Property Taxes

Property taxes attach as an enforceable lien on property on January 1 and are levied the following January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The Arapahoe and Douglas County Treasurer’s Offices collect property taxes and remit to the District on a monthly basis. Since property taxes are collected in arrears during the succeeding year, a receivable and corresponding deferred inflow of resources are reported at December 31.

Use of Estimates

The preparation of the financial statements in conformity with 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.

Subsequent Events

The District has evaluated events subsequent to the year ended December 31, 2020 through June 3, 2021, the date these financial statements were issued, and has incorporated any required recognition into these financial statements.

INVERNESS WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- The budget is legally adopted by the District. The budget is adopted on a non-GAAP budgetary basis. Capital outlay and long-term debt principal payments are budgeted as expenditures, and depreciation, and amortization of debt premium/discounts, and costs of debt refunding are not budgeted.
- The District appropriates expenditures for the enterprise/operations fund and capital expenditures, and a separate appropriation for the related debt service.
- Prior to October 15, management submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1.
- The operating budget includes proposed expenditures and the means of financing them.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- Management is authorized to transfer budgeted amounts between departments within the fund. However, any revisions that alter the total expenditures of the fund must be approved by the Board of Directors.
- All appropriations lapse at year end. Colorado governments may not exceed budgeted appropriations at the fund level.

NOTE 3: CASH AND INVESTMENTS

A summary of cash and investments at December 31, 2020 and 2019, follows:

	<u>2020</u>	<u>2019</u>
Cash Deposits	\$ 630,848	\$ 413,149
Investments	<u>5,297,715</u>	<u>7,678,001</u>
Total	<u>\$ 5,928,563</u>	<u>\$ 8,091,150</u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of Federal Deposit Insurance Corporation (FDIC) levels must be collateralized by eligible collateral as determined by the PDPA.

INVERNESS WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 3: CASH AND INVESTMENTS (Continued)

The FDIC insures depositors up to \$250,000 for each financial institution. The 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 uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2020, the District had bank balances totaling \$725,781 of which \$250,000 were insured by FDIC and \$475,781 were collateralized with securities held by the financial institution's agent but not in their name.

Investments

The District has not adopted a formal investment policy; however, the District follows State statutes regarding investments. The District generally limits its concentration of investments to Local Government Investment Pools, obligation of the United States and certain U.S. government agency securities, 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 requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors, such actions are generally associated with a debt service reserve or sinking fund requirements.

State statutes specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest which include the following.

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

At December 31, 2020 and 2019, the District had the following investments:

	<u>Maturity</u>	<u>2020</u>	<u>2019</u>
Colorado Liquid Asset Trust (COLOTRUST)	Weighted Average under 60 days	<u>\$ 5,297,715</u>	<u>\$ 7,678,001</u>

INVERNESS WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 3: CASH AND INVESTMENTS (Continued)

The District invested in the Colorado Government Liquid Asset Trust (COLOTRUST) (the "Trust"), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers share in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as the safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAA by Standard and Poor's. 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 period.

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INVERNESS WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2020, is summarized below:

	Balances 12/31/2019	Additions	Deletions Reclassification	Balances 12/31/2020
Governmental Activities:				
Capital Assets, not being depreciated				
Water and Supply Contract Rights	\$ 4,776,202	\$ 3,536	\$ -	\$ 4,779,738
Land and Easements	67,417	-	-	67,417
Construction in Progress	259,995	1,111,232	1,176,614	194,613
Total Capital Assets, not being depreciated	<u>5,103,614</u>	<u>1,114,768</u>	<u>1,176,614</u>	<u>5,041,768</u>
Capital Assets, being depreciated				
Water System	17,540,948	770,239	-	18,311,187
Effluent Irrigation System	3,809,170	113,798	346,207	3,576,761
Sewer System	24,103,136	493,072	(346,207)	24,942,415
Storm Drainage System	3,474,804	-	-	3,474,804
Equipment and Vehicles	259,948	-	-	259,948
Total Capital Assets, being depreciated	<u>49,188,006</u>	<u>1,377,109</u>	<u>-</u>	<u>50,565,115</u>
Less accumulated depreciation				
Water System	(8,902,271)	(578,892)	-	(9,481,163)
Effluent Irrigation System	(2,812,688)	(110,331)	(657,732)	(2,265,287)
Sewer System	(10,800,917)	(761,230)	657,732	(12,219,879)
Storm Drainage System	(1,633,797)	(69,498)	-	(1,703,295)
Equipment and Vehicles	(159,732)	(33,030)	-	(192,762)
Total accumulated depreciation	<u>(24,309,405)</u>	<u>(1,552,981)</u>	<u>-</u>	<u>(25,862,386)</u>
Total Capital Assets, being depreciated, net	<u>24,878,601</u>	<u>(175,872)</u>	<u>-</u>	<u>24,702,729</u>
Governmental Activities Capital Assets, net	<u>\$ 29,982,215</u>	<u>\$ 938,896</u>	<u>\$ 1,176,614</u>	<u>\$ 29,744,497</u>

NOTE 5: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended December 31, 2020:

	Balances 12/31/2019	Borrowings	Repayments	Balances 12/31/2020	Due Within One Year
2012 GO Refunding Bonds	\$ 5,885,000	\$ -	\$ 2,210,000	\$ 3,675,000	\$ 2,260,000
CWCB 2014 Loan - Note A	1,628,095	-	76,409	1,551,686	-
CWCB 2014 Loan - Note B	431,914	-	16,488	415,426	16,940
CWCB 2014 Loan - Note C	-	459,201	-	459,201	-
CWCB 2014 Loan - Note D	159,283	185,192	-	344,475	-
Totals	<u>\$ 8,104,292</u>	<u>\$ 644,393</u>	<u>\$ 2,302,897</u>	<u>\$ 6,445,788</u>	<u>\$ 2,276,940</u>

INVERNESS WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 5: LONG-TERM DEBT (Continued)

Series 2012 GO Refunding Bonds

On April 3rd 2012, the District issued bonds in the amount of \$10,000,000, titled Series 2012 General Obligation Refunding Bonds. The proceeds were used to refund and pay-off the Series 2008 Bonds. Principal and interest payments are due semi-annually on June 1 and December 1. Interest accrues at 2.39% per annum. The Bonds are secured by pledged property tax revenues derived by the required mill levy.

The Series 2012 Bonds shall be subject to redemption prior to maturity, in whole or in part, at the option of the District on any interest payment date at par with no redemption premium.

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2012 Bonds:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 2,260,000	\$ 87,833	\$ 2,347,833
2022	<u>1,415,000</u>	<u>33,819</u>	<u>1,448,819</u>
Total	<u>\$ 3,675,000</u>	<u>\$ 121,652</u>	<u>\$ 3,796,652</u>

2014 Colorado Water Conservation Board (CWCB) Loan

On May 22, 2014, the District entered into a loan agreement with the CWCB for an amount not to exceed \$4,908,600 for costs related to the District's participation in the Water Infrastructure and Supply Efficiency Authority (WISE) project. The District's draws and repayment obligation will be evidenced by four separate promissory notes as follows:

- Note A* – \$1,845,270 for the District's share of the Western Pipeline,
- Note B* – \$1,181,700 for the District's share of cost of Phase 1 Infrastructure to be constructed by WISE,
- Note C* – \$1,427,130 for the District's share of cost for Phase 2 Infrastructure to be constructed by WISE, and
- Note D* – \$454,500 for the District's share of the cost of a use of pipeline.

This loan is pledged by an ad valorem property tax revenue. Interest accrues at 2.75% per annum for each individual promissory note commencing on the date of the initial note draw. Principal and interest payments will commence 1 year from the date CWCB determines the projects are substantially complete. As of December 31, 2020 and 2019, \$3,080,860 and \$2,436,467, respectively, had been drawn from CWCB.

INVERNESS WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 5: LONG-TERM DEBT (Continued)

Annual debt service requirements for Note A and Note B as at December 31, 2020 are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 16,940	\$ 11,424	\$ 28,364
2022	95,917	53,629	149,546
2023	98,555	50,992	149,547
2024	101,265	48,282	149,547
2025	104,050	45,497	149,547
2026 – 2030	564,775	182,958	747,733
2031 – 2035	646,823	100,911	747,734
2036 – 2039	<u>338,787</u>	<u>17,034</u>	<u>355,821</u>
Total	<u>\$ 1,967,112</u>	<u>\$ 510,727</u>	<u>\$ 2,477,839</u>

The payment schedules for Notes C and D are unavailable as they are contingent upon the projects being substantially complete.

Debt Authorization

At elections held May 4, 2004 and November 1, 2005, a majority of the qualified electors of the District who voted in the elections authorized the issuance of general obligation indebtedness in an amount not to exceed \$15,000,000 for the purposes of the extension and improvements of the existing sanitary sewer system and \$20,000,000 for the extension and improvement of the existing potable and non-potable water supply, storage transmission and distribution system of the District, respectively. After the issuance of Series 2008 Bonds, which were refunded with the Series 2012 Refunding Bonds, the District has the authority to issue additional obligations for sanitary sewer purposes in the amount of \$3,154,400 from the May 2004 election and \$4,561,110 from the November 2005 election and to issue \$13,210,000 for water improvements from the November 2005 election.

NOTE 6: INTERGOVERNMENTAL AGREEMENTS

Loan Tree Creek Water Reclamation Facility (LTCWRF)

On April 19, 2005, the District entered into an agreement with Arapahoe County Water and Wastewater Authority (ACWWA) to share in the modifications and expansion of the existing ACWWA wastewater treatment facility to construct the LTCWRF. The LTCWRF expansion provided a total treatment capacity of 3.6 million gallons per day with the District's capacity at 1.1 million gallons per day. The expansion was completed, and the District began sending flows to the LTCWRF in July 2009. The District's capacity in the LTCWRF is intended to accommodate all future water treatment needs. The District's wastewater treatment plant and advanced wastewater treatment plant used prior to the LTCWRF expansion are currently idle.

INVERNESS WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 6: INTERGOVERNMENTAL AGREEMENTS (Continued)

On September 20, 2011, the District and ACWWA executed the first amendment to the aforementioned agreement. This amendment defined the treatment rates to be paid by the District. This amendment also established a renewal and replacement reserve for the LTCWRF. The District and ACWWA are to make annual deposits of \$132,384 and \$300,949, respectively, for this reserve until a maximum reserve balance of \$7,500,000 is attained. For the year ended December 31, 2020 and 2019, the District made reserve deposits of \$132,409 each year. As of December 31, 2020 and 2019 the District's renewal and replacement reserve balances were \$1,245,569 and \$1,305,370, respectively.

Cottonwood Water and Sanitation District

The District has an intergovernmental agreement with Cottonwood Water and Sanitation District (Cottonwood) in which the District provided operations and maintenance of the Cottonwood facilities for a monthly fee of \$14,300 and \$13,750, respectively, for the years ended December 31, 2020 and 2019.

NOTE 7: INVESTMENTS IN AUTHORITIES

Cherry Creek Project Water Authority

On October 14, 2005, the Cherry Creek Project Water Authority (Cherry Creek Authority) was created by a Water Project Agreement between the District, Cottonwood Water and Sanitation District, ACWWA, and Denver Southeast Suburban Water and Sanitation District. On November 17, 2005, the Cherry Creek Authority purchased certain water rights, well rights, facilities and storage rights at a bankruptcy action for \$14,000,000 plus closing costs. The District's share of participation is 31.12%, which had a value of \$5,564,040 and \$5,570,469, at December 31, 2020 and 2019, respectively. For a copy of the Cherry Creek Authority's financial statements, contact the Cherry Creek Authority.

South Metro Water Supply Authority (SMWSA) – Barr Lake Pipeline Enlargement

On March 25, 2005, certain members of SMWSA entered into an agreement with East Cherry Creek Valley Water and Sanitation District (ECCV) to participate in the incremental enlargement capacity in the ECCV Barr Lake Pipeline. Pursuant to this agreement, the District contributed \$732,200 to reserve future transmission capacity of 0.7 million gallons per day. The District does not currently have any connecting infrastructure to utilize this line capacity and will need to construct such facilities if the District is to use the pipeline capacity in the future. At December 31, 2020 and 2019, the District reported \$732,200 as Investments in Authorities.

INVERNESS WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 7: INVESTMENTS IN AUTHORITIES (Continued)

South Metro Water Supply Authority – WISE Partnership (WISE)

On March 31, 2013, the District entered into an amended WISE Negotiations and Cost Sharing Participation Agreement with South Metro Water Supply Authority (SMWSA). In the amended agreement the costs will be shared based on the participants' pro-rata share of the annual subscription amount in relation to the total of all annual subscription amounts. The District has committed to subscribing to 500 acre feet (5.0%) out of a revised total of 10,000 (previously 7,225) acre feet of renewable water to be delivered annually from the WISE Partnership. In December of 2013, the District along with other members of the WISE Partnership entered into the WISE Partnership-Water Delivery Agreement between the City and County of Denver, acting by and through its Board of Water Commissioners, the City of Aurora acting by and through its Utility Enterprise, and the South Metro WISE Authority. The Water Delivery Agreement is the overarching agreement that defines the terms under which Denver and Aurora will deliver water to the South Metro WISE Authority members.

Pursuant to the WISE Agreements, the District pays its proportionate share of WISE capital costs, operations and maintenance costs, and the cost of water delivered. During the year ended December 31, 2020 and 2019, the District analyzed its investment in WISE, and adjusted the amount to \$5,724,904 and \$3,979,324, respectively, which is reported as Investment in Authorities in the financial statements. The District received its first water deliveries from the WISE project in 2017. For the years ended December 31, 2020 and 2019, the District's water purchases were \$774,279 and \$412,172, respectively.

NOTE 8: EXCLUDED PROPERTIES

The District has excluded approximately 80 acres under various agreements dated between 2005 and 2020. The District will continue to provide facilities, services and programs to these properties in the same manner and to the same extent as previously provided. These property owners are obligated to pay debt service property taxes for debt service existing prior to the exclusion. Additionally, The are obligated to pay a tax equivalency fee for debt service on bonds issued after their exclusion.

NOTE 9: RISK MANAGEMENT

Public Entity Risk Pool

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets. The District plans to provide for or restore the economic damages of those losses through risk transfer. The District participates in the Colorado Special Districts Property and Liability Pool and Workmen's Compensation Pool (the "Pool").

INVERNESS WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 9: RISK MANAGEMENT (Continued)

Public Entity Risk Pool (Continued)

The purposes of the Pool are to provide members defined liability, property, and workers compensation coverages and to assist members in preventing and reducing losses and injuries to property and to persons or property which might result in claims being made against members of the Pool, their employees and officers.

It is the intent of the members of the Pool to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of the Pool against stated liability of loss, to the limit of the financial resources of the Pool. It is also the intent of the members to have the Pool provide continuing stability and availability of needed coverages at reasonable costs.

All income and assets of the Pool shall be at all times dedicated to the exclusive benefit of its members. The Pool is a separate legal entity and the District does not approve budgets nor does it have the ability to significantly affect the operations of the Pool.

NOTE 10: COMMITMENTS AND CONTINGENCIES

Tabor Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR), 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.

Enterprises, defined as government-owned business 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. The District establishes separate budgets for enterprise activity and general government activity. Budgeted general government activity consists only of tax revenue and expenditures related to the District's debt obligations. The District has made certain interpretations of the Amendment's language in order to determine compliance.

On November 1, 2005, a majority of the District voters authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the State Constitution.

INVERNESS WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 10: COMMITMENTS AND CONTINGENCIES (Continued)

Tabor Amendment (Continued)

The District's management believes a significant portion of its operations qualifies for the "enterprise" exclusion allowed by the Amendment. The District believes it is in compliance with the requirements of the Amendment.

The District has established an emergency reserve, representing 3% of fiscal year spending, as required by the Amendment. At December 31, 2020, the emergency reserve of \$111,000 was reported as a restriction of net position in the statement of net position.

Uncertainty – Coronavirus Pandemic

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. The coronavirus and actions taken by government and public health officials to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets in many countries, including the geographical area in which the District is located. It is unknown how long these conditions will last and what the complete financial impact will be to the District.

SUPPLEMENTARY INFORMATION

INVERNESS WATER AND SANITATION DISTRICT

BUDGETARY COMPARISON SCHEDULE - (Non-GAAP BASIS)

WITH RECONCILIATION TO GAAP BASIS

Year Ended December 31, 2020

(With Comparative Actual Totals for the Year Ended December 31, 2019)

	2020		VARIANCE Positive (Negative)	2019
	ORIGINAL AND FINAL BUDGET	ACTUAL		ACTUAL
<u>ENTERPRISE FUND:</u>				
<u>REVENUES</u>				
Operating				
Charges for Services				
Water System	\$ 1,945,000	\$ 2,509,266	\$ 564,266	\$ 1,830,199
Wastewater System	1,321,000	1,123,316	(197,684)	1,276,912
Other	266,000	235,787	(30,213)	267,187
Total Operating Revenues	<u>3,532,000</u>	<u>3,868,369</u>	<u>336,369</u>	<u>3,374,298</u>
Non-Operating				
Tap Fees	191,000	260,238	69,238	346,833
Income from Investment in Authorities	-	-	-	1,907,714
CWCB Loan Proceeds	1,704,000	644,393	(1,059,607)	37,444
Net Investment Income	100,000	83,000	(17,000)	130,626
Total Non-Operating Revenues	<u>1,995,000</u>	<u>987,631</u>	<u>(1,007,369)</u>	<u>2,422,617</u>
TOTAL REVENUES	<u>5,527,000</u>	<u>4,856,000</u>	<u>(671,000)</u>	<u>5,796,915</u>
<u>EXPENSES</u>				
General & Administrative				
Salaries and Wages	234,000	255,936	(21,936)	215,382
Employee Benefits and Payroll Taxes	77,000	84,326	(7,326)	74,423
Professional Fees	86,000	54,781	31,219	47,681
Rent	30,000	25,917	4,083	27,172
Landscape Maintenance	21,000	26,723	(5,723)	21,009
Office and Communication	35,000	62,212	(27,212)	50,395
Insurance	65,000	57,681	7,319	57,005
Management and Accounting	354,000	354,000	-	345,796
CCPWA, WISE, ECCV & DIA Operating Costs	96,000	127,567	(31,567)	98,559
Miscellaneous	16,000	20,134	(4,134)	19,028
Total General & Administrative	<u>1,014,000</u>	<u>1,069,277</u>	<u>(55,277)</u>	<u>956,450</u>
Water Operations				
Denver Water Purchases	700,000	687,032	12,968	743,555
WISE Water Purchases	600,000	774,279	(174,279)	412,172
Supplies	119,000	95,181	23,819	83,432
Repairs and Maintenance	200,000	335,250	(135,250)	159,643
Utilities	190,000	187,287	2,713	203,941
Total Water Operations	<u>1,809,000</u>	<u>2,079,029</u>	<u>(270,029)</u>	<u>1,602,743</u>
Sewer Operations				
Wastewater Treatment	744,000	465,736	278,264	723,738
Repairs and Maintenance	-	60,955	(60,955)	5,869
Total Sewer Operations	<u>744,000</u>	<u>526,691</u>	<u>217,309</u>	<u>729,607</u>
Contingency	50,000	-	50,000	-
Total Operating Expenses	<u>3,617,000</u>	<u>3,674,997</u>	<u>(57,997)</u>	<u>3,288,800</u>
Non-Operating and Capital Outlay				
Capital Outlay	2,390,000	1,315,263	1,074,737	444,912
Investment in Authorities (CCPWA, SMWISE)	5,273,197	1,739,151	3,534,046	90,222
Total Non-Operating and Capital Outlay Expenses	<u>7,663,197</u>	<u>3,054,414</u>	<u>4,608,783</u>	<u>535,134</u>
TOTAL EXPENSES	<u>11,280,197</u>	<u>6,729,411</u>	<u>4,550,786</u>	<u>3,823,934</u>
NET CHANGE IN FUNDS AVAILABLE	<u>\$ (5,753,197)</u>	<u>(1,873,411)</u>	<u>\$ 3,879,786</u>	<u>1,972,981</u>
FUNDS AVAILABLE - BEGINNING OF YEAR		<u>39,409,828</u>		<u>37,436,847</u>
FUNDS AVAILABLE - END OF YEAR		<u>\$ 37,536,417</u>		<u>\$ 39,409,828</u>

(Continued)

See the accompanying Independent Auditor's Report.

INVERNESS WATER AND SANITATION DISTRICT

BUDGETARY COMPARISON SCHEDULE - (Non-GAAP BASIS)
WITH RECONCILIATION TO GAAP BASIS

Year Ended December 31, 2020

(With Comparative Actual Totals for the Year Ended December 31, 2019)

	2020		VARIANCE	2019
	ORIGINAL AND FINAL BUDGET	ACTUAL	Positive (Negative)	ACTUAL
<u>BOND FUND:</u>				
REVENUES				
Property Taxes	\$ 1,550,000	\$ 1,414,762	\$ (135,238)	\$ 1,516,936
Specific Ownership Taxes	134,000	124,912	(9,088)	132,440
Property Tax Equivalent	215,000	214,639	(361)	188,349
TOTAL REVENUES	1,899,000	1,754,313	(144,687)	1,837,725
EXPENDITURES				
County Treasurers Fees	24,000	24,274	(274)	22,733
Paying Agent Fees	1,000	-	1,000	-
Debt Service				
Series 2012 - Principal	2,210,000	2,210,000	-	490,000
Series 2012 - Interest	141,000	214,425	(73,425)	152,363
CWCB Loan - Principal	93,000	92,897	103	74,364
CWCB Loan - Interest	93,000	-	93,000	65,444
Contingency	50,000	-	50,000	-
TOTAL EXPENDITURES	2,612,000	2,541,596	70,404	804,904
CHANGE IN NET POSITION - BOND FUND, Budgetary Basis	<u>\$ (713,000)</u>	<u>(787,283)</u>	<u>\$ (74,283)</u>	<u>1,032,821</u>
BEGINNING FUNDS AVAILABLE - BOND FUND		<u>1,944,980</u>		<u>912,159</u>
ENDING FUNDS AVAILABLE - BOND FUND		<u>\$ 1,157,697</u>		<u>\$ 1,944,980</u>
TOTAL DISTRICT REVENUES (Budgetary Basis)		6,610,313		7,634,640
TOTAL DISTRICT EXPENDITURES (Budgetary Basis)		9,271,007		4,628,838
TOTAL DISTRICT BEGINNING FUNDS AVAILABLE		<u>41,354,808</u>		<u>38,349,006</u>
TOTAL DISTRICT ENDING FUNDS AVAILABLE		<u>\$ 38,694,114</u>		<u>\$ 41,354,808</u>
<u>RECONCILIATION TO GAAP BASIS:</u>				
TOTAL DISTRICT REVENUES (Budgetary Basis)		\$ 6,610,313		\$ 7,634,640
ADJUSTMENTS TO GAAP BASIS				
CWCB Loan Proceeds		<u>(644,393)</u>		<u>(37,444)</u>
TOTAL REVENUES, GAAP Basis		<u>5,965,920</u>		<u>7,597,196</u>
TOTAL DISTRICT EXPENDITURES (Budgetary Basis)		9,271,007		4,628,838
ADJUSTMENTS TO GAAP BASIS				
Capital Outlay		(1,315,263)		(444,912)
Investment in Authorities (CCPWA, SMWISE, ECCV)		(1,739,151)		(90,222)
Depreciation		1,552,981		1,538,450
Principal Payments on Long-term Debt		(2,302,897)		(564,364)
Amortization Cost of Refunding		5,746		5,746
TOTAL EXPENDITURES, GAAP Basis		<u>5,472,423</u>		<u>5,073,536</u>
CHANGE IN NET POSITION, GAAP Basis		493,497		2,523,660
NET POSITION, Beginning		<u>41,572,898</u>		<u>39,049,238</u>
NET POSITION, Ending		<u>\$ 42,066,395</u>		<u>\$ 41,572,898</u>

See the accompanying Independent Auditor's Report.

OTHER INFORMATION

INVERNESS WATER AND SANITATION DISTRICT

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
 EXCLUSIVE OF COLORADO WATER CONSERVATION BOARD (CWCB) LOANS, NOTE C AND NOTE D
 December 31, 2020

\$10,000,000 General Obligation Refund Bonds Series 2012					\$431,914 Colorado Water Conservation Board Note B				
Year	Rate	Principal	Interest	Total	Year	Rate	Principal	Interest	Total
2021	2.39%	\$ 2,260,000	\$ 87,833	\$ 2,347,833	2021	2.75%	\$ 16,940	\$ 11,424	\$ 28,364
2022	2.39%	1,415,000	33,819	1,448,819	2022	2.75%	17,406	10,958	28,364
		<u>\$ 3,675,000</u>	<u>\$ 121,652</u>	<u>\$ 3,796,652</u>	2023	2.75%	17,885	10,480	28,365
					2024	2.75%	18,377	9,988	28,365
					2025	2.75%	18,882	9,483	28,365
					2026	2.75%	19,401	8,963	28,364
					2027	2.75%	19,935	8,429	28,364
					2028	2.75%	20,483	7,882	28,365
					2029	2.75%	21,046	7,318	28,364
					2030	2.75%	21,625	6,739	28,364
					2031	2.75%	22,220	6,145	28,365
					2032	2.75%	22,831	5,534	28,365
					2033	2.75%	23,459	4,906	28,365
					2034	2.75%	24,104	4,261	28,365
					2035	2.75%	24,767	3,598	28,365
					2036	2.75%	25,448	2,917	28,365
					2037	2.75%	26,147	2,217	28,364
					2038	2.75%	26,866	1,498	28,364
					2039	2.75%	27,605	759	28,364
							<u>\$ 415,427</u>	<u>\$ 123,499</u>	<u>\$ 538,926</u>
\$1,845,270 Colorado Water Conservation Board Note A									
Year	Rate	Principal	Interest	Total					
2021	2.75%	\$ -	\$ -	\$ -					
2022	2.75%	78,511	42,671	121,182					
2023	2.75%	80,670	40,512	121,182					
2024	2.75%	82,888	38,294	121,182					
2025	2.75%	85,168	36,014	121,182					
2026	2.75%	87,510	33,672	121,182					
2027	2.75%	89,916	31,266	121,182					
2028	2.75%	92,389	28,793	121,182					
2029	2.75%	94,930	26,252	121,182					
2030	2.75%	97,540	23,642	121,182					
2031	2.75%	100,223	20,959	121,182					
2032	2.75%	102,979	18,203	121,182					
2033	2.75%	105,811	15,371	121,182					
2034	2.75%	108,720	12,462	121,182					
2035	2.75%	111,710	9,472	121,182					
2036	2.75%	114,782	6,400	121,182					
2037	2.75%	117,939	3,246	121,185					
		<u>\$ 1,551,686</u>	<u>\$ 387,229</u>	<u>\$ 1,938,915</u>					

NOTE: Colorado Water Conservation Board Notes C & D have not been finalized, therefore they are excluded from this schedule.

INVERNESS WATER AND SANITATION DISTRICT

SCHEDULE OF ASSESSED VALUATION, MILL LEVY AND
PROPERTY TAXES COLLECTED
December 31, 2020

Year Ended December 31, (By County)	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mill Levy Debt	Total Property Taxes		Collection Rate
			Levied	Collected	
2015					
Arapahoe County	\$ 171,682,307	6.450	\$ 1,107,351		
Arapahoe County Sewer Only (1)	10,958,186	4.170	45,696		
Arapahoe County Excluded Property (2)	15,029,829	1.030	15,481		
Arapahoe County Excluded Property (2)	2,065,157	3.730	7,703		
Douglas County	90,908,250	6.450	586,358		
Douglas County Excluded Property (2)	1,308,500	5.760	7,536		
Douglas County Excluded Property (2)	531,730	6.450	3,430		
	<u>\$ 292,483,959</u>		<u>\$ 1,773,555</u>	<u>\$ 1,672,065</u>	94.28%
2016					
Arapahoe County	\$ 176,794,739	6.100	\$ 1,078,448		
Arapahoe County Sewer Only (1)	13,787,571	3.950	54,461		
Arapahoe County Excluded Property (2)	21,103,110	0.970	20,470		
Arapahoe County Excluded Property (2)	2,201,769	3.520	7,750		
Arapahoe County Excluded Property (2)	1,059,612	6.100	6,464		
Arapahoe County Excluded Property (2)	868,865	3.948	3,430		
Arapahoe County Excluded Property (2)	1,358,804	6.100	8,289		
Douglas County	102,872,540	6.100	627,522		
Douglas County Excluded Property (2)	1,961,540	5.440	10,671		
Douglas County Excluded Property (2)	1,803,590	6.100	11,002		
	<u>\$ 323,812,140</u>		<u>\$ 1,828,507</u>	<u>\$ 1,859,545</u>	101.70%
2017					
Arapahoe County	\$ 177,887,376	5.230	\$ 930,351		
Arapahoe County Sewer Only (1)	13,676,689	2.410	32,961		
Douglas County	103,973,770	2.230	543,783		
	<u>\$ 295,537,835</u>		<u>\$ 1,507,095</u>	<u>\$ 1,483,250</u>	98.42%
2018					
Arapahoe County	\$ 206,160,905	4.750	\$ 979,264		
Arapahoe County Sewer Only (1)	15,016,751	2.190	32,887		
Douglas County	115,485,070	4.750	548,554		
	<u>\$ 336,662,726</u>		<u>\$ 1,560,705</u>	<u>\$ 1,554,524</u>	99.60%
2019					
Arapahoe County	\$ 208,676,755	4.750	\$ 991,215		
Arapahoe County Sewer Only (1)	13,613,453	2.190	29,813		
Douglas County	110,208,860	4.750	523,492		
	<u>\$ 332,499,068</u>		<u>\$ 1,544,520</u>	<u>\$ 1,516,936</u>	98.21%
2020					
Arapahoe County	\$ 231,054,559	4.500	\$ 1,039,746		
Arapahoe County Sewer Only (1)	15,296,590	2.070	31,664		
Douglas County	107,873,670	4.500	485,432		
	<u>\$ 354,224,819</u>		<u>\$ 1,556,842</u>	<u>\$ 1,414,762</u>	90.87%
2021 (Estimated)					
Arapahoe County	\$ 230,972,213	4.500	\$ 1,039,375		
Arapahoe County Sewer Only (1)	13,239,778	2.070	27,406		
Douglas County	107,888,480	4.500	485,498		
	<u>\$ 352,100,471</u>		<u>\$ 1,552,279</u>		

Note: Property taxes collected in any one year include collection of delinquent property taxes levied in prior years, and may include abatements related to prior years. Information received from the County Treasurers does not permit identification of specific year of levy.

(1) - A portion of Arapahoe County is excluded from water services.

(2) - Residential property excluded from water and sewer services is subject to the debt service mill levy for debt issued prior to its exclusion.

Source: Arapahoe and Douglas County Assessors and Treasurers.

See the accompanying Independent Auditor's Report.