

Ken-Caryl Ranch Water & Sanitation District

Annual Financial Report

December 31, 2020 and 2019

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INTRODUCTORY SECTION

Ken-Caryl Ranch Water & Sanitation District

10698 W Centennial Road

Littleton, Colorado 80127

(303) 979-7424

April 21, 2021

To the Members of the Board of Directors of the Ken-Caryl Ranch Water & Sanitation District:

State law requires that all general-purpose local governments publish within seven months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the annual financial report of the Ken-Caryl Ranch Water & Sanitation District for the fiscal years ended December 31, 2020 and 2019.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by Haynie & Company, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal years ended December 31, 2020 and 2019 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal years ended December 31, 2020 and 2019 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A section and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The District, established January 18, 1973, is located in Unincorporated Jefferson County, Colorado. The District is empowered to levy a property tax on both real and personal properties located within its boundaries but does not currently do so.

The District provides potable water to its residents and sanitary sewer collection services.

The annual budget serves as the foundation for the District's financial planning and control. The District's manager presents the proposed budget to the Board for review prior to October 31. The Board is required to hold public hearings on the proposed budget and to adopt a final budget by no later than December 15th. The appropriated budget is prepared in accordance with state statutes. Budget-to-actual comparisons are provided in this report for the governmental entity for which an appropriated annual budget has been adopted.

Cash management policies and practices. Cash temporarily idle during the year was invested in investment pools and other investment vehicles in accordance with District policies and procedures.

The District has six employees.

Respectfully submitted,

/s/ Timothy Anderson
District Manager

Board Members

Chairman — Steve Gustafson

Vice Chairman — Philip Varley

Vice President — Bill Hobstetter


Secretary — Paula Spalding


Treasurer — Sandy Rinow

FINANCIAL SECTION



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Report of Independent Certified Public Accountants

Members of the Board of Directors
Ken-Caryl Ranch Water & Sanitation District
Jefferson County, Colorado

Opinions

We have audited the accompanying financial statements of Ken-Caryl Ranch Water & Sanitation District as of and for the years 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Ken-Caryl Ranch Water & Sanitation 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

Other-Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ken-Caryl Ranch Water & Sanitation District's financial statements as a whole. The introductory and other supplementary information sections are presented for purposes of additional analysis and are not a required part of the financial statements.

The other supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements

themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory section 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 it.

Haynie & Company

Littleton, Colorado
April 21, 2021

Ken-Caryl Ranch Water & Sanitation District Management Discussion and Analysis

The discussion and analysis is designed to provide an analysis of the District's financial condition and operating results and to inform the reader on the District's financial issues and activities.

The Management Discussion and Analysis (MD&A) should be read in conjunction with the District's financial statements.

Financial Highlights

- The financial statements show total assets of \$30,973,066 and total liabilities of \$290,276.
- In the statement of net position, the assets of the District exceeded its liabilities by \$30,682,790, which is an increase of \$683,067. \$6,358,597 or approximately 21% of this amount may be used to meet the District's ongoing obligations to customers and creditors. \$8,000,000 has been designated by the Board of Directors for capital expenditures.
- The District's total assets increased by \$570,841. Most of this increase was attributable to increases in investments.
- The District's total liabilities decreased by \$112,226 during the current fiscal year, due primarily to timing of bill payments in the current versus prior year.

Overview of the Financial Statements

The financial statements of the District are presented as a special purpose government engaged in business type activities – providing water and sewer services.

The *Statements of Net Position* present 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 net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statements of Revenues, Expenses and Changes in Net Position* present information which reflects how the District's net position changed during the past 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 statements for some items that will only result in cash flows in future fiscal periods.

The *Statements of Cash Flows* report the District's cash flows from operating, noncapital financing, capital financing and investing activities.

These financial statements distinguish functions of the District that will be principally supported by user fees, developer contributions and tap fees. The functions of the District include effective and economical operation of water and wastewater sewer systems within the jurisdictional boundaries of the District. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The district-wide financial statements include only the District itself.

The District adopts an annual appropriated budget to recognize the fiscal impact of operations, non-operating revenues and contributions. A budgetary comparison statement has been provided to demonstrate compliance with this requirement.

The basic financial statements of the District can be found on pages 10-15 of this report.

District-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$30,682,790 at the close of the most recent fiscal year.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. The District's investment in its capital assets is reported net of related debt. It should be noted that the District has no outstanding long-term debt.

The balance of *unrestricted net position*, \$14,358,597, may be used to meet the government's ongoing obligations to customers and creditors. \$8,000,000 has been designated by the District's Board of Directors for future capital expenditures.

At the end of the current fiscal year, the District reported positive balances in all categories of net position, for the District as a whole.

The District's net position increased by \$683,067 during the current fiscal year, compared to an increase of \$162,377 in 2019. The 2020 increase in net income was largely driven by increased water service fees driven by higher temperatures and lower precipitation.

Financial Analysis of the District's Funds

NET POSITION

December 31,	<u>2020</u>	<u>2019</u>
ASSETS		
Other assets	\$ 14,868,873	\$ 14,464,183
Capital assets, net	<u>16,104,193</u>	<u>15,938,042</u>
Total assets	<u>30,973,066</u>	<u>30,402,225</u>
LIABILITIES		
Other liabilities	<u>290,276</u>	<u>402,502</u>
Total liabilities	<u>290,276</u>	<u>402,502</u>
NET POSITION		
Net investment in capital assets	16,104,193	15,938,042
Restricted for emergencies	220,000	150,000
Unrestricted – board designated capital reserve	8,000,000	8,000,000
Unrestricted	<u>6,358,597</u>	<u>5,911,681</u>
	<u>\$ 30,682,790</u>	<u>\$ 29,999,723</u>

CHANGE IN NET POSITION

December 31,	<u>2020</u>	<u>2019</u>
Income from water operations	\$ 779,029	\$ 304,122
Income from sewer operations	360,267	293,963
General and administrative expenses	(886,462)	(955,489)
Net nonoperating revenues and expenses	<u>430,233</u>	<u>519,781</u>
NET INCOME (LOSS)	683,067	162,377
NET POSITION BEGINNING OF YEAR	<u>29,999,723</u>	<u>29,837,346</u>
NET POSITION END OF YEAR	<u>\$ 30,682,790</u>	<u>\$ 29,999,723</u>

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its business-type activities as of December 31, 2020 amounts to \$16,104,193 (net of accumulated depreciation). This investment in capital assets includes water and sewer line systems, office furniture and fixtures, vehicles, land and buildings. The total increase in the District's investment in capital assets for the current fiscal year was 1% percent, due mainly to current year sewer system capital outlay.

Ken-Caryl Ranch Water & Sanitation District Capital Assets
(net of depreciation)

	<u>2020</u>	<u>2019</u>	<u>Percentage Change</u>
Water system	\$ 7,154,408	\$ 7,640,481	(6)%
Sewer system	6,941,990	7,291,020	(5)%
Land (including water system)	172,701	172,701	0%
Building & other	543,091	492,992	10%
Construction in progress	<u>1,292,003</u>	<u>340,848</u>	279%
Total Capital Assets	<u>\$ 16,104,193</u>	<u>\$ 15,938,042</u>	

Additional information on the District's capital assets can be found in note 2 on page 17.

The District currently receives a substantial portion of its revenue from its water and sewer services.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District:

Ken-Caryl Ranch Water & Sanitation District
10698 W Centennial Road
Littleton, Colorado 80127

BASIC FINANCIAL STATEMENTS

Ken-Caryl Ranch Water & Sanitation District
Statements of Net Position
December 31, 2020 and 2019

	2020	2019
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,327,023	\$ 1,366,526
Cash and cash equivalents - board designated capital reserve	<u>1,000,000</u>	<u>1,000,000</u>
Total cash and cash equivalents	<u>2,327,023</u>	<u>2,366,526</u>
Certificates of deposit and government bonds	5,194,257	4,763,349
Certificates of deposit and government bonds - board designated capital reserve	<u>7,000,000</u>	<u>7,000,000</u>
Total certificates of deposit and government bonds	<u>12,194,257</u>	<u>11,763,349</u>
Accounts receivable:		
Water and sewer	<u>347,593</u>	<u>334,308</u>
Total Current Assets	<u>14,868,873</u>	<u>14,464,183</u>
Property, Plant, and Equipment:		
Water system	20,495,569	20,495,169
Less accumulated depreciation	<u>(13,279,917)</u>	<u>(12,854,688)</u>
	<u>7,215,652</u>	<u>7,640,481</u>
Sewer system	17,327,699	17,317,160
Less accumulated depreciation	<u>(10,385,709)</u>	<u>(10,026,140)</u>
	<u>6,941,990</u>	<u>7,291,020</u>
Land	162,261	162,261
Building	914,611	914,611
Office furniture and equipment	359,563	353,093
Vehicles	330,574	305,676
Less accumulated depreciation	<u>(1,122,902)</u>	<u>(1,080,388)</u>
	<u>644,107</u>	<u>655,253</u>
Land—water system	10,440	10,440
Construction in progress	<u>1,292,004</u>	<u>340,848</u>
	<u>1,302,444</u>	<u>351,288</u>
Net Property, Plant, and Equipment	<u>16,104,193</u>	<u>15,938,042</u>
Total Assets	<u>\$30,973,066</u>	<u>\$30,402,225</u>

Ken-Caryl Ranch Water & Sanitation District
Statements of Net Position (continued)
December 31, 2020 and 2019

	2020	2019
Liabilities and Net Position		
Current Liabilities:		
Accounts payable	\$ 233,936	\$ 347,790
Accrued liabilities	56,340	54,712
Total Current Liabilities	290,276	402,502
 Net Position		
Net investment in capital assets	16,104,193	15,938,042
Restricted for emergencies	220,000	150,000
Unrestricted	6,358,597	5,911,681
Unrestricted - board designated capital reserve	8,000,000	8,000,000
Total Net Position	30,682,790	29,999,723
Total Liabilities and Net Position	\$30,973,066	\$30,402,225

The accompanying notes are an integral part of these statements.

Ken-Caryl Ranch Water & Sanitation District
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2020 and 2019

	2020	2019
Water Operations:		
Revenue:		
Water service	\$ 5,291,644	\$ 4,212,509
Other	86,691	73,175
Total Water Revenue	5,378,335	4,285,684
Direct Expense:		
Denver water charges	3,504,829	3,070,765
Depreciation	425,299	421,034
Power	147,556	120,567
Contract maintenance	474,180	314,075
Supplies	31,735	36,001
Vehicle	15,707	19,120
Total Direct Water Expense	4,599,306	3,981,562
Direct Income on Water Operations	779,029	304,122
Sewer Operations:		
Revenue:		
Sewer service	2,207,214	2,124,175
Direct Expense:		
Littleton sewer charges	1,347,782	1,314,700
Depreciation	359,569	356,393
Power	24,935	24,451
Contract maintenance	105,415	124,759
Supplies	4,874	5,663
Telemetry	4,372	4,246
Total Direct Sewer Expense	1,846,947	1,830,212
Direct Income on Sewer Operations	360,267	293,963
Net Direct Income on Operations	1,139,296	598,085
General and Administrative Expenses	886,462	955,489
Operating Income (Loss)	252,834	(357,404)

The accompanying notes are an integral part of these statements.

Ken-Caryl Ranch Water & Sanitation District
Statements of Revenues, Expenses, and Changes in Net Position
(continued)
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Non-operating Revenue and Expenses:		
Tap fees and lines contributed	101,201	31,077
Tap fees paid to City of Littleton	(56,560)	-
Interest income	348,483	449,501
Other	<u>37,109</u>	<u>39,203</u>
Net Non-operating Revenues and Expenses	<u>430,233</u>	<u>519,781</u>
Net Income (Loss)	683,067	162,377
Net Position —beginning of year	<u>29,999,723</u>	<u>29,837,346</u>
Net Position —end of year	<u><u>\$30,682,790</u></u>	<u><u>\$29,999,723</u></u>

The accompanying notes are an integral part of these statements.

Ken-Caryl Ranch Water & Sanitation District
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 7,572,264	\$6,423,306
Cash paid to suppliers for goods and services	(6,035,294)	(5,192,739)
Cash paid to employees for services	<u>(634,095)</u>	<u>(655,465)</u>
Net Cash From Operating Activities	<u>902,875</u>	<u>575,102</u>
Cash Flows from Non-capital Financing Activities:		
Other revenue	<u>37,109</u>	<u>39,203</u>
Net Cash From Non-capital Financing Activities	<u>37,109</u>	<u>39,203</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(941,703)	(362,583)
Tap fees received	101,201	31,077
Tap fees paid	<u>(56,560)</u>	<u>-</u>
Net Cash From Capital and Related Financing Activities	<u>(897,062)</u>	<u>(331,506)</u>
Cash Flows from Investing Activities:		
Net redemption of (investment in) certificates of deposit, treasury bills, and corporate bonds	(304,733)	440,941
Interest income received	<u>222,308</u>	<u>245,227</u>
Net Cash From Investing Activities	<u>(82,425)</u>	<u>686,168</u>
Net Change in Cash and Cash Equivalents	(39,503)	968,967
Cash and Cash Equivalents—beginning of year	<u>2,366,526</u>	<u>1,397,559</u>
Cash and Cash Equivalents—end of year	<u><u>\$ 2,327,023</u></u>	<u><u>\$2,366,526</u></u>

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

Ken-Caryl Ranch Water & Sanitation District
Statements of Cash Flows (continued)
For the Years Ended December 31, 2020 and 2019

	2020	2019
Reconciliation of Net Operating Income to		
Net Cash From Operating Activities:		
Operating income (loss)	\$ 252,834	\$ (357,404)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	827,312	851,663
Changes in assets and liabilities:		
Change in accounts receivable—		
Water and sewer	(13,285)	13,447
Other	-	6,987
Change in accounts payable	(165,614)	58,698
Change in accrued liabilities	1,628	1,711
Total Adjustments	650,041	932,506
Net Cash From Operating Activities	\$ 902,875	\$ 575,102
Non-cash transactions		
None		

The accompanying notes are an integral part of these statements.

Ken-Caryl Ranch Water and Sanitation District

Statements of Net Position

December 31, 2020 and 2019

Ken-Caryl Ranch Water & Sanitation District

Notes to Financial Statements

December 31, 2020 and 2019

1. Organization and Definition of Reporting Entity

Ken-Caryl Ranch Water and Sanitation District (the District) is a quasi-municipal corporation created by an Order and Decree of the District Court in Jefferson County, Colorado on January 18, 1973. The purpose of the District is to provide water and sanitation services.

The District is a quasi-municipal corporation governed by an elected board of directors. As required by generally accepted accounting principles, these financial statements present the financial position of the District (the primary government) and it has no component units.

2. Summary of Significant Accounting Policies

Basis of Accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for property and equipment are shown as increases in net position. Tap fees, inclusion fees and contributed water and sewer lines are recorded as nonoperating revenue when received.

Operating Revenues and Expenses

The District distinguishes between operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing water and sewer services to its customers. Charges to customers for services provided are performed by the District. Operating expenses include cost of service, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Cash Equivalents

For purposes of these statements, all highly liquid investments with an original maturity of ninety days or less are considered to be cash equivalents.

Accounts Receivable

Accounts receivable is presented in the Statement of Net Position net of estimated uncollectible amounts. As of December 31, 2020 and 2019, the District considers all amounts to be fully collectible.

Inventory Valuation

Inventory of water meters is stated at the lower of cost (first-in, first-out method) or market.

Ken-Caryl Ranch Water & Sanitation District
Notes to Financial Statements (continued)
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Property, Plant and Equipment

During the period of construction, all costs are capitalized including interest costs incurred. Gains and losses from the retirement or replacement of plant and equipment are reported in non-operating revenue. Maintenance and repairs are charged to expense, and betterment or replacements are capitalized.

Utility plant extensions (water and sewer lines) constructed by various developers and subsequently deeded to the District at no cost are accounted for as nonoperating revenue. These contributed lines are recorded at the developer's cost to construct.

Tap fees are recorded as nonoperating revenues.

Depreciation of the water distribution and sewage collection systems is provided using the straight-line method over their estimated useful lives of forty years. Depreciation of other equipment is computed on a straight-line basis using the following estimated useful lives:

	Life in Years
Buildings and facilities	40
Office furniture and equipment	10
Vehicles	5
Computers and related equipment	3

Unrestricted Net Position

In prior years a portion of unrestricted net position was reserved for capital improvements, TABOR reserves, emergencies, and water development, representing a portion of tap fees received. For the years ended December 31, 2020 and 2019, net position includes \$220,000 and \$150,000, respectively, for the TABOR Reserve.

Board Designated Capital Reserve

The District's Board of Directors has designated \$8,000,000 as of December 31, 2020 for capital expenditures.

Compensated Absences

The District accrues vacation pay for full time employees at the rate of two weeks per year for employees with one to five years of employment with the District and three weeks per year for employees with over five years and four weeks for over 10 years of employment. The District's sick leave policy allows an employee to accrue up to 480 hours. Accrued sick leave in excess of 480 hours at the end of the calendar year shall be paid out at the employee's regular hourly rate and employees may elect to receive compensation at the end of the calendar year for hours in excess of 150. Upon termination of employment, accrued sick leave will be paid at the employee's regular hourly rate. The accrued compensated absence benefit amounted to \$49,366 at December 31, 2020 and \$47,727 at December 31, 2019, and is recorded within accrued liabilities on the statements of net position.

Ken-Caryl Ranch Water & Sanitation District
Notes to Financial Statements (continued)
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Budget and Appropriation

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District incurred expenditures on the budgetary basis of \$7,498,870 during 2020 and \$6,278,183 during 2019.

Budgetary Basis vs. GAAP

Reconciling differences between budgetary basis (approved budget) and generally accepted accounting principles (GAAP) are:

	2020	2019
Revenues less expenditures—budgetary basis	\$ 516,912	\$ 651,457
Reconciling differences between budgetary basis and generally accepted accounting principles (GAAP):		
Depreciation and amortization	(827,312)	(851,663)
Capital projects	993,467	362,583
Net Income (Loss) - (GAAP Basis)	\$ 683,067	\$ 162,377

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; and natural disasters. Accordingly, the District has joined together with other special districts in the State to form Colorado Special Districts' Property and Liability Pool (Pool), a public entity risk pool currently operating as a common risk management and insurance program with other special districts. The District pays an annual premium for its insurance coverage that includes public officials' liability, property damage liability and an automobile policy. The Pool is intended to be self-sustaining through member premiums. The Pool has entered into certain reinsurance contracts (See Note 7).

Ken-Caryl Ranch Water & Sanitation District
Notes to Financial Statements (continued)
December 31, 2020 and 2019

3. Cash Deposits and Investments

At December 31, the District had the following cash and investments:

	2020	2019
Deposits - insured	\$ 250,000	\$ 250,000
Investments - collateralized by securities held at bank	9,868,790	8,438,396
Investments – uncollateralized government bonds	3,308,043	4,554,580
Investments - investment pool	<u>1,094,447</u>	<u>886,899</u>
Total	<u>\$ 14,521,280</u>	<u>\$ 14,129,875</u>

Cash deposits and investments are reflected on the December 31 Statement of Net Position as follows:

	2020	2019
Cash and cash equivalents	\$ 2,327,023	\$ 2,366,526
Certificates of deposit and government bonds	<u>12,194,257</u>	<u>11,763,349</u>
Total	<u>\$ 14,521,280</u>	<u>\$ 14,129,875</u>

At December 31, 2020, the District’s cash deposits had a bank and carrying balance of \$2,327,023.

Cash Deposits

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and collateralized with securities held by the pledging financial institution where the fair value of the collateral pool equals or exceeds all uninsured public deposits. The Colorado Public Deposit Protection Act (PDPA) requires deposits of all units of local government to be made in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the uninsured deposits. Accordingly, none of the District’s cash deposits as of December 31, 2020 and 2019 are deemed to be exposed to custodial credit risk.

Ken-Caryl Ranch Water & Sanitation District

Notes to Financial Statements (continued)

December 31, 2020 and 2019

3. Cash Deposits and Investments (continued)

Investments

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

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

The investment policy adopted by the Board of Directors of the District establishes additional restrictions to the requirements specified by state statutes.

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

<u>Investment</u>	<u>Rating</u>	<u>Investment Maturities</u> <u>(in Years)</u>		
		<u>Less than 1</u>	<u>1 to 5</u>	<u>Total</u>
Certificates of Deposit	N/A	\$ 2,868,541	\$ 6,017,673	\$ 8,886,214
Government Bonds	AA	2,932,942	375,101	3,308,043
Money Market and Investment Pools		<u>1,822,599</u>	<u>-</u>	<u>1,822,599</u>
		<u>\$ 7,624,082</u>	<u>\$ 6,392,774</u>	<u>\$ 14,016,856</u>

Interest Rate Risk — In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting investments in U.S. Treasuries and Certificates of Deposit to an original maturity of five years or less.

Credit Risk — The District's investment policy limits investments to U.S. Treasury obligations, Certificates of Deposit, corporate bonds, other investment instruments and local government investment pools approved by the Board of Directors.

Ken-Caryl Ranch Water & Sanitation District

Notes to Financial Statements (continued)

December 31, 2020 and 2019

3. Cash Deposits and Investments (continued)

Concentration of Credit Risk — It is the policy of the District to diversify its investment portfolio to eliminate risk of loss resulting from over concentration of assets in a specific maturity, a specific class, and specific issuer of securities. The District policy includes cash deposits in the total portfolio when determining concentration of investments. Investments in U.S. Treasury Obligations may be invested up to 100% of the District's portfolio. Investments in local government investment pools may not exceed 75% of the District's total portfolio. Investments in Certificates of Deposit may not exceed 75% of the District's total investments. The Board may temporarily amend the investment limits of this policy when necessary. At December 31, 2020 and 2019, the District's investment in Certificates of Deposit were 63% and 57% of the District's total portfolio, respectively.

Local Government Investment Pools — As of December 31, 2020, the District had \$919,157 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds and is registered with the State Securities Commissioner. Colotrust is rated AAAM by Standard and Poor's. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. Colotrust offers shares in two portfolios, Colotrust Prime and Colotrust Plus+. The District funds are only invested in Colotrust Plus+. The portfolio may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank serves as custodian for Colotrust's portfolios pursuant to a custodian agreement.

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

In addition, as of December 31, 2020, the District had \$175,290 invested in the Colorado Surplus Asset Fund Trust (CSAFE), an investment vehicle established for local government entities in Colorado to pool surplus funds and is registered with the State Securities Commissioner. CSAFE is rated AAAM by Standard and Poor's. CSAFE operates similarly to a money market fund and each share is equal in value to \$1.00. The portfolio may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Ken-Caryl Ranch Water & Sanitation District

Notes to Financial Statements (continued)

December 31, 2020 and 2019

3. Cash Deposits and Investments (continued)

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

4. Contracts

The District has contracted to purchase water, transmit sewage and to provide for treatment of sewage as follows:

Denver Board of Water Commissioners

During 1993 the District renegotiated their distributor's contract with the Denver Board of Water Commissioners (DWB) for the specific "service area" served by the District. The agreement secures for the District a supply of potable water at rates established by the DWB. Termination of the contract is subject to mutual agreement of the contracting parties.

As a part of the renegotiation of the distributor's contract and ancillary agreement, the District agreed to: 1) terminate the previous distributor's contract and agreements, 2) terminate the agreement for temporary lease for potable water, and 3) terminate the Platte and Colorado River water participation agreement, and 4) terminate the Metro Water Development Agreement. In addition, the District agreed to build additional facilities to serve the service area when the capacity of the current facilities is utilized fully.

City of Littleton

The District is a party to a sewer service agreement with the City of Littleton for the specific "service area" served by the District. This agreement provides for treatment of all sewage transmitted by the District at rates established by the City of Littleton. Termination of the agreement is subject to mutual agreement of the contracting parties.

Southwest Metropolitan Water and Sanitation District

The District is a party to a sewer service agreement with Southwest Metropolitan Water and Sanitation District for the specific "service area" served by the Ken-Caryl Ranch Water and Sanitation District. This agreement provides for transmission of sewage from the District's "service area" to the City of Littleton sewage treatment facilities by utilizing excess capacity of each District's sewer lines.

Ken-Caryl Ranch Water & Sanitation District
Notes to Financial Statements (continued)
December 31, 2020 and 2019

4. Contracts (continued)

TCD North, Inc.

The District and TCD North, Inc. are parties to a Restated Agreement for Inclusion pursuant to which certain lands in Red Mesa were included in the District, the District agreed to install certain water mains, and TCD North agreed to purchase 272 water taps at a rate of 54 taps per year commencing on May 29, 1990, at an agreed price per tap. In addition to other matters, the Restated Agreement further provided that, upon the terms therein stated, up to 72 of the taps would be assigned to certain lands in Deer Creek Mesa, with TCD North receiving credit for taps so paid for by Deer Creek Mesa owners. The District thereafter installed certain water distribution facilities in the Deer Creek Mesa lands, and parts of the Deer Creek Mesa lands have been included in the District. The inclusion of the Deer Creek Mesa lands was subject to all of the terms and provisions of the Restated Agreement. The District provides water service only to Deer Creek Mesa, Red Mesa and White Deer Valley.

Trail Mark Metropolitan District

The District is a party to an inter-governmental agreement with Trail Mark Metropolitan District (formerly known as Chatfield Green Metropolitan District) to provide sewer collection and transmission services for Trail Mark.

5. Director Affiliations

Each director of the District complies with the Colorado statutes regarding conflicts of interest, including written disclosures to the Secretary of State and to the Board of Directors and abstention from voting when required. In addition, the first item on the Board's agenda at each meeting is an inquiry by the chairman as to whether any member has any other conflict to disclose.

6. Property Tax Calendar

While the District does not currently certify a mill levy, all taxable property, real and personal, within the District at twelve noon on the first day of January of each year, designated as the official assessment date, is listed, appraised and valued for assessment in Jefferson County. The lien of general taxes for the current year attaches to all taxable property, real and personal, at twelve noon on the assessment date.

Ken-Caryl Ranch Water & Sanitation District

Notes to Financial Statements (continued)

December 31, 2020 and 2019

6. Property Tax Calendar (continued)

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2020 are collected in 2021. Taxes are due on January 1 in the year of collection; however, they may be paid in either one installment (not later than April 30) or two equal installments (not later than February 28 and June 15) without interest or penalty. Taxes that are not paid within the prescribed time bear interest at the rate of 1 percent per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16. The county treasurer collects current and delinquent taxes, as well as any interest or penalty and, after deducting a statutory fee of 1.5 percent for such collection, remits the balance to the District on a monthly basis. All taxes levied on property, together with interest thereon and penalties for default, as well as all other costs of collection, constitute a perpetual lien on and against the property taxed. Such lien is on a parity with the tax liens of other general taxes. It is the county treasurer's duty to enforce the collection of delinquent real property taxes by tax sale of such realty. Delinquent personal property taxes are enforceable by distraint, seizure and sale of the taxpayer's personal property. Tax lien sales are held on or before the second Monday in December of the collection year, preceded by a notice of delinquency to the taxpayer and a minimum of four weeks of public notice of the impending public sale. Sales of personal property may be held at any time after October 1 of the collection year following notice of delinquency and public notice of sale. There can be no assurance, however, that the value of property sold, in the event of foreclosure and sale by the county treasurer, would be sufficient to produce the amount required with respect to taxes levied by the District and by overlapping taxing entities. If there is no bid for the tax lien on a piece of realty, the lien is stricken off by the County. If the tax lien is thereafter redeemed, the delinquent taxes are payable from the redemption proceeds. The County may sell its tax lien on specific statutory terms. If a tax lien held by the County is not redeemed, the County can also obtain a tax deed after a minimum of three years and after following the statutory notice and publication procedures. If the County thereafter sells the property, it goes back on the tax rolls and the sale proceeds are distributed to the various taxing entities pursuant to specific statutory terms.

TABOR Amendment

On November 3, 1992, the State of Colorado passed the TABOR Amendment. This is a tax, spending, revenue and debt limitation amendment. This amendment affects the ability of governmental entities to increase property taxes. Starting in 1992, with certain exceptions, the mill levy may not be increased over the prior year's mill levy, except previously approved bonded debt increases, without the approval of the voters in that entity's jurisdiction. The District believes it is in substantial compliance with this amendment.

The District operates its water supply and wastewater treatment activities as a Water Activity Enterprise pursuant to Colo. Rev. Stat. §37-45.1-101 et seq. ("Water Activity Enterprise Act") and qualifies as an enterprise pursuant to the provisions of Section 20, Article X of the State Constitution ("TABOR"). The District has the power to issue its own revenue bonds, receives less than 10% of its annual revenue in grants from all Colorado state and local governments

Ken-Caryl Ranch Water & Sanitation District
Notes to Financial Statements (continued)
December 31, 2020 and 2019

6. Property Tax Calendar (continued)

combined, and is not exercising its statutory authority to levy taxes on District residents. The activities conducted by the District include, but are not limited to, the acquisition, storage, delivery, distribution, and use of water, the provision of water and wastewater service, and all services and facilities related thereto ("Water Activities"). The District has historically conducted and operated such Water Activities as a government-owned business of the District providing services in exchange for the payment of fees and charges in conformance with the provisions of the Water Activity Enterprise Act.

7. Risk Management: Colorado Special Districts Property and Liability Pool

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God. The District is one of approximately 960 special districts which are members of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2020. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, and boiler and machinery and workers compensation coverage to its members. The Pool provides coverage for property claims up to \$40,000,000 and liability coverage for claims up to \$1,000,000. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, public officials and worker's compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

8. Pension and Deferred Compensation Plans

In 1996 the District established a defined contribution money purchase pension plan for the benefit of its employees. The plan covers all full-time employees at least eighteen years of age. Each plan participant is allowed to contribute 5% of earnings. This amount is matched 100% by the District. Earnings do not include overtime or bonus. The employer's contribution vests at 20% per year of service. The District's contribution to this plan was \$20,983 and \$21,046 for the years ended December 31, 2020 and 2019, respectively.

The District also established a Section 457 deferred compensation plan. Participation in this plan is voluntary and all contributions to this plan are from employees.

Ken-Caryl Ranch Water & Sanitation District
Notes to Financial Statements (continued)
December 31, 2020 and 2019

8. Pension and Deferred Compensation Plans (continued)

The District's Board of Directors authorizes the benefit terms and any amendments to those terms, and the above plans are administered by CRA (Colorado Retirement Association) pursuant to the adoption and administrative agreements and the Internal Revenue Code.

9. Property, Plant and Equipment

Changes in property, plant and equipment are as follows:

	Balance December 31, 2019	Additions	Deletions/ Transfers	Balance December 31, 2020
Water system	\$ 20,495,169	\$ 400	\$ -	\$ 20,495,569
Sewer system	17,317,160	10,539	-	17,327,699
Land	172,701	-	-	172,701
Building	914,611	5,584	-	920,195
Office furniture/equipment	353,093	887	-	353,980
Vehicles	305,676	24,898	-	330,574
Construction in progress	<u>340,848</u>	<u>951,155</u>	<u>-</u>	<u>1,292,003</u>
Total	<u>39,899,258</u>	<u>993,463</u>	<u>-</u>	<u>40,892,721</u>
Accumulated depreciation	<u>(23,961,216)</u>	<u>(827,312)</u>	<u>-</u>	<u>(24,788,528)</u>
Net	<u>\$ 15,938,042</u>	<u>\$ 166,151</u>	<u>\$ -</u>	<u>\$ 16,104,193</u>

OTHER SUPPLEMENTARY INFORMATION

Ken-Caryl Ranch Water & Sanitation District
Statement of Revenue, Expenditures and Changes in Funds Available
Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2020

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue			
Operating revenue—sewer:			
Sewer charges	\$ 2,209,096	\$ 2,207,214	\$ (1,882)
Tap fees	77,125	20,528	(56,597)
Operating revenue—water:			
Water service sales	4,611,811	5,291,644	679,833
Tap fees	82,825	24,113	(58,712)
Miscellaneous	40,000	86,691	46,691
Non-operating revenue:			
Other	50,000	37,109	(12,891)
Interest	215,000	348,483	133,483
Total Revenue	\$ 7,285,857	\$ 8,015,782	\$ 729,925
Expenditures:			
Operating expense—sewer:			
Sewage treatment	\$ 1,354,139	1,347,782	\$ 6,357
Operations and maintenance	261,000	139,596	121,404
General and administrative	294,000	253,212	40,788
Capital projects	1,797,000	961,698	835,302
Operating expense—water:			
Purchased water	3,129,025	3,504,829	(375,804)
Operations and maintenance	609,000	669,178	(60,178)
General and administrative	686,000	590,806	95,194
Capital projects	350,000	400	349,600
Non-operating expense:			
Contingency	75,000	-	75,000
Acquisition, repair, and maintenance reserve	12,541,415	31,369	12,510,046
Emergency reserve	150,000	-	150,000
Total Expenditures	21,246,579	7,498,870	\$13,747,709
Excess Revenue over Expenditures	(13,960,722)	516,912	
Beginning Funds Available	13,960,722	14,061,681	
Ending Funds Available	\$ -	\$ 14,578,593	
Excess Revenue over Expenditures		\$ 516,912	
Reconciling differences between budgetary basis and generally accepted accounting principles (GAAP):			
Depreciation and amortization		(827,312)	
Capital projects		993,467	
Net Income (GAAP Basis)		\$ 683,067	

Ken-Caryl Ranch Water and Sanitation District
Schedule of Cash and Investments
December 31, 2020

	Amount
Cash in Bank	
Independent Bank	\$ 504,424
Other	
CSAFE	175,290
Wells Fargo Advisors	12,922,409
COLOTRUST PLUS	<u>919,157</u>
Total Cash in Bank, Certificates of Deposit, Government Bonds, and Money Market	<u><u>\$14,521,280</u></u>
Presented on Statement of Net Position as follows	
Cash and Cash Equivalents	\$ 2,327,023
Certificates of Deposit and Government Bonds	<u>\$12,194,257</u>
	<u><u>\$14,521,280</u></u>

Ken-Caryl Ranch Water and Sanitation District
Schedules of General and Administrative Expenses
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
General and Administrative Expenses:		
Salaries	\$ 499,957	\$ 518,423
Legal	39,600	39,600
Insurance	33,949	34,360
Miscellaneous	10,498	15,932
Benefits	100,258	101,715
Payroll taxes	35,508	37,038
Depreciation	42,444	74,236
Maintenance	25,683	35,153
Audit	12,100	11,700
Office expense	7,298	8,432
Utilities	9,438	9,060
Bank fees	38,596	36,825
Postage	20,899	22,931
Telephone	<u>10,234</u>	<u>10,084</u>
Total General and Administrative Expenses	<u>\$ 886,462</u>	<u>\$ 955,489</u>