

WHEAT RIDGE SANITATION DISTRICT
Financial Statements
With
Independent Auditor's Report
December 31, 2021 and 2020

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Green & Associates LLC

Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Wheat Ridge Sanitation District

Opinions

We have audited the accompanying financial statements of Wheat Ridge Sanitation District as of and for the year ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Wheat Ridge Sanitation 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 Wheat Ridge Sanitation District as of December 31, 2021 and 2020, and the respective changes in financial position and, cash flows thereof for the year 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 Wheat Ridge 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 Wheat Ridge Sanitation District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of 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.

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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 of 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 Wheat Ridge 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 Wheat Ridge Sanitation District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wheat Ridge Sanitation District's basic financial statements. The budgetary comparison schedule – Non-GAAP basis and the Schedule of Expenses by Function, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The 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 – Non-GAAP Basis and the Schedule of Expenses by Function are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Longmont, Colorado
July 26, 2022

Management's Discussion and Analysis

WHEAT RIDGE SANITATION DISTRICT
7100 W. 44th Ave., #104
Wheat Ridge, CO 80033

Management's Discussion and Analysis

Introduction

The Wheat Ridge Sanitation District's management discussion and analysis is intended to provide the reader and user of our financial statements, with (a) an understanding of the financial issues of the District; (b) an overview of the District's financial activities; (c) an explanation of the changes in the District's financial position; (d) an explanatory analysis of the variations of the annual, approved budget; and, (e) an assessment of any future financial or operating issues of the District.

Because this discussion and analysis is intended to focus on the 2021 activities, resulting changes, and currently known facts and conditions, it should be read in conjunction with, and with reference to, the accompanying audited financial statements and related notes to the financial statements beginning on page 7.

Overview of the Financial Statements of the District

The audited financial statements of the District are:

Statement of Net Position
Statement of Revenues, Expenses, and Changes in Net Position
Statement of Cash Flows
Notes to Financial Statements

These statements are on pages 7 through 18. These and the Other Supplementary Information, *Budgetary Comparison Schedule* on page 19 and *Schedule of Expenses by Function* on page 20 provide information about the District's financial position as of each December 31, its results of operations and the resulting cash flows for each year ended December 31, and information comparing actual revenues and expenditures with budgeted revenues and expenditures for the year. Except for the budgetary comparison schedule, these are presented with current year and prior year comparison.

The **Statement of Net position** provides information about what is owned (assets) by the District, what is owed (liabilities) by the District, and what is the District's equity in its assets (net position). Over time, the comparison of changes in net position may provide a useful method of evaluating whether the financial position of the District is improving, deteriorating, or maintaining a status quo.

The **Statement of Revenue, Expenses, and Changes in Net position** provides information about the components – Operating Revenue, Operating Expenses, Non-Operating Revenue and Expenses, and Capital Contributions – of the District's annual operating activities and how those activities affected Net position.

The **Statement of Cash Flows** provides an analysis about the sources and uses of District cash during the year and how the operating, financing, and investment activities affected the District's cash balances.

The **Notes to Financial Statements** provide additional, required disclosures about the District, its accounting policies and practices, its financial position and operating activities, and other required information. The information included in these notes is essential to a full understanding of the information contained in the financial statements.

The **Budgetary Comparison Schedule** provides information comparing the budgeted revenue and expenditure activities with the actual revenue and expenditure activities. When applicable, there will be a comparison of the originally approved budget with the final amended budget.

Condensed Comparative Financial Information:

Statement of Net Position

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|----------------------------------|---------------------|---------------------|---------------------|
| Current Assets | | | |
| Cash and cash equivalents | \$ 5,370,868 | \$ 2,941,177 | \$ 1,064,124 |
| Other current assets | 569,597 | 1,675,630 | 2,915,658 |
| Total Current Assets | <u>5,940,465</u> | <u>4,616,807</u> | <u>3,979,782</u> |
| Non Current Assets | | | |
| Capital assets – net | 4,103,457 | 4,224,444 | 4,321,599 |
| Total Assets | <u>10,043,922</u> | <u>8,841,251</u> | <u>8,301,381</u> |
| Current Liabilities | <u>310,525</u> | <u>176,597</u> | <u>333,503</u> |
| Total Liabilities | <u>310,525</u> | <u>176,597</u> | <u>333,503</u> |
| Deferred Inflows of Resources | <u>108,931</u> | <u>105,087</u> | <u>104,240</u> |
| Net Position | | | |
| Net investment in capital assets | 4,103,457 | 4,224,444 | 4,321,599 |
| Restricted | 3,290 | 3,295 | 3,343 |
| Unrestricted | 5,517,719 | 4,331,828 | 3,538,696 |
| Total Net Position | <u>\$ 9,624,466</u> | <u>\$ 8,559,567</u> | <u>\$ 7,863,638</u> |

Statement of Revenues, Expenses, and Changes in Net Position

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|-----------------------------------|---------------------|---------------------|---------------------|
| Operating Revenues | \$ 2,942,484 | \$ 2,575,540 | \$ 2,752,462 |
| Operating Expenses | <u>2,664,595</u> | <u>2,334,719</u> | <u>2,583,132</u> |
| Operating Income (Loss) | 277,889 | 240,821 | 169,330 |
| Non Operating Revenues (Expenses) | <u>787,010</u> | <u>455,108</u> | <u>760,660</u> |
| Change in Net Position | 1,064,899 | 695,929 | 929,990 |
| Net Position, Beginning of Year | <u>8,559,567</u> | <u>7,863,638</u> | <u>6,933,648</u> |
| Net Position, End of Year | <u>\$ 9,624,466</u> | <u>\$ 8,559,567</u> | <u>\$ 7,863,638</u> |

Statement of Cash Flows

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|---------------------|
| Cash from (for) Operating Activities | \$ 472,124 | \$ 448,425 | \$ 290,134 |
| Cash from Non Capital Financing Activities | 781,906 | 410,161 | 673,114 |
| Cash from (for) Capital and Related Financing Activities | (43,081) | (74,268) | (245,124) |
| Cash from (for) Investing Activities | <u>1,218,742</u> | <u>1,092,735</u> | <u>184,335</u> |
| Increase (Decrease) | <u>2,429,691</u> | <u>1,877,053</u> | <u>902,459</u> |
| Cash and Cash Equivalents, Beginning of Year | 2,941,177 | 1,064,124 | 161,665 |
| Cash and Cash Equivalents, End of Year | <u>\$ 5,370,868</u> | <u>\$ 2,941,177</u> | <u>\$ 1,064,124</u> |

This foregoing information is a summary of the financial information contained in the District's financial statements. For more about the information contained in this condensed, comparative financial information, we recommend a close review of the accompanying audited financial statements beginning on page 7.

Analysis of Financial Position and Operating Results

Net position increased from \$8,559,567 in 2020 to \$9,624,466 in 2021, a difference of \$1,064,899 due to revenues exceeding expenses by that amount.

For 2021 the District has a net asset reserve for emergencies established by the Board of Directors in the amount of \$3,290.

Net capital assets decreased \$120,987 in 2021.

The District's Liabilities at December 31, 2021 increased \$133,928 from those at December 31, 2020 relating primarily to the timing of payments.

The District's 2021 operating revenues increased \$366,944 from 2020. The change in revenue is mainly a result of an increase in connection fees collected on behalf of other districts.

The District's operating expenses increased \$329,876 in 2021. This increase was caused by cost reduction efforts within the District that was offset by connection fees collected on behalf of other districts.

Net 2021 non-operating revenues before capital contributions had a \$331,902 increase due primarily to an increase in connection fees.

Cash Flows

Cash and cash equivalents for 2021 increased \$2,429,691. Cash and cash equivalents represent approximately 53% of the District's total assets at December 31, 2021.

For more information about these changes in net position, the operating activities, and cash flows see the accompanying audited financial statements beginning on page 7.

Budgetary Discussion

Actual revenues were \$275,368 more than the 2021 budget, primarily due to more than expected connection fees.

Actual expenditures were \$3,192,969 less than budgeted due to the District not requiring the use of all of the contingency expenditures, lower capital expenditures, and fewer connection fees.

Capital Asset and Long Term Debt Discussion

The District depreciates its infrastructure assets. See Note 1 of Notes to Financial Statements – *Summary of Significant Accounting Policies – Capital Assets* on page 1 and Note 4 of Notes to Financial Statements – *Capital Assets* on page 16.

The District has no capital asset activities programs in process.

The District has no long-term debt.

Other

There are no currently known facts, decisions, or conditions, which are expected to, or may likely, have a significant effect on the financial condition and results of operation in subsequent reporting periods.

Requests for Information

The 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 request for additional financial information should be address to the District at 7100 W. 44th Ave., #104, Wheat Ridge, CO 80033.

Basic Financial Statements

**Wheat Ridge Sanitation District
Statements of Net Position
December 31, 2021 and 2020**

| | 2021 | 2020 |
|--|--------------|--------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 5,370,868 | \$ 2,941,177 |
| Investments | 99,833 | 1,306,698 |
| Prepaid expenses | 14,393 | 12,696 |
| Accounts receivable | 278,920 | 243,667 |
| Due from Metro Wastewater | 66,811 | - |
| Accrued interest | 709 | 7,482 |
| Property taxes receivable | 108,931 | 105,087 |
| Total Current Assets | 5,940,465 | 4,616,807 |
| Noncurrent Assets | | |
| Capital Assets | | |
| Nondepreciable | | |
| Construction in progress | 153,778 | 110,697 |
| Depreciable | | |
| Sewer lines, extensions and inclusions | 7,703,117 | 7,703,117 |
| Office equipment | 79,396 | 79,396 |
| Leasehold improvements | 2,824 | 2,824 |
| Total Capital Assets | 7,939,115 | 7,896,034 |
| Less: Accumulated depreciation | (3,835,658) | (3,671,590) |
| Net Capital Assets | 4,103,457 | 4,224,444 |
| Total Noncurrent Assets | 4,103,457 | 4,224,444 |
| Total Assets | 10,043,922 | 8,841,251 |
| Liabilities | | |
| Current Liabilities | | |
| Accounts payable | 179,795 | 112,278 |
| Accrued expenses | 7,718 | 874 |
| Due to Metro Wastewater | - | 14,936 |
| Developer deposits | 123,012 | 48,509 |
| Total Current Liabilities | 310,525 | 176,597 |
| Deferred Inflows of Resources | | |
| Deferred property taxes | 108,931 | 105,087 |
| Total Deferred Inflows of Resources | 108,931 | 105,087 |
| Net Position | | |
| Net Investment in capital assets | 4,103,457 | 4,224,444 |
| Restricted for emergencies | 3,290 | 3,295 |
| Unrestricted | 5,517,719 | 4,331,828 |
| Total Net Position | \$ 9,624,466 | \$ 8,559,567 |

The accompanying notes are an integral part of these financial statements

Wheat Ridge Sanitation District
Statements of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2021 and 2020

| | 2021 | 2020 |
|---|--------------|--------------|
| Operating Revenues | | |
| Sewage treatment revenue | \$ 2,362,127 | \$ 2,303,141 |
| Grease trap fees | 11,590 | 11,666 |
| Metro connection fees | 531,440 | 234,360 |
| Inspection fees | 18,455 | 13,510 |
| Miscellaneous income | 18,872 | 12,863 |
| Total Operating Revenues | 2,942,484 | 2,575,540 |
| Operating Expenses | | |
| Sewage treatment | 1,403,564 | 1,418,764 |
| Collection and transmission | 284,285 | 240,318 |
| General and administration | 281,238 | 269,854 |
| Metro connection fees | 531,440 | 234,360 |
| Depreciation | 164,068 | 171,423 |
| Total Operating Expenses | 2,664,595 | 2,334,719 |
| Operating Income (Loss) | 277,889 | 240,821 |
| Nonoperating Revenues (Expenses) | | |
| Property taxes | 101,615 | 101,086 |
| Specific ownership taxes | 8,065 | 8,742 |
| Investment income | 10,334 | 51,934 |
| Office sharing revenue | 8,969 | 7,809 |
| Connection fees | 665,176 | 294,300 |
| Change in FMV of investments | (5,230) | (6,987) |
| County treasurer fees | (1,919) | (1,776) |
| Total Nonoperating Revenues (Expenses) | 787,010 | 455,108 |
| Change in Net Position | 1,064,899 | 695,929 |
| Net Position, beginning of year | 8,559,567 | 7,863,638 |
| Net Position, end of year | \$ 9,624,466 | \$ 8,559,567 |

The accompanying notes are an integral part of these financial statements

Wheat Ridge Sanitation District
Statements of Cash Flows
For the Year Ended December 31, 2021 and 2020

| | 2021 | 2020 |
|--|--------------|--------------|
| Cash Flows From Operating Activities | | |
| Cash received from customers | \$ 2,907,231 | \$ 2,551,586 |
| Cash paid to suppliers | (2,435,107) | (2,103,161) |
| Net cash provided (used) by operating activities | 472,124 | 448,425 |
| Cash Flows From Non-Capital Financing Activities | | |
| Property and ownership taxes received | 109,680 | 109,828 |
| Office sharing revenue | 8,969 | 7,809 |
| Fee paid to county treasurer | (1,919) | (1,776) |
| Cash received for connection charges and upsizing | 665,176 | 294,300 |
| Net cash provided (used) by non-capital financing activities | 781,906 | 410,161 |
| Cash Flows From Capital And Related Financing Activities | | |
| Acquisitions and construction of capital assets | (43,081) | (74,268) |
| Net cash provided (used) in capital and related financing activities | (43,081) | (74,268) |
| Cash Flows From Investing Activities | | |
| Investment income received | 17,107 | 58,305 |
| Proceeds from sale of investments | 1,201,635 | 1,236,863 |
| Cash paid for investments | - | (202,433) |
| Net cash provided (used) by investing activities | 1,218,742 | 1,092,735 |
| Net increase (decrease) in cash and cash equivalents | 2,429,691 | 1,877,053 |
| Cash and cash equivalents, beginning of year | 2,941,177 | 1,064,124 |
| Cash and cash equivalents, end of year | \$ 5,370,868 | \$ 2,941,177 |
| Non Cash Items | | |
| Market value adjustments | (5,230) | (6,987) |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | |
| Operating Income / (Loss) | \$ 277,889 | \$ 240,821 |
| Adjustments to reconcile operating loss to cash provided / (used) by operating activities | | |
| Depreciation and amortization | 164,068 | 171,423 |
| Changes in assets and liabilities | | |
| Prepaid expenses | (1,697) | (5,955) |
| Accounts receivable | (35,253) | (23,954) |
| Due to / from Metro Wastewater | (81,747) | 237,932 |
| Accounts payable | 67,517 | (171,799) |
| Other accrued liabilities | 81,347 | (43) |
| Net Cash Provided (Used) by Operating Activities | \$ 472,124 | \$ 448,425 |

The accompanying notes are an integral part of these financial statements

**Wheat Ridge Sanitation District
Notes to Financial Statements
December 31, 2021 and 2020**

Note 1 Summary of Significant Accounting Policies

Wheat Ridge Sanitation District (the District) is a quasi-municipal corporation, pursuant to the provisions of the Colorado Special District Act. The District was established to provide sanitation services to its service area located in Jefferson County, Colorado. The District operates under a Board of Directors form of government. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments. The significant accounting policies utilized are provided below:

Financial Reporting Entity

The District follows all Governmental Accounting Standards Board (GASB) accounting pronouncements, which is the authoritative body and provides guidance for determining which governmental activities, organization and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency. The District is not financially accountable for any other organization, nor is the District a component unit of any other entity.

Basis of Presentation

Enterprise fund accounting is utilized by the District in accordance with accounting principles generally accepted in the United States of America.

Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recorded when incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital outlay are recognized as increases in capital assets. Retirement of bonds is recorded as a reduction of liabilities.

The District distinguishes *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing sanitation services in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sanitation services. Operating expenses include the cost of providing sanitation services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Wheat Ridge Sanitation District
Notes to Financial Statements (Continued)
December 31, 2021 and 2020**

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Accounting (continued)

The District follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* as amended by Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* and Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These statements establishes standards for external financial reporting for all state and local governmental entities which includes a management’s discussion and analysis section; a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. It requires the classification of net position into three components: net investment in capital assets; restricted; and unrestricted.

Budgets and Budgetary Accounting

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Prior to October 15, the District manager submits the proposed budget to the District Board of Directors.
- Prior to its adoption, the budget is open for inspection by the public.
- After public inspection and consideration of any objections filed, the Board reviews the proposed budget and formally adopts it by resolution.
- At the time of the adoption of the budget, the Board passes an appropriating ordinance giving the District legal authority to spend.
- Prior to December 15, the Board adopts the mill levy.

Budgets are not prepared in accordance with accounting principles generally accepted in the United States of America because they include capital asset expenditures, but do not include depreciation. Budgets may be amended during the year by approval of the Board of Directors. Any amendments to the budget are incorporated into the budget in these financial statements. Appropriations lapse at the end of the budget year. The budget was not amended in 2021.

Property Taxes

Property taxes attach an enforceable lien on property as of January 1st. Taxes are levied on January 1st and are payable either in one installment on or before April 30th, or in two installments due on or before February 28th and June 15th of each year. The collections and assessments are done by Jefferson County and are remitted to the District monthly. District property taxes which are due to be paid in the next period, and representing an enforceable lien at January 1st of the next year, have been recorded as a receivable and as deferred revenue.

Connection Fees

The District charges a connection fee for new customers connecting to the District’s system. Connection fees retained by the District are reported as non-operating revenues. Connection fees collected on behalf of another district are reported as operating revenues and expenses.

Wheat Ridge Sanitation District
Notes to Financial Statements (Continued)
December 31, 2021 and 2020

Note 1 Summary of Significant Accounting Policies (Continued)

Assets and Liabilities

Investments – investments are recorded at fair market value. Level two inputs have been used to determine fair market value.

Receivables – all receivables are reported at their book value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital assets - are recorded at cost except for those assets which have been contributed, which are stated at estimated fair market value at the date of contribution or at developer's cost. The capitalization threshold for fixed assets is \$5,000. Depreciation is computed using the straight-line method over the asset's estimated economic useful life. The estimated useful lives are as follows:

| | |
|--------------------------------|------------|
| Sewer lines | 33 years |
| Machinery and equipment | 10 years |
| Office furniture and equipment | 3-20 years |
| Leasehold improvements | 33 years |

Deferred Outflows / Inflows of Resources

The District implemented the provisions of GASB No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position (GASB 63) and the provisions of GASB No. 65 Items Previously Reported as Assets and Liabilities (GASB 65). As a result in addition to assets, liabilities and net position, the statement of net position will sometimes report a separate section for deferred outflows of resources and deferred inflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period (deferred outflow) or the acquisition of net position that applies to future periods (deferred inflows).

Net position

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The District utilizes restricted net position before utilizing unrestricted net position when an expense is incurred for both purposes.
- c. Unrestricted net position – all other net position that do not meet the definition of "restricted" or "net investment in capital assets." These net position are available for future operations or distributions.

**Wheat Ridge Sanitation District
Notes to Financial Statements (Continued)
December 31, 2021 and 2020**

Note 1 Summary of Significant Accounting Policies (Continued)

Cash Equivalents

For purposes of the statement net position, and the statement of cash flows, cash equivalents are defined as investments (including restricted assets) with maturity of three months or less at date of acquisition. The District considers certificates of deposit with maturities of more than three months at date of purchase as investments.

Use of Estimates in the Preparation of Financial Statements

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

Note 2 Cash and Investments

Cash Deposits

As of December 31, 2021, and 2020, the District's cash deposits had a carrying balance of \$3,320,036 and \$1,106,568 and a corresponding bank balance of \$3,337,139 and \$1,107,089, of which \$250,000 and \$250,000 was insured by the Federal Deposit Insurance Corporation, respectively. The District had \$3,087,139 and \$857,089 collateralized under PDPA at December 31, 2021 and 2020, respectively.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified under 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.

The Colorado Divisions of Banking and Financial Services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2021, and 2020, none of the District's bank deposits were exposed to custodial credit risk.

The District's investments were measured at fair value using level two inputs, which are inputs—other than quoted prices—included within Level 1 that are observable for the asset or liability, either directly or indirectly. The US Bank money market account is AAA rated by Standard and Poor's. At December 31, 2021 and 2020, the District's holdings of U.S. agency obligations were rated AA+ by Standard & Poor's.

**Wheat Ridge Sanitation District
Notes to Financial Statements (Continued)
December 31, 2021 and 2020**

Note 2 Cash and Investments (Continued)

Investments

Colorado statutes specify in which investment instruments the units of local government may invest. The District's investment policy conforms to state statute. Below are a list of authorized by Colorado statute:

- Obligations of the United States and certain United States government agency securities.
- Certain international agency securities.
- General obligation and revenue bonds of United States 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, 2021, the District had the following investments:

| <u>Investment Type</u> | <u>Weighted Average Maturity (Years)</u> | <u>Fair Value</u> | <u>Percent of total investments</u> |
|--------------------------|--|-------------------|---|
| Federal Farm Credit Bank | 0.06 | 99,833 | 100% |
| Total Fair Market Value | | <u>\$ 99,833</u> | <u>100%</u> |

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

| <u>Investment Type</u> | <u>Weighted Average Maturity (Years)</u> | <u>Fair Value</u> | <u>Percent of total investments</u> |
|----------------------------|--|---------------------|---|
| U.S. Government Securities | 0.34 | 401,853 | 31% |
| Federal Home Loan Bank | 0.53 | 303,687 | 23% |
| Federal Farm Credit Bank | 0.47 | 601,158 | 46% |
| Total Fair Market Value | | <u>\$ 1,306,698</u> | <u>100%</u> |

**Wheat Ridge Sanitation District
Notes to Financial Statements (Continued)
December 31, 2021 and 2020**

Note 2 Cash and Investments (Continued)

At December 31, 2021 and 2020, the District had \$1,718,724 and \$1,717,898, respectively, invested in COLOTRUST which are investment vehicles established for 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 shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities 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 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 AAAM by Standard & Poor's and is measured at net asset value (NAV). There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Cash and cash equivalents consist of the following at December 31, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Cash on hand (cash and cash equivalent) | \$ 400 | \$ 400 |
| Cash at County Treasurer (cash and cash equivalent) | 543 | 467 |
| Cash in bank (cash and cash equivalent) | 3,320,036 | 1,106,568 |
| COLOTRUST (cash and cash equivalent) | 1,718,724 | 1,717,898 |
| Money markets (cash and cash equivalent) | 331,165 | 115,844 |
| Total cash and cash equivalents | <u>\$ 5,370,868</u> | <u>\$ 2,941,177</u> |

Note 3 Accounts Receivable

Accounts receivable at December 31, 2021 and 2020, were comprised of the following:

| | <u>2021</u> | <u>2020</u> |
|---------------------------------|-------------------|-------------------|
| Fees for sewer services | \$ 278,270 | \$ 243,131 |
| Other receivables | 650 | 536 |
| Allowance for doubtful accounts | - | - |
| Total | <u>\$ 278,920</u> | <u>\$ 243,667</u> |

Wheat Ridge Sanitation District
Notes to Financial Statements (Continued)
December 31, 2021 and 2020

Note 4 Capital Assets

A summary of changes to capital assets for 2021 is as follows:

| | Balance at 12/31/2020 | Additions | Deletions | Balance at 12/31/2021 |
|--|--------------------------|---------------------|-------------|--------------------------|
| Nondepreciable | | | | |
| Construction in progress | \$ 110,697 | \$ 43,081 | \$ - | \$ 153,778 |
| Total Nondepreciable | <u>110,697</u> | <u>43,081</u> | <u>-</u> | <u>153,778</u> |
| Depreciable | | | | |
| Sewer lines, extensions and inclusions | 7,703,117 | - | - | 7,703,117 |
| Office equipment | 79,396 | - | - | 79,396 |
| Leasehold improvements | 2,824 | - | - | 2,824 |
| Total Depreciable | <u>7,785,337</u> | <u>-</u> | <u>-</u> | <u>7,785,337</u> |
| TOTAL | <u>7,896,034</u> | <u>43,081</u> | <u>-</u> | <u>7,939,115</u> |
| Less Accumulated Depreciation | | | | |
| Sewer lines, extensions and inclusions | (3,608,865) | (160,326) | - | (3,769,191) |
| Office equipment | (59,901) | (3,742) | - | (63,643) |
| Leasehold improvements | (2,824) | - | - | (2,824) |
| Total Accumulated Depreciation | <u>(3,671,590)</u> | <u>(164,068)</u> | <u>-</u> | <u>(3,835,658)</u> |
| Net Capital Assets | <u>\$ 4,224,444</u> | <u>\$ (120,987)</u> | <u>\$ -</u> | <u>\$ 4,103,457</u> |

A summary of changes to capital assets for 2020 is as follows:

| | Balance at 12/31/2019 | Additions | Deletions | Balance at 12/31/2020 |
|--|--------------------------|--------------------|-------------|--------------------------|
| Nondepreciable | | | | |
| Construction in progress | \$ 36,429 | \$ 74,268 | \$ - | \$ 110,697 |
| Total Nondepreciable | <u>36,429</u> | <u>74,268</u> | <u>-</u> | <u>110,697</u> |
| Depreciable | | | | |
| Sewer lines, extensions and inclusions | 7,703,117 | - | - | 7,703,117 |
| Office equipment | 79,396 | - | - | 79,396 |
| Leasehold improvements | 2,824 | - | - | 2,824 |
| Total Depreciable | <u>7,785,337</u> | <u>-</u> | <u>-</u> | <u>7,785,337</u> |
| TOTAL | <u>7,821,766</u> | <u>74,268</u> | <u>-</u> | <u>7,896,034</u> |
| Less Accumulated Depreciation | | | | |
| Sewer lines, extensions and inclusions | (3,441,184) | (167,681) | - | (3,608,865) |
| Office equipment | (56,159) | (3,742) | - | (59,901) |
| Leasehold improvements | (2,824) | - | - | (2,824) |
| Total Accumulated Depreciation | <u>(3,500,167)</u> | <u>(171,423)</u> | <u>-</u> | <u>(3,671,590)</u> |
| Net Capital Assets | <u>\$ 4,321,599</u> | <u>\$ (97,155)</u> | <u>\$ -</u> | <u>\$ 4,224,444</u> |

Depreciation charged to expense by function was:

| | 2021 | 2020 |
|-----------------------------|-------------------|-------------------|
| Administrative and general | \$ 3,742 | \$ 3,742 |
| Collection and transmission | 160,326 | 167,681 |
| Total depreciation expense | <u>\$ 164,068</u> | <u>\$ 171,423</u> |

**Wheat Ridge Sanitation District
Notes to Financial Statements (Continued)
December 31, 2021 and 2020**

Note 5 Operating Leases

The District entered into a five-year lease for office space beginning on July 1, 2021. The lease amounts vary during the term of the lease will be \$915 per month. Future minimum lease payments are as follows:

| Year | Amount |
|-------|------------------|
| 2022 | \$ 10,980 |
| 2023 | 10,980 |
| 2024 | 10,980 |
| 2025 | 10,980 |
| 2026 | 5,490 |
| Total | <u>\$ 49,410</u> |

Note 6 Tax, Spending, and Debt Limitation

Article X, Section 20 of the Colorado Constitution, The Taxpayer's Bill of Rights (TABOR), contains several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR.

The District has created a Water and Wastewater statutory enterprise operation in compliance with Colorado law, which exempts certain business-like operations from Article X, Section 20 of the Colorado Constitution.

The District has established an emergency reserve of \$3,290 and \$3,295 as of December 31, 2021 and 2020, respectively, to comply with Article X, Section 20 of the Colorado Constitution.

Note 7 Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District is a participant in the Colorado Special District Association Property and Liability Pool. The Pool was formed by an agreement by member special districts of the Special District Association as a separate and independent governmental and legal entity pursuant to the provisions of Article XIV, Section 18(2) of the Colorado Constitution and Sections 29-1-201 et. seq., 8-44-101(1)(c) and (3), 8-44-204, 24-10-115.5, and 29-13-102, C.R.S, as amended. Membership is restricted to Colorado special districts which are members of the Special District Association.

The purpose of the Pool is to provide defined property, liability, workers' compensation and associated coverage's, and claims and risk management services related thereto, for member special districts through a self-insurance pool. The Pool has contracted with other third parties to operate, administer and manage the Pool. In the event aggregated losses incurred by the Pool exceed amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, additional contributions may be required from the Pool members. Settled claims exceeded the Districts commercial coverage by \$0, \$0 and \$0 for the year ended December 31, 2021, 2020 and 2019, respectively.

**Wheat Ridge Sanitation District
Notes to Financial Statements (Continued)
December 31, 2021 and 2020**

Note 8 Reclassifications

Certain items have been reclassified from the previous year to conform with the presentation of the current years financial statements.

Other Supplementary Information

Wheat Ridge Sanitation District
Budgetary vs. Actual Comparison - Non GAAP Basis
For the Year Ended December 31, 2021

| | Original & Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|----------------------------|---------------------|--|
| Revenues | | | |
| Connection fees - Wheat Ridge | 446,488 | 665,176 | 218,688 |
| Connection fees -Metro | 356,720 | 531,440 | 174,720 |
| Inspection fees | 10,000 | 18,455 | 8,455 |
| Sewage treatment revenue | 2,446,250 | 2,362,127 | (84,123) |
| Grease trap fees | 12,500 | 11,590 | (910) |
| Property tax | 105,087 | 101,615 | (3,472) |
| Ownership tax | 9,000 | 8,065 | (935) |
| Investment income | 50,000 | 5,104 | (44,896) |
| Office sharing revenue | 10,000 | 8,969 | (1,031) |
| Miscellaneous | 10,000 | 18,872 | 8,872 |
| Total Revenues | <u>3,456,045</u> | <u>3,731,413</u> | <u>275,368</u> |
| Expenditures | | | |
| Sewage Collection and Transmission | | | |
| Contract maintenance of lines | 161,000 | 156,888 | 4,112 |
| Inspections | 50,000 | 17,006 | 32,994 |
| Locates | 85,000 | 71,285 | 13,715 |
| Repairs and maintenance | 150,000 | 39,106 | 110,894 |
| Backup and restoration | 5,000 | - | 5,000 |
| Sewage Treatment | | | |
| Metro Wastewater service charge | 1,482,276 | 1,403,564 | 78,712 |
| Sanitary Administration | | | |
| Administrative, auditing and accounting | 96,000 | 94,945 | 1,055 |
| Engineering | 75,000 | 93,029 | (18,029) |
| Financial management fees | 4,500 | 1,314 | 3,186 |
| Bank charges | 1,200 | 928 | 272 |
| Directors' fees | 6,000 | 5,600 | 400 |
| Insurance | 12,500 | 10,008 | 2,492 |
| Legal | 50,000 | 37,838 | 12,162 |
| Membership dues and meetings | 1,500 | 1,238 | 262 |
| Miscellaneous expense | 1,500 | 154 | 1,346 |
| Office expenses | 18,500 | 16,886 | 1,614 |
| Occupancy | 14,300 | 13,858 | 442 |
| Taxes - payroll | 500 | 444 | 56 |
| Telephone | 5,000 | 4,996 | 4 |
| County treasurer fees | 2,000 | 1,919 | 81 |
| Connection Fees - Metro | 356,720 | 531,440 | (174,720) |
| Contingency Expense | 150,000 | - | 150,000 |
| Capital Expenditures | 3,010,000 | 43,081 | 2,966,919 |
| Total Expenditures | <u>5,738,496</u> | <u>2,545,527</u> | <u>3,192,969</u> |
| Reconciliation to GAAP Basis | | | |
| Net income - Budgetary Basis | | 1,185,886 | |
| Add Capital Outlay | | 43,081 | |
| Less Depreciation | | (164,068) | |
| Net Income - GAAP Basis | | <u>\$ 1,064,899</u> | |

Wheat Ridge Sanitation District
Schedule of Expenses by Function
For the Year Ended December 31, 2021 and 2020

| Collection and Transmission Expense | <u>2021</u> | <u>2020</u> |
|--|--------------------------|--------------------------|
| Contract operations and maintenance | \$ 156,888 | \$ 105,755 |
| Inspections | 17,006 | 16,274 |
| Backup restoration | - | 1,500 |
| Locates | 71,285 | 82,556 |
| Repairs and maintenance | <u>39,106</u> | <u>34,233</u> |
| Subtotal | 284,285 | 240,318 |
| Depreciation | <u>160,328</u> | <u>167,681</u> |
| Total Collection and Transmission | <u><u>\$ 444,613</u></u> | <u><u>\$ 407,999</u></u> |

| General and Administrative Expense | | |
|--|--------------------------|--------------------------|
| Administrative, accounting and auditing services | \$ 94,945 | \$ 90,779 |
| Engineering and capacity study | 93,029 | 79,194 |
| Financial management fees | 1,314 | 3,264 |
| Bank charges | 928 | 1,035 |
| Directors' fees | 5,600 | 5,700 |
| Insurance | 10,008 | 10,990 |
| Legal | 37,838 | 38,295 |
| Membership dues and meetings | 1,238 | 1,378 |
| Miscellaneous expense | 154 | 3,738 |
| Office supplies and equipment maintenance | 16,886 | 16,734 |
| Occupancy | 13,858 | 13,474 |
| Taxes - payroll | 444 | 438 |
| Telephone | <u>4,996</u> | <u>4,835</u> |
| Subtotal | 281,238 | 269,854 |
| Depreciation | <u>3,742</u> | <u>3,742</u> |
| Total General and Administrative | <u><u>\$ 284,980</u></u> | <u><u>\$ 273,596</u></u> |

The accompanying notes are an integral part of these financial statements