Alpensee Water District

Annual Financial Report

December 31, 2021

Haynie & Company

HaynieCPAs.com

Table of Contents

Haynie & Company
Certified Public Accountants
& Management Consultants

1221 W. Mineral Avenue, Suite 202
Littleton, CO 80120
303-734-4800
303-795-3356
www.HaynieCPAs.com

Independent Auditor's Report

Members of the Board of Directors
Alpensee Water District

Opinion

We have audited the accompanying financial statements of the business-type activities of Alpensee Water District as of and for the year ended December 31, 2021 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 Alpensee Water District, as of December 31, 2021, 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 Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Alpensee Water 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 Alpensee Water 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 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 Alpensee Water 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 the Alpensee Water 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 Alpensee Water District's financial statements as a whole. The budgetary comparison schedule is presented for purposes of additional analysis and is 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 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.

Haynie & Company

Littleton, Colorado
October 26, 2022

Basic Financial Statements

Alpensee Water District

Statement of Net Position (Deficit)

December 31, 2021

Assets		**2021**
Current Assets:		
Cash and investments - unrestricted	$	3,292
Cash and investments - restricted		251,530
Accounts receivable		45,614
Prepaid expenses		7,536
Property taxes receivable		210,907
Total Current Assets		518,879
Capital Assets		
Capital assests, net of accumulated depreciation		457,151
Total Assets	$	976,030
Liabilities		
Current Liabilities:		
Accounts payable	$	455
Total Current Liabilities		455
Long-Term Liabilities		
Notes payable - due within one year		638,000
Notes payable - due in more than one year		95,000
Developer advances		56,106
Total Long-Term Liablilities		789,106
Total Liabilties		789,561
Deferred Inflow of Resources		
Deferred property tax revenue		210,907
Total Deferred Inflows of Resources		210,907
Net Position		
Net investment in capital assets		(331,955)
Restricted - emergency reserve		3,414
Restricted - Debt Reserve		45,000
Unrestricted		259,103
Total Net Position		(24,438)
Total Liabilities and Net Position (Deficit)	$	976,030

The accompanying notes are an integral part of these statements.

Alpensee Water District

Statement of Revenues, Expenses and Changes in Net Position (Deficit)

For the Year Ended December 31, 2021

	2021
Operating Revenues	
Water revenue	$ 37,200
Late fees	8,412
Total Operating Revenues	45,612
Operating Expenses	
Accounting and auditing	5,000
Administrative support	6,631
Repair and maintenance/miscellaneous	18,455
Condo dues	5,721
Insurance	8,412
Legal	4,726
Office supplies	902
Utilities	7,994
Treasurers fees	9,909
Water testing	802
Communications	864
Depreciation	44,381
	113,797
Operating Income (Loss)	(68,185)
Nonoperating Revenues (Expenses)	
Property taxes	175,698
Specific ownership taxes	9,302
Interest income	433
Interest expense	(25,239)
Total Nonoperating Revenues (Expenses)	160,194
Change in Net Position	92,009
Net Position (Deficit)—Beginning of Year	(116,447)
Net Position (Deficit)—End of Year	(24,438)

The accompanying notes are an integral part of these statements.

Alpensee Water District
Statement of Cash Flows
For the Year Ended December 31, 2021

	2021
Cash Flows from Operating Activities:	
Cash received from customers	$ 21,293
Cash payments to suppliers for goods and services	(68,219)
Net Cash from Operating Activities	(46,926)
Cash Flows from Noncapital Financing Activities	
Property Taxes	140,469
Specific Ownership Taxes	44,531
Net Cash from Noncapital Financing Activities	185,000
Cash Flows from Capital and Related Financing Activities	
Principal Payments on Long-Term Debt	(91,000)
Interest Payments on Long-Term Debt	(25,239)
Net Cash from Capital and Related Financing Activities	(116,239)
Cash Flows from Investing Activities:	
Interest Income	433
Net Cash from Investing Activities	433
Net Change in Cash and Cash Equivalents	22,268
Cash and cash equivalents—beginning of year	232,554
Cash and cash equivalents—end of year	$ 254,822
Reconciliation of operating income (loss) to net cash from operating activities	
Income (Loss) from operations	$ (68,185)
Adjustments to reconcile income (loss) from operations to net cash from operating activites	
Depreciation	44,381
Effects of changes in operating assets and liabilities:	
Receivables	(24,319)
Prepaid expenses	876
Accounts payable	321
Net cash from operating activities	$ (46,926)

The accompanying notes are an integral part of these statements.

Alpensee Water District
Notes to Basic Financial Statements
December 31, 2021

1. Organization

Organization

Alpensee Water District (the District) is a quasi-municipal corporation and political subdivision of the State of Colorado. The District's service area is located in Summit County, Colorado. It was organized on November 20, 1999, to manage and coordinate the financing, acquisition, construction, operation and maintenance of all public infrastructure and water services to inhabitants of the District. It has an elected board of directors. The District derives its revenue principally from water sales and property taxes.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations 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 has no employees and all operations and administrative functions are contracted.

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

2. Significant Accounting Policies

General Accounting Policies

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

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

The District follows Governmental Accounting Standards Board pronouncements.

2. Summary of Significant Accounting Policies (continued)

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 capital assets are shown as increases in assets. Tap fees are recorded as capital contributions when received.

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

Operating revenues and expenses

The District distinguishes between operating revenues and expenses and non-operating items in the Statement of Revenues, Expenses and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing water services to its customers. Operating revenues consist of charges to customers for service provided. Operating expenses include the cost of service, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

Budgets

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's Board of Directors can modify the budget by line item within the total appropriation without notification. The total appropriation can only be modified upon completion of notification and publication requirements.

Cash equivalents

For purposes of the Statement of Cash Flows, the District considers cash deposits and highly liquid investments with original maturities of three months or less from the date of acquisition, to be cash equivalents.

Capital assets

The District defines capital assets as assets with an initial, individual cost of more than $5,000. 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. Depreciation expense has been computed using the straight- line method over the estimated economic useful lives of 10 to 30 years and is charged to operating expenses.

2. Summary of Significant Accounting Policies (continued)

Property taxes

Property taxes are levied by the District Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayers' election, in February and June.

Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Alpensee Water District management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows of resources and disclosure of contingent assets, liabilities and deferred inflows of resources at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Contributed capital

Tap fees are generally recorded as capital contributions when received. Lines contributed to the District by developers are recorded as capital contributions and additions to the systems at the developer's cost.

3. Cash and Investments

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. As of December 31, 2021, the federal insurance limits were $250,000. The eligible collateral is 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 aggregate uninsured deposits.

3. Cash and Investments (continued)

The State Regulatory Commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

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

Cash and investments as of December 31, 2021 are classified in the accompanying statement of net position as follows:

Cash and investments-unrestricted	$ 3,292
Cash and investments-restricted	251,530
	$ 254,822

As of December 31, 2021, the District had carrying balances and bank balances as follows:

	Carrying Balance	Bank Balance
Cash and equivalents	$ 254,822	$ 262,358

For deposits, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2021, the District's bank balance was not exposed to custodial credit risk. Of the bank balances, $260,828 was covered by federal depository insurance.

As of December 31, 2021, $1,530 was collateralized by PDPA. Deposits that are exposed to custodial credit risk are collateralized with securities held by the pledging financial institution through PDPA.

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

3. Cash and Investments (continued)

Investment

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

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

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

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

As of December 31, 2021, the District had no investments.

4. Property, Plant and Equipment

In accordance with the policy established by the Board of Directors, the District capitalizes items with a useful life greater than one year. An analysis of the changes in property and equipment for the year ended December 31, 2021 follows:

4. Property, Plant and Equipment (continued)

	Balance December 31, 2020	Additions	Retirements	Balance December 31, 2021
Capital assets, being depreciated:				
Infrastructure	$ 1,228,722	$ -	$ -	$ 1,228,722
Equipment	109,470	-	-	109,470
Total capital assets, being depreciated	1,338,192	-	-	1,338,192
Accumulated depreciation	(836,660)	(44,381)	-	(881,041)
Total capital assets, net	$ 501,532	$ (44,381)	$ -	$ 457,151

5. Net Position

The District has net position consisting of three components-net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, and the related debt used to acquire those assets. As of December 31, 2021, the District had invested in capital assets of $(331,955).

Restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. As of December 31, 2021 the District had restricted net position is as follows:

Restricted net position:	
TABOR emergency reserve (Note 8)	$ 3,414
Debt reserve	45,000
	$ 48,414

The District’s unrestricted net position as of December 31, 2021 is $259,103.

6. Long-Term Liabilities

The following is an analysis of changes in long-term liabilities for the year ended December 31, 2021:

	Balance at December 31, 2020	Additions	Payment	Balance at December 31, 2021	Due Within One Year
Notes payable:					
UMB Series 2016 Bond	$ 824,000	$ -	$ (91,000)	$ 733,000	$ 95,000
Subordinate Note	56,106	-	-	56,106	-
Total notes payable	$ 880,106	$ -	$ (91,000)	$ 789,106	$ 95,000

Limited Tax General Obligation Refunding Note Series 2016
On June 15, 2016, the District issued a $1,225,000 Limited Tax General Obligation Refunding Note Series 2016 ("2016 Note"), the proceeds of which were used to refund the Districts' outstanding 2011 Note in the amount of $1,196,000. The 2016 Note bears interest semiannually at a rate of 3.15% maturing June 15, 2026. On or any time after December 15, 2021, the 2016 Note may be prepaid in whole at a prepayment price equal to the outstanding principal amount plus accrued interest to the date of prepayment without a termination fee, premium or penalty. The District is required to maintain a reserve fund of $45,000, which it has at December 31, 2021.

Events of default under the 2016 Note include: (a) failure to impose sufficient ad valorem property tax; (b) nonpayment of principal or interest; (c) failure to meet performance of the covenants, agreements, or conditions and failure to remedy the same after notice; (d) any untrue or incomplete representations or warranty made by the District in any financing document; (e) any judgement exceeding $50,000 rendered against the District and unpaid for over 60 days; (f) initiation, acquiescence or consent to dissolve; (g) commencing any proceeding or other action relating to bankruptcy, insolvency, reorganization or relief of debtors; (h) receiving a qualified opinion with respect to the District's status as an on-going concern.

The following is a summary of the annual long-term debt principal and interest requirements on the 2016 Note.

Year ended December 31,	Principal	Interest	Total
2022	$ 95,000	$ 22,339	$ 117,339
2023	98,000	19,323	117,323
2024	101,000	16,259	117,259
2025	103,000	13,015	116,015
2026	336,000	5,278	341,278
	$ 733,000	$ 76,214	$ 809,214

6. Long-Term Liabilities (continued)

Subordinate debt:
The District entered into a subordinate debt agreement with the prior developer of property in the District as part of the 2011 refunding of the Districts general obligation debt in the amount of $93,000. The amount of the subordinate debt bears no interest. The outstanding balance of the debt at December 31, 2021 is $56,106.

The District has no authorized, unissued debt.

7. Risk Management

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors and omissions; injuries to personnel, or natural disasters.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2021. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers' compensation coverage to its members. 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, property and public officials. 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. Tax Spending and Debt Limitation

In 1992, Colorado voters approved Amendment 1, commonly known as the Taxpayer Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments. Enterprises, defined by TABOR as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR.

TABOR establishes 1992 as the initial base for spending and revenue limits. Future spending and revenue limits can be adjusted for inflation and local growth without voter approval. TABOR requires the establishment of Emergency Reserves that must be at least 3% of spending (excluding bonded debt service). Excess funds within the spending and revenue limits can be reserved for general use and, when spent in subsequent years, are not subject to

8. Tax Spending and Debt Limitation (continued)

the spending limits mentioned above. The District TABOR reserve at December 31, 2021, is $3,414.

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

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

Supplementary Information

Alpensee Water District

Schedule of Revenues, Expenditures and Changes in Funds Available
Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Operating revenues			
Water revenue	$ 37,200	$ 37,200	$ -
Late fees	-	8,412	8,412
Non-operating revenue:			
Property taxes	175,698	175,698	-
Specific ownership taxes	10,400	9,302	(1,098)
Miscellaneous	200	-	(200)
Interest	600	433	(167)
Total Revenue	224,098	231,045	6,947
Expenditures:			
Operating expense			
Accounting and auditing	1,250	5,000	(3,750)
Adminstrative support	3,800	6,631	(2,831)
Repair and maintenance/miscellaneous	10,000	18,455	(8,455)
Capital Improvements	14,000	-	14,000
Contract labor	13,000	-	13,000
Condo dues	3,500	5,721	(2,221)
Dues	1,000	-	1,000
Insurance	6,900	8,412	(1,512)
Legal	5,000	4,726	274
License and fees	225	-	225
Office supplies	1,250	902	348
Utilities	9,500	7,994	1,506
Treasurers fees	8,000	9,909	(1,909)
Water testing	3,500	802	2,698
Communications	700	864	(164)
Non-operating expense:			
Principal payment	84,000	91,000	(7,000)
Interest expense	30,681	25,239	5,442
Total Expenditures	196,306	185,655	10,651
Excess Revenue over Expenditures	27,792	45,390	(17,598)
Beginning Funds Available	287,692	(116,447)	404,139
Ending Funds Available	$ 315,484	$ (71,057)	$ 386,541

Reconciling differences between budgetary basis and generally accepted accounting principles (GAAP):		
Debt principal payment		91,000
Depreciation and amortization		(44,381)
Net Income (GAAP Basis)		$ 92,009