

Southgate Water District

Annual Financial Report


December 31, 2021 and 2020


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Board of Directors and Management
Southgate Water District

Opinions

We have audited the accompanying financial statements of the business-type activities of Southgate Water District (the District) as of December 31, 2021 and 2020 and for the years then ended 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 Southgate Water District, as of December 31, 2021 and 2020 and 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 Southgate 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 Southgate Water 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 Southgate 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 Southgate Water 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, as listed in the table of contents, 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Southgate Water District's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is 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.

Sincerely,

Haynie & Company

Littleton, Colorado
July 12, 2022

Southgate Water District Management Discussion and Analysis

The Southgate Water District (the "District") offers the readers of the District's financial statements this narrative overview and analysis of the District's financial performance during the Fiscal Year ended December 31, 2021. Please read it in conjunction with the financial statements.

CONTENTS

In addition to this Management Discussion and Analysis this annual report includes:

Independent Auditor's Report

Financial Statements- *The financial statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.*

Statement of Net Position - *The Statement of Net Position provides information about the nature and amounts of investments in resources (assets) and obligations to District creditors (liabilities). It also provides the basis for computing the rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.*

Statement of Activities- *This statement measures the results of the District's operations over the past year and illustrates the manner in which it has funded its operations and activities. It is the basis for determining profitability and credit worthiness.*

Statement of Cash Flows - *The purpose of this statement is to provide information about the District's cash receipts and payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities.*

Notes to the Financial Statements explain in more detail much of the information in the financial statements.

Supplementary Information, consisting of:

Budgetary Comparison Schedule - Budgetary Basis Non-GAAP - 2021

Budgetary Comparison Schedule- Budgetary Basis Non-GAAP - 2020

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of this year's activities?" The Statement of Net Position and Statement of Activities work to answer that question.

A summary of the District's Statement of Net Position is presented in the following table.

| | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>'20-'21 Change</u> | <u>'20-'21 %</u> |
|----------------------------------|----------------------|----------------------|----------------------|-----------------------|------------------|
| Current Assets | \$ 7,094,792 | \$ 2,677,715 | \$ 6,433,298 | \$ 3,755,583 | 140.25% |
| Property, Plant & Equipment | 40,330,218 | 42,845,369 | 43,713,768 | 868,399 | 2.03% |
| Other Assets | <u>27,973,147</u> | <u>29,672,825</u> | <u>24,755,991</u> | <u>(4,916,834)</u> | <u>-16.57%</u> |
| Total Assets | 75,398,157 | 75,195,909 | 74,903,057 | (292,852) | -0.39% |
| Current Liabilities | <u>327,264</u> | <u>348,250</u> | <u>401,599</u> | <u>53,349</u> | <u>15.32%</u> |
| Total Liabilities | 327,264 | 348,250 | 401,599 | 53,349 | 15.32% |
| Net Investment in Capital Assets | 42,227,427 | 44,447,189 | 45,020,200 | 573,011 | 1.29% |
| Restricted-TABOR reserve | 64,773 | 51,293 | 48,236 | (3,057) | -5.96% |
| Unrestricted | <u>32,778,693</u> | <u>30,349,177</u> | <u>29,433,022</u> | <u>(916,155)</u> | <u>-3.02%</u> |
| Total Net Position | <u>\$ 75,070,893</u> | <u>\$ 74,847,659</u> | <u>\$ 74,501,458</u> | <u>\$ (346,201)</u> | <u>-0.46%</u> |

Current Assets are primarily cash held in investment trusts to cover cash flow needs together with funds to cover capital improvement projects. Property, Plant and Equipment and Net Investment in Capital Assets reflect the rigorous application of the GASB Statement No. 34 standards to the capital asset schedule and to the calculation of depreciation.

A summary of the District's activities and changes in net position is presented below.

| | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>'20-'21 Change</u> | <u>'20-'21 %</u> |
|------------------------------------|----------------------|----------------------|----------------------|-----------------------|------------------|
| Operating Revenue | \$ 1,604,093 | \$ 1,637,913 | \$ 1,832,443 | \$ 194,530 | 11.88% |
| Non-Operating Revenue | <u>864,191</u> | <u>420,072</u> | <u>73,636</u> | <u>(346,436)</u> | <u>-82.47%</u> |
| Total Revenues | 2,468,284 | 2,057,985 | 1,906,079 | (151,906) | -7.38% |
| Depreciation Expense | 1,884,080 | 1,576,533 | 1,844,864 | 268,331 | 17.02% |
| Govt/Admin/Other Operating Expense | <u>2,454,491</u> | <u>2,005,162</u> | <u>1,903,271</u> | <u>(101,891)</u> | <u>-5.08%</u> |
| Total Expenses | 4,338,571 | 3,581,695 | 3,748,135 | 166,440 | 4.65% |
| Income/Loss Before Contributions | (1,870,287) | (1,523,710) | (1,842,056) | (318,346) | 20.89% |
| Capital Contributions | <u>1,413,271</u> | <u>1,300,476</u> | <u>1,495,855</u> | <u>195,379</u> | <u>15.02%</u> |
| | (457,016) | (223,234) | (346,201) | (122,967) | 55.08% |
| Net Position- Beginning of Year | <u>75,527,909</u> | <u>75,070,893</u> | <u>74,847,659</u> | <u>(223,234)</u> | <u>-0.30%</u> |
| Net Position - End of Year | <u>\$ 75,070,893</u> | <u>\$ 74,847,659</u> | <u>\$ 74,501,458</u> | <u>\$ (346,201)</u> | <u>-0.46%</u> |

The District funds its activities from interest earnings, new tap sales (included in Capital Contributions), a service charge collected on the District's behalf by the Denver Water Department, and miscellaneous revenues. The District's mill levy was eliminated several years ago. Capital projects are funded by tap fees (included in Capital Contributions) augmented by existing reserve funds.

Operating revenues remained consistent with the prior year. Non-operating revenues decreased and are reflective of an improved economy and an increased pace of new development. Through prudent budgeting and accumulation of operational and capital reserves the District is able to maintain established programs at the optimal level of service.

Governmental and Administration Expense and Other Operating Expense reflect an increase of expenditures, due primarily to increased employee compensation. "Income/Loss before

Contributions" reflects the effects of expenditures exceeding revenues; and the need to use fiscal reserves. That situation is expected to recover with time and the overall health of the District remains strong as reflected in the Net Position – End of Year.

As you review the Financial Statements you will note that the District follows Government Accounting Standards Board Statement No. 40 (GASB 40) relative to disclosures of deposit and investment risk on the District's cash and investments. You will find that the District invests under the provisions and restraints of a written Investment Policy and conforms to the requirements of the Colorado Public Deposit Protection Act (PDPA) relative to use of eligible public depositories. While the District limits its investments to the more conservative and higher rated instruments allowed under the Colorado Statutes, there is opportunity for diversification and the investment portfolio has been laddered to take advantage of any up turn in the investment market.

Capital Assets

At the end of 2021, the District had invested \$84.1 million, (less \$40.3 million in accumulated depreciation), in a broad range of infrastructure, including four water reservoirs (with storage capacity of 11 million gallons), one pump station, approximately 235 miles of transmission and distribution lines, maintenance and administration facilities, vehicles, and equipment, as shown in the following table.

| | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>'20-'21 Change</u> | <u>'20-'21 %</u> |
|--------------------------------|----------------------|----------------------|----------------------|-----------------------|------------------|
| Water System | \$ 66,823,948 | \$ 70,768,321 | \$ 71,703,690 | \$ 935,369 | 1.32% |
| Pumping & Storage | 5,907,943 | 5,907,943 | 5,907,943 | - | 0.00% |
| Studies | 566,677 | 566,677 | 566,677 | - | 0.00% |
| Capital Equipment | 1,571,519 | 1,590,449 | 1,590,449 | - | 0.00% |
| Building & Land | 2,041,052 | 2,041,052 | 2,041,052 | - | 0.00% |
| Water Rights | 237,404 | 237,404 | 237,404 | - | 0.00% |
| Easements | 9,240 | 9,240 | 9,240 | - | 0.00% |
| Construction in Progress | <u>91,899</u> | <u>220,279</u> | <u>1,998,173</u> | <u>1,777,894</u> | 807.11% |
| Subtotal | 77,249,682 | 81,341,365 | 84,054,628 | 2,713,263 | 3.34% |
| Accumulated Depreciation | <u>(36,919,464)</u> | <u>(38,495,996)</u> | <u>(40,340,860)</u> | <u>(1,844,864)</u> | 4.79% |
| Net Property Plant & Equipment | <u>\$ 40,330,218</u> | <u>\$ 42,845,369</u> | <u>\$ 43,713,768</u> | <u>\$ 868,399</u> | 2.03% |

This table reflects the results of the GASB 34 asset valuation and depreciation efforts. With completion of the pump station and reservoir improvements the capacity related projects set forth in the District's master plan have been fully satisfied. The District's capital focus now shifts entirely to capital preservation, rehabilitation and replacement in the context of its Asset Management program and long term (50 year) fiscal modeling.

LONG-TERM DEBT

The District has no long-term debt and does not anticipate a need to issue new debt in the foreseeable future.

BUDGETARY HIGHLIGHTS

As required by State Law, the District adopts a budget and appropriates funds for the following year by December 15 of each year. If an amendment is necessary, the Board will approve a supplemental appropriation at a public hearing and file it with the State of Colorado. Budget to actual statements are included as Supplemental Information in the audited financial statements. There were no supplemental appropriations made to the 2020 or 2021 budgets.

The District operates within the context of a 50-year fiscal model. The Board of Directors and Management are attentive and fiscally prudent. The District has been successful in meeting the needs of its constituents within the restraints of the tax and budgetary limitations of Colorado's TABOR Amendment.

The following table presents the District's budget and actual expenditures for 2019, 2020 and 2021:

| | 2019 | | 2020 | | 2021 | |
|-----------------------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|--------------------|
| | Budget | Actual | Budget | Actual | Budget | Actual |
| System Charges | \$ 1,578,804 | \$ 1,057,848 | \$ 1,643,988 | \$ 988,876 | \$ 1,713,051 | \$ 560,486 |
| Investment Income | 620,000 | 864,191 | 580,000 | 420,072 | 360,000 | 73,636 |
| Rates and Charges | 935,000 | 1,577,388 | 935,000 | 1,619,093 | 935,000 | 1,700,969 |
| Miscellaneous Income | <u>20,000</u> | <u>26,705</u> | <u>27,000</u> | <u>18,820</u> | <u>27,000</u> | <u>131,474</u> |
| Total Revenues | \$ 3,153,804 | \$ 3,526,132 | \$ 3,185,988 | \$ 3,046,861 | \$ 3,035,051 | \$ 2,466,565 |
| Admin & Operations | 1,843,500 | 2,031,740 | 1,846,300 | 1,573,304 | 1,838,300 | 1,484,067 |
| Professional Services | 80,000 | 127,363 | 142,000 | 136,470 | 182,000 | 123,816 |
| Capital Outlay | <u>4,350,000</u> | <u>2,642,894</u> | <u>3,625,000</u> | <u>3,780,084</u> | <u>11,150,000</u> | <u>1,777,894</u> |
| Total Expenditures | 6,273,500 | 4,801,997 | 5,613,300 | 5,489,858 | 13,170,300 | 3,385,777 |
| Revenues Less Expenditures | <u>\$(3,119,696)</u> | <u>\$(1,275,865)</u> | <u>\$(2,427,312)</u> | <u>\$(2,442,997)</u> | <u>\$(10,135,249)</u> | <u>\$(919,212)</u> |

System Charges (tap fees) have been unpredictable in recent years due to the fluctuating market conditions and new construction. These charges were flat year over year. Investment yields and market valuation are improved (reflective of the overall economy), yet still slightly below anticipated returns. At Rates and Charges, you will observe the service charge collected through the Denver Water Department. It is anticipated that the service charge will increase over coming years. While we had anticipated the need to expend monies from the District's reserves to cover operational expenses and capital improvements in each of the years: 1) 2021 expenditures decreased due to less capital outlay in the current year, 2) in 2021, system charges were lower than anticipated, while capital outlay did not reach the budgeted expectation. With recognition that capital improvements are usually multi-year undertakings that can be affected by many factors, the District budgets for possible maximum expenditure in any given year and re-budgets the unexpended portion, (for in-progress projects), the following fiscal year to continue the capital program.

ECONOMIC CONSIDERATIONS

The District is located in the economically attractive southeast corridor of the Denver metropolitan area and has growth potential for some time to come. Most of the District's infrastructure is in place. The District's water resource needs have been met, (through a well drafted water resource agreement with the Denver Water Department and adjudication of ground water as a backup resource).

—
/s/ **David A. Irish,**
District Manager

Note: This Discussion and Analysis contains some forward-looking statements giving our current expectations or forecasts of future events. You can identify these statements by the fact that they do not refer strictly to historical or current facts and include words such as "anticipate", "estimate", "project", "intend", "plan", "believe", "hope", and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future revenues, capital expenditures, the impact of new accounting pronouncements, and other statements regarding matters that are not historical facts or statements of current condition. There are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. We undertake no obligation (and expressly disclaim any such obligation) to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise; except as required by law.

Requests for Information

This financial report is designed to give its readers a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

David Irish, District Manager
Southgate Water District
3722 East Orchard Road
Centennial, CO 80121

Basic Financial Statements

Southgate Water District
Statements of Net Position
December 31, 2021 and 2020

| | 2021 | 2020 |
|---|--------------|--------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 5,999,833 | \$ 2,247,350 |
| Receivables | | |
| Accounts receivable | 136,985 | 137,215 |
| Interest | 45,405 | 58,324 |
| Prepays | 28,735 | 450 |
| Inventory | 222,340 | 234,376 |
| Total current assets | 6,433,298 | 2,677,715 |
| Property, plant and equipment | | |
| Net of accumulated depreciation (Note 4) | 43,713,768 | 42,845,369 |
| Net property, plant and equipment | 43,713,768 | 42,845,369 |
| Other assets | | |
| Investments (Note 3) | 23,449,559 | 28,071,005 |
| Investment in participation agreement, net (Note 5) | 1,306,432 | 1,601,820 |
| Total other assets | 24,755,991 | 29,672,825 |
| Total assets | \$74,903,057 | \$75,195,909 |
| Liabilities and Net Position | | |
| Current liabilities | | |
| Accounts and retainage payable | \$ 256,281 | \$ 114,316 |
| Accrued liabilities | 87,808 | 88,791 |
| Due to other government (Note 7) | - | - |
| Advances from developers | 57,510 | 145,143 |
| Total current liabilities | 401,599 | 348,250 |
| Net Position | | |
| Net Investment in capital assets | 45,020,200 | 44,447,189 |
| Restricted - TABOR reserve (Note 9) | 48,236 | 51,293 |
| Unrestricted | 29,433,022 | 30,349,177 |
| Total net position | \$74,501,458 | \$74,847,659 |

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

Southgate Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2021 and 2020

| | 2021 | 2020 |
|---|----------------------|----------------------|
| Operating Revenues | | |
| Rates and service charges | \$ 1,700,969 | \$ 1,619,093 |
| Plan review and inspection fees | 25,940 | 18,820 |
| Other income | 105,534 | - |
| Total operating revenues | <u>1,832,443</u> | <u>1,637,913</u> |
| Operating expenses | | |
| Accounting and audit | 31,516 | 32,856 |
| Elections | - | 2,004 |
| Conferences and seminars | 13,200 | 15,046 |
| Directors' fees | 4,700 | 5,300 |
| Employee compensation (Note 7) | 765,930 | 739,776 |
| Insurance | 28,629 | 25,358 |
| Legal | 18,045 | 22,575 |
| Office expense | 117,955 | 151,754 |
| Special projects | 13,111 | 17,564 |
| Engineering | 74,255 | 81,039 |
| Maintenance | 455,284 | 526,641 |
| Utilities | 81,993 | 74,483 |
| Small equipment | 146 | 12,908 |
| Ground water protection | 3,119 | 2,470 |
| Depreciation (Note 4) | 1,844,864 | 1,576,533 |
| Amortization (Note 5) | 295,388 | 295,388 |
| Total operating expenses | <u>3,748,135</u> | <u>3,581,695</u> |
| Operating Income (loss) | <u>(1,915,692)</u> | <u>(1,943,782)</u> |
| Non-operating revenue | | |
| Investment income | <u>73,636</u> | <u>420,072</u> |
| Loss Before Contributions | (1,842,056) | (1,523,710) |
| Capital Contributions (Taps and Conveyed Facilities) | <u>1,495,855</u> | <u>1,300,476</u> |
| Change in Net Position | (346,201) | (223,234) |
| Net position—beginning of year | <u>74,847,659</u> | <u>75,070,893</u> |
| Net position—end of year | <u>\$ 74,501,458</u> | <u>\$ 74,847,659</u> |

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

Southgate Water District
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

| | 2021 | 2020 |
|---|----------------------------|----------------------------|
| Cash flows from operating activities | | |
| Cash received from customers | \$ 1,845,592 | \$ 1,719,672 |
| Cash paid to suppliers and others | (717,220) | (908,266) |
| Cash paid to employees for services | <u>(765,930)</u> | <u>(761,062)</u> |
| Net cash from operating activities | <u>362,442</u> | <u>50,344</u> |
| Cash flows from capital and related financing activities | | |
| Purchases and construction of property and equipment | (1,777,894) | (3,780,084) |
| Payments to (advances from) developers | (87,633) | (27,804) |
| Capital contributed—tap fees | <u>560,486</u> | <u>988,876</u> |
| Net cash from capital and related financing activities | <u>(1,305,041)</u> | <u>(2,819,012)</u> |
| Cash flows from investing activities | | |
| Net sale (purchase) of investments | 4,621,446 | (1,995,066) |
| Interest received in investment securities | <u>73,636</u> | <u>420,072</u> |
| Net cash from investing activities | <u>4,695,082</u> | <u>(1,574,994)</u> |
| Net change in cash and cash equivalents | 3,752,483 | (4,343,662) |
| Cash and cash equivalents—beginning of year | <u>2,247,350</u> | <u>6,591,012</u> |
| Cash and cash equivalents—end of year | <u><u>\$ 5,999,833</u></u> | <u><u>\$ 2,247,350</u></u> |
| Reconciliation of operating loss to net cash from operating activities | | |
| Operating income (loss) | \$ (1,915,692) | \$ (1,943,782) |
| Adjustments to reconcile operating loss to net cash from operating activities | | |
| Depreciation | 1,844,864 | 1,576,533 |
| Amortization | 295,388 | 295,388 |
| Change in accounts receivable | 13,149 | 81,759 |
| Change in prepaids | (28,285) | 26,408 |
| Change in inventory | 12,036 | (34,752) |
| Change in accounts payable | 141,965 | 47,507 |
| Change in accrued liabilities | (983) | 22,569 |
| Change in due to other governments | <u>-</u> | <u>(21,286)</u> |
| Net cash from operating activities | <u><u>\$ 362,442</u></u> | <u><u>\$ 50,344</u></u> |
| Schedule of noncash investing, capital and financing activities | | |
| Property contributed by developers (Note 4) | <u><u>\$ 935,369</u></u> | <u><u>\$ 311,600</u></u> |

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

Southgate Water District

Notes to Basic Financial Statements

December 31, 2021 and 2020

1. Organization

Organization

Southgate Water District (the District) is a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to develop and provide water transmission, pumping and storage facilities. The water supply is provided by the City and County of Denver. Charges for these services are billed and collected directly from District customers by the City and County of Denver.

2. Significant Accounting Policies

General Accounting Policies

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements that 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 is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

The District presents its financial statements as an enterprise fund. Enterprise funds are used to account for operations (a) which are intended to be self-supporting through user charges or (b) where the Board of Directors has determined that periodic determination of net income is appropriate for management control and accountability.

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 assets. Tap fees, inclusion fees and contributed water lines are recorded as non-operating revenue when the permits are issued, or the services are performed.

Southgate Water District
Notes to Basic Financial Statements (continued)
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Fund Accounting - The District uses a proprietary fund type, as is required by the State of Colorado, and in accordance with generally accepted accounting principles.

Capital Assets- Capital assets consist of property, plant and equipment and are recorded at cost. Contributions from developers are recorded at the developers' cost or estimated fair market value. It is the District's policy to capitalize capital expenditures which exceed \$5,000.

Depreciation has been charged by the straight-line method using the following estimated useful lives:

| | |
|--------------------------------------|-----------|
| Building | 25 years |
| External transmission lines | 40 years |
| Pump stations and storage facilities | 40 years |
| Water lines | 40 years |
| Field and office equipment | 3-5 years |
| Master plan studies | 5 years |

Property Tax - Property owners within the District have not been assessed property taxes for the years ended December 31, 2021 and 2020.

Budgetary Accounting - In accordance with the Colorado State Budget Law, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year.

The District's Board of Directors can modify the budget within the appropriation. The appropriation resolution may be amended only after completion of notification and publication requirements. The budget for the proprietary fund is prepared on a basis other than the financial reporting basis.

Cash Equivalents - For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Southgate Water District
Notes to Basic Financial Statements (continued)
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Contributed Capital- System charges (tap fees) are recorded as revenue when received. The District, from time to time, requires developers to contract at their expense or pay the cost of certain water distribution facilities. The costs of construction are considered to be contributed capital when conveyed to the District.

Personal Leave Benefits - The District has a policy which allows employees to accumulate personal leave benefits on a monthly basis from the date of employment. Employees may accrue a maximum of 400 hours. (See Note 7, Related Party Transactions)

Inventories- Inventories are valued at the lower of cost or market and consist of expendable supplies.

Net Position - Net position represents the difference between assets and liabilities. Net investment in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. The net position amount is also adjusted by any bond issuance premiums and discounts. Net position is reported as restricted when there are limitations imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

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

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

Southgate Water District
Notes to Basic Financial Statements (continued)
December 31, 2021 and 2020

3. Cash Deposits, Marketable Securities 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. The eligible collateral is specified by PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. 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.

The District had cash balances on deposit with original maturities of less than three months stated at cost, which approximates market, as follows:

| December 31, 2021 | Carrying | Bank |
|-------------------------------|---------------------|--------------------|
| Composition of cash balances: | | |
| Cash in checking | <u>\$ 5,999,833</u> | <u>\$6,107,302</u> |
| December 31, 2020 | | |
| Composition of cash balances: | | |
| Cash in checking | <u>\$ 2,247,350</u> | <u>\$2,234,806</u> |

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 and 2020, the District's bank balance was not exposed to custodial credit risk. Of the bank balances, \$250,000 was covered by federal depository insurance for each of the years ended December 31, 2021 and 2020.

Southgate Water District

Notes to Basic Financial Statements (continued)

December 31, 2021 and 2020

3. Cash Deposits, Marketable Securities and Investments (continued)

As of December 31, 2021 and 2020, \$5,857,302 and \$2,074,806, respectively, were 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.

Investments

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 - As a means of limiting its exposure to fair value losses arising from prevailing market interest rates, the District's investment policy states that the weighted average maturity of the portfolio shall be no greater than 2.5 years, and all investments shall have a final maturity not exceeding 5 years from the date of purchase.

Credit Risk - The District's investment policy is to apply the prudent person rule where investments are made as a prudent person would be expected to act. The District's investment policy limits investments in fixed income securities to U.S. Treasury bills, notes and bonds; certificates of deposit; commercial paper; money market mutual funds and local government investment pools. The investment policy limits investments in commercial paper to be rated A-1 by Standard & Poor's, P-1 by Moody's Investors Service or F-1

Southgate Water District
Notes to Basic Financial Statements (continued)
December 31, 2021 and 2020

3. Cash Deposits, Marketable Securities and Investments (continued)

by Fitch at the time of purchase. Money market mutual funds must be registered as an investment company and have a rating of AAAM by Standard & Poor's, Aaa by Moody's Investors Service or AAAN1+ by Fitch. Investments in time certificates of deposit are not rated and must be in FDIC-insured banks or collateralized in accordance with PDPA.

As of December 31, 2021 and 2020 the District had \$11,501,149 and \$11,130,476, respectively, in U.S. instrumentalities. These investments in U.S. Treasuries and U.S. instrumentalities were rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service. The District's investments in certificates of deposit are not rated.

Local Government Investment Pools - As of December 31, 2021, the District had \$16,940,529 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. The reported value of these pools is the same as the fair value of the pools shares and is measured at the net asset value. 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.

At December 31, 2021, the District had the following investments and maturities:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Maturities</u> |
|------------------------|----------------------|-------------------|
| U.S. instrumentality | 11,501,149 | 1/11/22 - 3/16/26 |
| Investment pools | <u>11,948,410</u> | |
| Total | <u>\$ 23,449,559</u> | |

Southgate Water District
Notes to Basic Financial Statements (continued)
December 31, 2021 and 2020

3. Cash Deposits, Marketable Securities and Investments (continued)

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

| Investment Type | Fair Value | Maturities |
|------------------------|----------------------|-------------------|
| U.S.instrumentality | 11,130,476 | 5/16/21 - 8/21/25 |
| Investment pools | 16,940,529 | |
| Total | \$ 28,071,005 | |

Concentration of Credit Risk - It is the intent of the District to diversify the investments within the portfolio to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. The District's policy specifies that at least 40% of the investment portfolio shall be in U.S. Treasury obligations. The maximum amount of the District's total portfolio that can be invested in federal instrumentality securities is 60%, commercial paper is 10% and 30% of the total portfolio in any combination of money market mutual funds and local government investment pools.

Investments in time certificates of deposit are allowed with maturities not exceeding five years from the trade date. The District's total portfolio was within these limits for the years ended December 31, 2021 and 2020.

Cash deposits and investments, as reflected on the December 31, 2021 statement of net position, are as follows:

| | |
|-------------------------|----------------------|
| Cash & cash equivalents | \$ 5,999,833 |
| Investments | 23,449,559 |
| Total | \$ 29,449,392 |

Cash deposits and investments, as reflected on the December 31, 2020 statement of net position, are as follows:

| | |
|-------------------------|----------------------|
| Cash & cash equivalents | \$ 2,247,350 |
| Investments | 28,071,005 |
| Total | \$ 30,318,355 |

Southgate Water District
Notes to Basic Financial Statements (continued)
December 31, 2021 and 2020

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:

| | Balance December 31, 2020 | Additions | Retirements | Balance December 31, 2021 |
|--|---------------------------------|--------------------|-------------|---------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 70,864 | \$ - | \$ - | \$ 70,864 |
| Water rights | 237,404 | - | - | 237,404 |
| Easements | 9,240 | - | - | 9,240 |
| Construction in progress | <u>220,279</u> | <u>1,777,894</u> | <u>-</u> | <u>1,998,173</u> |
| Total capital assets, not being depreciated | <u>537,787</u> | <u>1,777,894</u> | <u>-</u> | <u>2,315,681</u> |
| Capital assets, being depreciated: | | | | |
| Water system | 70,768,321 | 935,369 | - | 71,703,690 |
| Pumping and storage | 5,907,943 | - | - | 5,907,943 |
| Special projects/studies | 566,677 | - | - | 566,677 |
| Capital equipment | 1,590,449 | - | - | 1,590,449 |
| Buildings and improvements | <u>1,970,188</u> | <u>-</u> | <u>-</u> | <u>1,970,188</u> |
| Total capital assets, being depreciated | <u>80,803,578</u> | <u>935,369</u> | <u>-</u> | <u>81,738,947</u> |
| Total capital assets | <u>81,341,365</u> | <u>2,713,263</u> | <u>-</u> | <u>84,054,628</u> |
| Accumulated depreciation | <u>(38,495,996)</u> | <u>(1,844,864)</u> | <u>-</u> | <u>(40,340,860)</u> |
| Total capital assets, net | <u>\$ 42,845,369</u> | <u>\$ 868,399</u> | <u>\$ -</u> | <u>\$ 43,713,768</u> |

Southgate Water District
Notes to Basic Financial Statements (continued)
December 31, 2021 and 2020

4. Property, Plant and Equipment (continued)

A summary of changes in property, plant and equipment for the year ended December 31, 2020 is as follows:

| | Balance December 31, 2019 | Additions | Retirements | Balance December 31, 2020 |
|--|---------------------------------|---------------------|--------------------|---------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 70,864 | \$ - | \$ - | \$ 70,864 |
| Water rights | 237,404 | - | - | 237,404 |
| Easements | 9,240 | - | - | 9,240 |
| Construction in progress | <u>91,899</u> | <u>220,279</u> | <u>(91,899)</u> | <u>220,279</u> |
| Total capital assets, not being depreciated | <u>409,407</u> | <u>220,279</u> | <u>(91,899)</u> | <u>537,787</u> |
| Capital assets, being depreciated: | | | | |
| Water system | 66,823,948 | 3,944,373 | - | 70,768,321 |
| Pumping and storage | 5,907,943 | - | - | 5,907,943 |
| Special projects/studies | 566,677 | - | - | 566,677 |
| Capital equipment | 1,571,519 | 18,930 | - | 1,590,449 |
| Buildings and improvements | <u>1,970,188</u> | <u>-</u> | <u>-</u> | <u>1,970,188</u> |
| Total capital assets, being depreciated | <u>76,840,275</u> | <u>3,963,303</u> | <u>-</u> | <u>80,803,578</u> |
| Total capital assets | <u>77,249,682</u> | <u>4,183,582</u> | <u>(91,899)</u> | <u>81,341,365</u> |
| Accumulated depreciation | <u>(36,919,464)</u> | <u>(1,576,532)</u> | <u>-</u> | <u>(38,495,996)</u> |
| Total capital assets, net | <u>\$ 40,330,218</u> | <u>\$ 2,607,050</u> | <u>\$ (91,899)</u> | <u>\$ 42,845,369</u> |

During 2021 and 2020, developers contributed \$935,369 and \$311,600, respectively, for water lines, easements and water rights.

5. Investment in Participation Agreement to Provide Water System Capacity

On January 26, 1982, the District entered into a participation agreement with the Denver Water Board for the construction of transmission, pumping and storage facilities to provide water services to the District. In consideration of the participation charges paid by the District, recorded at a cost of \$11,815,510, the Denver Water Board has reserved a total system capacity capable of supporting 15,740 equivalent 3/4-inch taps.

Southgate Water District

Notes to Basic Financial Statements (continued)

December 31, 2021 and 2020

5. Investment in Participation Agreement to Provide Water System Capacity (continued)

The Denver Water Board controls the availability of taps. Accumulated amortization on the above costs at December 31, 2021 and 2020 is \$10,509,079 and \$10,213,691, respectively. Amortization expense for each of the years ended December 31, 2021 and 2020 is \$295,388.

6. Employee Retirement Benefits

In 1980, the Southgate Sanitation District adopted a defined contribution money purchase pension plan administered by a third-party trustee. The administrator is responsible for establishing plan benefits, contributions and other provisions and for approving all plan amendments. The plan covers all employees of the District who are age 18 and have entered the plan on January 1 following the date of initial employment and other contribution eligibility criteria. The District amended the plan on October 6, 2009, to allow plan entry for employees who are age 18 on the first day of the month following 6 months of employment.

Employees are fully vested after five years of service. The District contributes 7.5% of total employee compensation. There is no employee contribution required. The District's portion of the contribution attributable to 2021 and 2020 salaries was \$40,988 and \$39,055, respectively. There is no liability on the part of the District beyond the annual contribution. (See Note 7, Related Party Transactions)

7. Related Party Transactions

Management and the Board of Directors of both the District and Southgate Sanitation District are not presently identical, although not required to be. One Board Member presently serves the Sanitation District only. The District has an agreement to reimburse Southgate Sanitation District for costs of services provided by Southgate Sanitation District's employees on behalf of the District. These costs include salaries, payroll expenses and employee benefits. For the years ended December 31, 2021 and 2020, reimbursements under the above agreements were \$765,930 and \$739,776, respectively. Related-party accounts payable was \$0 at December 31, 2021 and 2020, respectively.

Southgate Water District

Notes to Basic Financial Statements (continued)

December 31, 2021 and 2020

7. Related Party Transactions (continued)

The District acquired a one-half interest in the building and related office equipment of Southgate Sanitation District under a capital lease which contained a purchase option under which the District purchased an undivided one-half interest in the building and equipment for \$1 at August 15, 1994.

Subsequent to exercising this purchase option, the District entered into a Joint Use Agreement with Southgate Sanitation District which provides for the joint use or right of use to certain assets and property, regardless of how these assets are titled.

8. Risk Management

The District is exposed to various risks of loss related to lawsuits; torts; thefts of, damage to or destruction of assets; errors or omissions; injuries to employees; natural disasters or environmental liabilities due to the nature of its operations. The District maintains commercial insurance for all risks of loss. Settled claims have not exceeded the commercial insurance coverage in any of the past three years.

In addition, the District has completed a vulnerability assessment and updated the emergency response plan as required by the Environmental Protection Agency of the United States government.

9. 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

Southgate Water District
Notes to Basic Financial Statements (continued)
December 31, 2021 and 2020

9. Tax Spending and Debt Limitation (continued)

the spending limits mentioned above. The District's TABOR reserve at December 31, 2021 and 2020 is \$48,236 and \$51,293, respectively.

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.

10. Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. In response, many state and local governments instituted restrictions that substantially limited the operations of non-essential businesses and the activities of individuals. While some of these restrictions have been eased, there is still significant uncertainty around the extent and duration of those still in place and the possibility for restrictions to be increased again in the future. The extent to which the pandemic will impact the District's financial results in the coming periods depends on future developments, including where there are additional outbreaks of COVID-19 and the actions taken to contain or address the virus. However, the District believes it will be able to continue operations under current governmental guidelines while mitigating the impact as much as possible to minimize losses.

Supplementary Information

Southgate Water District
Schedule of Revenues and Expenditures with Budget Comparison
For the Year Ended December 31, 2021

| | Original and Final Budget | Actual Amounts | Variance Favorable (Unfavorable) |
|--|---------------------------------|---------------------|--|
| Revenue | | | |
| System charges | \$ 1,713,051 | \$ 560,486 | \$ (1,152,565) |
| Investment income | 360,000 | 73,636 | (286,364) |
| Rates and service charges | 935,000 | 1,700,969 | 765,969 |
| Plan review /inspection | 17,000 | 25,940 | 8,940 |
| Miscellaneous income | 10,000 | 105,534 | 95,534 |
| Total revenue | <u>3,035,051</u> | <u>2,466,565</u> | <u>(568,486)</u> |
| Expenditures | | | |
| Operating expenditures and capital outlay | | | |
| Accounting and audit | 40,000 | 31,516 | 8,484 |
| Conferences and seminars | 30,000 | 13,200 | 16,800 |
| Directors' fees | 9,800 | 4,700 | 5,100 |
| Employee compensation | 850,000 | 765,930 | 84,070 |
| Insurance | 45,000 | 28,629 | 16,371 |
| Legal | 32,000 | 18,045 | 13,955 |
| Office expense | 55,000 | 13,448 | 41,552 |
| Network administrative maintenance | 78,000 | 48,991 | 29,009 |
| Software/subscriptions | 66,000 | 55,516 | 10,484 |
| Special projects | 28,000 | 13,111 | 14,889 |
| Engineering | 110,000 | 74,255 | 35,745 |
| Maintenance | 500,000 | 455,284 | 44,716 |
| Utilities | 84,000 | 81,993 | 2,007 |
| Small equipment | 20,000 | 146 | 19,854 |
| Ground water protection | 12,500 | 3,119 | 9,381 |
| Capital outlay | 11,150,000 | 1,777,894 | 9,372,106 |
| Easements | 10,000 | - | 10,000 |
| Contingency | 50,000 | - | 50,000 |
| Total expenditures | <u>13,170,300</u> | <u>3,385,777</u> | <u>9,784,523</u> |
| Excess of revenue over expenditures | <u>(10,135,249)</u> | <u>\$ (919,212)</u> | <u>\$ 9,216,037</u> |
| Beginning funds available | <u>30,653,733</u> | | |
| Ending funds available | <u>\$ 20,518,484</u> | | |
| Reconciling difference between budgetary basis and generally accepted accounting principles (GAAP) | | | |
| Excess of revenues over expenditures, budgetary basis | | \$ (919,212) | |
| Adjustments | | | |
| Revenues which are not revenues for budgetary purposes | | | |
| Capital contributions | | 935,369 | |
| Expenses which are not expenditures for budgetary purposes | | | |
| Depreciation | | (1,844,864) | |
| Amortization | | (295,388) | |
| Expenditures for budgetary purposes | | | |
| Capital outlay | | <u>1,777,894</u> | |
| Change in Net Position (GAAP basis) | | <u>\$ (346,201)</u> | |

Southgate Water District
Schedule of Revenues and Expenditures with Budget Comparison
For the Year Ended December 31, 2020

| | Original and Final Budget | Actual Amounts | Variance Favorable (Unfavorable) |
|--|---------------------------------|-----------------------|--|
| Revenue | | | |
| System charges | \$ 1,643,988 | \$ 988,876 | \$ (655,112) |
| Investment income | 580,000 | 420,072 | (159,928) |
| Rates and service charges | 935,000 | 1,619,093 | 684,093 |
| Plan review /inspection | 17,000 | 18,820 | 1,820 |
| Miscellaneous income | <u>10,000</u> | <u>-</u> | <u>(10,000)</u> |
| Total revenue | <u>3,185,988</u> | <u>3,046,861</u> | <u>(139,127)</u> |
| Expenditures | | | |
| Operating expenditures and capital outlay | | | |
| Accounting and audit | 40,000 | 32,856 | 7,144 |
| Elections | 50,000 | 2,004 | 47,996 |
| Conferences and seminars | 30,000 | 15,046 | 14,954 |
| Directors' fees | 9,800 | 5,300 | 4,500 |
| Employee compensation | 800,000 | 739,776 | 60,224 |
| Insurance | 40,000 | 25,358 | 14,642 |
| Legal | 32,000 | 22,575 | 9,425 |
| Office expense | 55,000 | 47,247 | 7,753 |
| Network administrative maintenance | 55,000 | 48,991 | 6,009 |
| Software/subscriptions | 50,000 | 55,516 | (5,516) |
| Special projects | 28,000 | 17,564 | 10,436 |
| Engineering | 70,000 | 81,039 | (11,039) |
| Smart CIP | 10,000 | - | 10,000 |
| Maintenance | 500,000 | 526,641 | (26,641) |
| Utilities | 84,000 | 74,483 | 9,517 |
| Small equipment | 22,000 | 12,908 | 9,092 |
| Ground water protection | 12,500 | 2,470 | 10,030 |
| Capital outlay | 3,625,000 | 3,780,084 | (155,084) |
| Easements | 50,000 | - | 50,000 |
| Contingency | <u>50,000</u> | <u>-</u> | <u>50,000</u> |
| Total expenditures | <u>5,613,300</u> | <u>5,489,858</u> | <u>123,442</u> |
| Excess of revenue over expenditures | <u>(2,427,312)</u> | <u>\$ (2,442,997)</u> | <u>\$ (15,685)</u> |
| Beginning funds available | <u>34,320,098</u> | | |
| Ending funds available | <u>\$ 31,892,786</u> | | |
| Reconciling difference between budgetary basis and generally accepted accounting principles (GAAP) | | | |
| Excess of revenues over expenditures, budgetary basis | | \$ (2,442,997) | |
| Adjustments | | | |
| Revenues which are not revenues for budgetary purposes | | | |
| Capital contributions | | 311,600 | |
| Expenses which are not expenditures for budgetary purposes | | | |
| Depreciation | | (1,576,533) | |
| Amortization | | (295,388) | |
| Expenditures for budgetary purposes | | | |
| Capital outlay | | <u>3,780,084</u> | |
| Change in Net Position (GAAP basis) | | <u>\$ (223,234)</u> | |