

***ACADEMY WATER & SANITATION DISTRICT***

***FINANCIAL STATEMENTS***

***WITH***

***REQUIRED SUPPLEMENTARY INFORMATION***

***AND***

***OTHER SUPPLEMENTARY INFORMATION***

***WITH***

***INDEPENDENT AUDITORS' REPORT***

***DECEMBER 31, 2021***

**ERICKSON, BROWN & KLOSTER, LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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**Erickson, Brown & Kloster, LLC**  
*Certified Public Accountants*

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Academy Water & Sanitation District  
Colorado Springs, Colorado

### Opinion

We have audited the accompanying financial statements of the business-type activities as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Academy Water & Sanitation District's (District) 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 business-type activities of Academy Water & Sanitation District, as of December 31, 2021, and the respective changes in revenue, expense, and net position and, where applicable, cash flows 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 opinions.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

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**Auditors' 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 auditors' report that includes our opinions. 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 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 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 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.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

**INDEPENDENT AUDITORS' REPORT - CONTINUED**

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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 Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Schedules of Expenses, Budgetary Comparison Schedule – Budget to Actual (Budgetary Basis), and the Debt Service Covenant and Reserve Requirement Schedule 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Erickson, Brown & Kloster LLC*

Colorado Springs, Colorado  
September 21, 2022

***MANAGEMENT'S DISCUSSION AND ANALYSIS***

**ACADEMY WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

Academy Water & Sanitation District (the District) is engaged in providing water and sanitation services for approximately 300 single-family homes near Monument, Colorado. This document provides a management summary of the financial condition, operations and activities of Academy Water & Sanitation District for the year ended December 31, 2021. This document should be read in conjunction with the financial statements following this management discussion and analysis.

**Required Financial Statements**

The financial statements included in this report are those of a special-purpose government engaged in a business type activity, providing water and sanitation services. The financial statements of the District report information about the District using accounting methods that are similar to those used by private-sector companies. These statements provide both long and short-term information about the District's overall financial status.

The statements of net position present information on all the District's assets, liabilities, deferred inflows of resources, and net position. These statements provide information about the nature and the amounts of investments in resources (assets), obligations to District creditors (liabilities), and tax revenue that applies to a future period (deferred inflows of resources).

The statements of revenue, expense, and changes in net position reflect the District's current revenue and expense. These statements measure the success of the District's operation annually. The statements of cash flows are the final required financial statements. These statements report cash receipts, cash payments, and changes in cash resulting from operations, investing, and both capital and non-capital financing activities.

**ACADEMY WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

**ANALYSIS OF OVERALL FINANCIAL POSITION AND OPERATIONS**

**Condensed Statement of Net Position**

<b>Assets</b>	<b>2021</b>	<b>2020</b>	<b>Increase (Decrease)</b>
Current Assets	\$ 627,612	\$ 656,914	\$ (29,302)
Other Assets	155,953	501,243	(345,290)
Property, Plant, and Equipment, Net	3,200,267	3,344,950	(144,683)
<b>Total Assets</b>	<b>\$ 3,983,832</b>	<b>\$ 4,503,107</b>	<b>\$ (519,275)</b>
<b>Liabilities</b>			
Current Liabilities	\$ 115,978	\$ 467,192	\$ (351,214)
Non-current Liabilities	2,723,486	2,802,672	(79,186)
<b>Total Liabilities</b>	<b>2,839,464</b>	<b>3,269,864</b>	<b>(430,400)</b>
<b>Deferred Inflow of Resources</b>			
Property Tax	30,849	27,169	3,680
<b>Net Position</b>			
Net Investment in Capital Assets	397,595	820,736	(423,141)
Restricted	155,953	145,159	10,794
Unrestricted	559,971	240,179	319,792
<b>Total Net Position</b>	<b>\$ 1,113,519</b>	<b>\$ 1,206,074</b>	<b>\$ (92,555)</b>

Restricted net position of the District continues to include a \$19,140 Tabor reserve and a \$136,813 operating and maintenance reserve as required by loan covenants.

**ACADEMY WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

**ANALYSIS OF OVERALL FINANCIAL POSITION AND OPERATIONS - Continued**

**Condensed Statement of Statement of Revenue, Expense, and Change in Net Position**

	<b>2021</b>	<b>2020</b>	<b>Net Income Increase (Decrease)</b>
<b>Operating Revenue</b>			
Water, Wastewater, and Other Receipts	\$ 629,003	\$ 633,835	\$ (4,832)
<b>Operating Expense</b>			
Water and Wastewater	455,253	419,474	35,779
General and Administrative	91,997	97,161	(5,164)
Depreciation	147,630	136,428	11,202
<b>Total Operation Expense</b>	694,880	653,063	41,817
<b>Operating Loss</b>	(65,877)	(19,228)	(46,649)
<b>Non-Operating Revenue (Expense)</b>			
Tax and Other Non-Operating Revenue	30,688	38,912	(8,224)
Non-Operating Expense	(57,366)	(58,900)	1,534
<b>Total Non-Operating Revenue (Expense)</b>	(26,678)	(19,988)	(6,690)
<b>Change in Net Position</b>	(92,555)	(39,216)	(53,339)
<b>Beginning Net Position</b>	1,206,074	1,245,290	(39,216)
<b>Ending Net Position</b>	\$ 1,113,519	\$ 1,206,074	\$ (92,555)

**BUDGETARY HIGHLIGHTS**

Annual taxes are assessed to cover some of the cost related to District administration. In 2021, tax revenue is \$30,866, which covers a portion of operating expense. The mill levy is 2.937 mills.

In November each year, the budget is presented at a public meeting and approved by the board of directors. The 2021 budget reflects operating income and expense, and debt service on the construction loan. The 2022 budget was presented and approved on November 17, 2021.

**ACADEMY WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Property, Plant, and Equipment**

	<b>2021</b>	<b>2020</b>	<b>Increase (Decrease)</b>
Land	\$ 21,938	\$ 21,938	\$ -
Plant and Equipment	5,794,037	5,791,091	2,946
Total Property, Plant, and Equipment	5,815,975	5,813,029	2,946
Accumulated Depreciation	(2,615,708)	(2,468,078)	(147,630)
<b>Property, Plant, and Equipment, Net</b>	<b>\$ 3,200,267</b>	<b>\$ 3,344,951</b>	<b>\$ (144,684)</b>

**Long-Term Debt**

Outstanding debt at December 31, 2021 is \$2,802,672 which is a loan payable to Colorado Water Resources and Power Development Authority. It was used to finance construction of the wastewater lift station and connection to the Donala Water and Sanitation District for treatment of wastewater from Academy. This is a 30-year loan with interest at a rate of 2% and matures on November 1, 2048.

**FACTS, DECISIONS, AND CONDITIONS AFFECTING THE FUTURE**

The board of directors approved a water fee increase of \$5 and a sanitation fee increase of \$23 per month per household. This increase is effective January 1, 2022.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is intended to provide users with an overview of Academy Water & Sanitation District's financial operations and conditions. For additional information, please contact Academy Water & Sanitation District, care of Hoover & Associates, 4045 South Nonchalant Circle, Colorado Springs, Colorado 80917-2999.

***FINANCIAL STATEMENTS***

**ACADEMY WATER AND SANITATION DISTRICT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2021**

**ASSETS**

**Current Assets**

Cash and Investments, Unrestricted	\$	524,889
Cash with County Treasurer		252
Property Tax Receivable		30,849
Trade Accounts Receivable		53,044
Prepaid Insurance		18,578
<b>Total Current Assets</b>		627,612

**Other Assets**

Cash and Investments, Restricted		155,953
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**Property, Plant, and Equipment - At Cost**

Land		21,938
Plant and Equipment		5,794,037
Accumulated Depreciation		(2,615,708)
<b>Total Property, Plant, and Equipment, Net</b>		3,200,267

<b>Total Assets</b>	<b>\$</b>	<b>3,983,832</b>
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**LIABILITIES AND DEFERRED INFLOWS OF RESOURCES**

**Current Liabilities**

Accounts Payable	\$	26,239
Payroll Taxes Payable		1,108
Accrued Interest Payable		9,445
Current Portion - Long-Term Debt		79,186
<b>Total Current Liabilities</b>		115,978

**Noncurrent Liabilities**

Loan Payable, Less Current Portion		2,723,486
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<b>Total Liabilities</b>		2,839,464
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**Deferred Inflows of Resources**

Property Tax Revenue		30,849
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<b>Total Liabilities and Deferred Inflow of Resources</b>	<b>\$</b>	2,870,313
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**NET POSITION**

Net Investment in Capital Assets	\$	397,595
Restricted		155,953
Unrestricted		559,971
<b>Total Net Position</b>	<b>\$</b>	1,113,519

See Accompanying Notes to the Financial Statements

**ACADEMY WATER AND SANITATION DISTRICT  
STATEMENT OF REVENUE, EXPENSE,  
AND CHANGE IN NET POSITION  
YEAR ENDED DECEMBER 31, 2021**

<b>Operating Revenue</b>	
Water Service Sales	\$ 273,689
Wastewater Service Sales	354,960
Other Income	354
<b>Total Operating Revenue</b>	<u>629,003</u>
<b>Operating Expense</b>	
Water Operating Expense	219,875
Wastewater Operating Expense	235,378
General and Administrative Expense	91,997
Depreciation Expense	147,630
<b>Total Operating Expense</b>	<u>694,880</u>
<b>Total Operating Loss</b>	<u>(65,877)</u>
<b>Non-operating Revenue (Expense)</b>	
Property Tax	27,169
Specific Ownership Tax	3,191
County Treasurer's Fee	(408)
Interest Income	328
Interest Expense	(56,958)
<b>Total Non-operating Revenue (Expense)</b>	<u>(26,678)</u>
<b>Change in Net Position</b>	(92,555)
<b>Net Position, Beginning of Year</b>	<u>1,206,074</u>
<b>Net Position, End of Year</b>	<u><u>\$ 1,113,519</u></u>

See Accompanying Notes to the Financial Statements

**ACADEMY WATER AND SANITATION DISTRICT  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2021**

**Cash Flows from Operating Activities**

Cash Received from Customers	\$ 629,715
Cash Payments to Employees for Services	(91,675)
Cash Payments to Suppliers for Goods and Services	(808,392)
<b>Net Cash Used by Operating Activities</b>	<u>(270,352)</u>

**Cash Flows from Non-capital Financing Activities**

Property and Ownership Taxes	30,346
County Treasurer Fees	(408)
<b>Net Cash Provided by Non-capital Financing Activities</b>	<u>29,938</u>

**Cash Flows from Capital and Related Financing Activities**

Principal Payments on Debt	(77,626)
Interest Paid on Debt	(57,220)
Acquisition and Construction of Capital Assets	(2,946)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(137,792)</u>

**Cash Flows from Investing Activities**

Interest Income	328
<b>Net Cash Provided by Investing Activities</b>	<u>328</u>

**Net Change in Cash** (377,878)

**Cash**

<b>Beginning of Year</b>	<u>1,058,720</u>
<b>End of Year</b>	<u><u>\$ 680,842</u></u>

**RECONCILIATION OF OPERATING LOSS TO NET CASH  
USED BY OPERATING ACTIVITIES**

Operating Loss	\$ (65,877)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Noncash Activity	
Depreciation	147,630
Changes in	
Accounts Receivable	712
Prepaid Insurance	(304)
Accounts Payable and Other Accrued Expenses	(352,513)
<b>Total Adjustments</b>	<u>(204,475)</u>
<b>Net Cash Used by Operating Activities</b>	<u><u>\$ (270,352)</u></u>

See Accompanying Notes to the Financial Statements

***NOTES TO FINANCIAL STATEMENTS***

**ACADEMY WATER & SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations** - Academy Water & Sanitation District (the District) is a quasi-municipal corporation governed pursuant to provisions of the Colorado Special District Act. An elected five-member board of directors governs the District. The District was established to provide water and sanitation services to an area located in El Paso County, Colorado, a few miles north of the City of Colorado Springs, Colorado.

**Reporting Entity** - Academy Water & Sanitation District is a special purpose governmental entity and reports as a primary government as defined by Statement No. 14 of the Governmental Accounting Standards Board (GASB). The District has determined that it is legally separate and fiscally independent of other state and local governments. The District is not financially accountable for any other entities because the board of directors does not appoint or elect members of any other board of directors and no other organizations are fiscally dependent upon the District. The District does not have the power to impose its will on any other entity and has no financial benefit or burden related to any other organization. The accompanying financial statements, therefore, consist only of funds of the District and do not include financial information for any component units.

**Government-wide Financial Statements** - Government-wide financial statements (i.e., the ‘Statement of Fund Net Position – Proprietary Fund’, and the ‘Statement of Revenue, Expense, and Changes in Fund Net Position – Proprietary Fund’) report information on all of the non-fiduciary activities of the government.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flow.

Since the District is a special purpose government engaged only in business-type activities, government-wide financial statements are not presented.

**Fund Financial Statements** - The accounts of the District are organized on the basis of funds. Each fund is considered an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other assets together with all related liabilities, obligations, reserves and equities, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The District uses a proprietary fund to account for all financial resources except those required to be accounted for in another fund.

**Basis of Accounting** - The District prepares its financial statements in accordance with U.S. generally accepted accounting principles (GAAP). 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. The more significant policies used by the District and established in GAAP are discussed below.

Academy Water & Sanitation District organizes its accounts as a proprietary fund. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred.

**ACADEMY WATER & SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Basis of Accounting (Continued)** - Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenue includes activities that have the characteristics of exchange transactions, ordinarily water and wastewater service fees. Operating expenses relate to the operation, maintenance, and management of the water and wastewater systems. These expenses are intended to be funded by use charges. Non-operating revenue includes earnings on investments and non-exchange transactions such as property taxes and tap fees. Non-operating expenses relate to debt service and tax collection.

**Budget Accounting** - Budgets are prepared in accordance with the requirements of Colorado Revised Statutes and accordingly include anticipated income and other means of financing proposed expenditures. Expenditures also include, in addition to those shown in the operating statements, debt redemptions, and capital expenditures.

**Budgets** - The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements.

1. Budgets are required by State law for all funds. The budget includes proposed expenditures and means of financing them.
2. Public hearings are conducted by the Board of Directors to obtain taxpayer comments.
3. Prior to December 31, the budget is adopted, and appropriations made by formal resolution.
4. Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the total budget of any fund or changes in project or department budgets. Budget amounts included in the financial statements are based on the final, legally amended budget.
5. Budget appropriations lapse at the end of each year.

Accordingly, budget comparisons are of the legally adopted budget. The level of budget control is determined by the resolution appropriating sums of monies. Encumbrances are neither recorded on the books of the District nor included in the budget. The Board of Directors has the authority to make budget amendments.

**Definition of Cash** - The District generally considers deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

**Investments** – Investments for the District are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment.

**ACADEMY WATER & SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Fair Value of Financial Instruments** - The District's financial instruments include cash and cash equivalents, accounts receivable, and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2021 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

**Trade Accounts Receivable** - The District's trade accounts receivable consists of amounts due from customers for water usage, wastewater usage, and other service-related fees. Management believes that all trade accounts receivable are collectible and no allowance for doubtful accounts is deemed necessary.

**Property, Plant, and Equipment** – Property, plant, and equipment are reported in the proprietary fund financial statements. Property, plant, and equipment are defined as assets having an estimated life in excess of one year and cost over \$2,000. Such assets are recorded at cost if purchased or constructed. Donated capital assets are recorded at fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital outlays for property, plant, and equipment and improvements are capitalized as projects when constructed. Interest incurred during the construction phase of property, plant, and equipment is included as part of the capitalized value of the assets constructed.

Depreciable capital assets are depreciated using the straight-line method. The estimated useful lives are:

Water and Wastewater Systems	30-50 Years
Equipment	5-20 Years
Vehicles	7-10 Years

**Property Taxes Receivable and Deferred Inflow of Resources** - Property taxes are levied by December 15 of each year based on the assessed value of property as certified by the El Paso County Assessor. Assessed values are a percentage of actual values.

The taxes levied by December 15, 2021, reflect 2021 property taxes that will be collected in 2022 by El Paso County. Taxes collected by El Paso County are remitted to the District on a monthly basis. El Paso County also acts as the billing and collection agency for the District. A lien is attached to the property taxes on January 1 and may be paid in full by April 30 or, in equal installments, by February 28 and June 15.

The District records the tax as a receivable when measurable and an enforceable legal claim attaches to the property. The tax is recognized as a deferred inflow of resources in the year levied and as revenue when the money is received in the following year.

**ACADEMY WATER & SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Defined Contribution Benefit Plan** - The District adopted a 5304 Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) Plan for the benefit of eligible employees in 2009. According to the SIMPLE IRA Plan requirements, all employees are immediately eligible to participate in the Plan. For the calendar year 2021 the District elected to match each employee's contribution up to a limit of 3% of the employee's compensation for the year. Employer contributions were \$2,453 for the year ended December 31, 2021.

**Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimate made in the accompanying financial statements is the useful lives of property, plant, and equipment used to compute depreciation expense. Actual results could differ from those estimates.

**Net Position** - In the financial statements, net position is classified in the following categories:

*Net Investment in Capital Assets* - this classification consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of capital assets.

*Restricted for Emergencies*- this classification consists of restrictions created by external creditors, grantors, contributors, laws, or regulations of other governments, enabling legislation and constitutional provisions.

*Unrestricted* - this classification represents the remainder of net positions that do not meet the definition of "invested in capital assets net of related debt" or "restricted net positions."

In circumstances where an expenditure is incurred, for which amounts are available in multiple net position classifications, net position is reduced in the order restricted for emergencies and unrestricted.

**NOTE 1 – DEPOSITS**

**Deposits** - The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the depository 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.

**Custodial Credit Risk Deposits** - Custodial credit risk is the risk that in the event of bank failure, the District's deposits will not be returned to it. The District does not currently have a policy related to custodial credit risk. As of December 31, 2021, the District had no deposits exposed to custodial credit risk.

**ACADEMY WATER & SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – DEPOSITS - Continued**

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

Cash and Investments, Unrestricted	\$ 524,889
Cash and Investments, Restricted	155,953
Total Cash and Investments	<u>\$ 680,842</u>

Cash and investments as of December 31, 2021 consist of the following:

Deposits with Financial Institutions	\$ 35,270
Investments - ColoTrust	645,572
Total Cash and Investments	<u>\$ 680,842</u>

**NOTE 2 – INVESTMENTS**

The District is subject to the provisions of the Colorado Revised statutes 24-75-601, which is entitled “Concerning Investments in Securities by Public Entities.” The District has not adopted a formal investment policy but does follow state statutes regarding investments.

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

Revenue bonds of local government securities, corporate and bank securities, and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

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

- Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Certain securities lending agreements
- Certain certificates of participation
- Bankers' acceptances of certain banks
- Commercial paper

**ACADEMY WATER & SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – INVESTMENTS – Continued**

- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

The COLOTRUST PLUS+ is rated AAAM by Standard and Poor’s and the weighted average maturity to reset (WAM)(R) is kept under 60 days.

As of December 31, 2021, the District had the following investments:

<b>Investment</b>	<b>Maturity</b>	<b>Restriction</b>	<b>Amount</b>
COLOTRUST PLUS+	Days	None	\$ 645,572

Certain investments are required to be measured at fair value on a recurring basis and categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District’s investments are not categorized within the fair value hierarchy. Instead, the District’s investments are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments. The District held investments in COLOTRUST at year-end for which the investment valuations were determined as follows.

COLOTRUST determines the NAV of the shares of each portfolio as of the close of business of each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of COLOTRUST, are accrued daily. The NAV is calculated at fair value using various inputs in determine value in accordance with FASB guidance. It is the goal of the Trust to maintain a NAV of \$1 per share, however changes in interest rates may affect the fair value of the securities held by COLOTRUST and there can be no assurance that the NAV will not vary from \$1 per share. The investment pool financial statements can be obtained at [www.colotrust.com](http://www.colotrust.com).

**ACADEMY WATER & SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – PROPERTY, PLANT, AND EQUIPMENT**

Property, Plant, and Equipment activity for the year ended December 31, 2021, follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Capital Assets Being Depreciated				
Plant and Equipment	\$ 5,774,079	\$ 2,946	\$ -	\$ 5,777,025
Vehicles	17,012	-	-	17,012
Total Capital Assets Being Depreciated	5,791,091	2,946	-	5,794,037
Less Accumulated Depreciation	(2,468,078)	(147,630)	-	(2,615,708)
Net Capital Assets Being Depreciated	3,323,013	(144,684)	-	3,178,329
Land	21,938	-	-	21,938
Total Capital Assets, Net	<u>\$ 3,344,951</u>	<u>\$ (144,684)</u>	<u>\$ -</u>	<u>\$ 3,200,267</u>

Depreciation expense for the year was \$147,630.

**NOTE 4 – LONG-TERM DEBT**

On March 12, 2018, the District entered into a loan agreement with Colorado Water Resources and Power Development Authority (CWRPDA) in the amount of \$3,000,000 to finance the wastewater connection project discussed in Note 9. The loan has a 30-year term, maturing on November 1, 2048, accrues interest at 2%, and is payable semiannually. The loan is to be paid from and is secured by pledged property, which is the net revenue of the District. Loan terms include a rate covenant requiring annual net revenue to cover 110% of debt service and a 3-month maintenance and operating expense reserve. During the year ended December 31, 2021, the District was not in compliance with its rate covenant, achieving net revenue to cover only 83% of its debt service; however, CWRPDA has waived the non-compliance for the current year as they do not anticipate a recurring violation. Annual activity on the loan follows:

<b>Beginning Balance</b>	<b>Additions</b>	<b>Payments</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
\$ 2,880,298	\$ -	\$ (77,626)	\$ 2,802,672	\$ 79,186

The interest expense for 2021 was \$56,958.

**ACADEMY WATER & SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 – LONG-TERM DEBT – Continued**

The following schedule reflects the District’s payments to maturity:

<u>Year</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>
2022	\$ 134,846	\$ 55,660	\$ 79,186
2023	134,846	54,068	80,778
2024	134,846	52,444	82,402
2025	134,846	50,788	84,058
2026	134,846	49,099	85,747
2027-2031	674,227	218,936	455,291
2032-2036	674,227	171,302	502,925
2037-2041	674,227	118,685	555,542
2042-2046	674,227	60,563	613,664
2047-2048	269,689	6,610	263,079
	<u>\$ 3,640,827</u>	<u>\$ 838,155</u>	<u>\$ 2,802,672</u>

**NOTE 5 – NET POSITION**

Net Position is reported in three components, as follows:

Net Investment in Capital Assets	\$ 397,595
Restricted	155,953
Unrestricted	559,971
Total Net Position	<u>\$ 1,113,519</u>

Net Investment in capital assets consists of capital assets, net of accumulated depreciation and is reduced by borrowings attributable to the acquisitions, construction, or improvement of those assets. As of December 31, 2021, net investment in capital assets is as follows:

Capital Assets, Net of Depreciation	\$ 3,200,267
Long-Term Debt	<u>(2,802,672)</u>
Total Net Investment in Capital Assets	<u>\$ 397,595</u>

Restricted net position consists of amounts restricted loan covenants and TABOR compliance. As of December 31, 2021, restricted net position follows:

Operating and Maintenance Reserve	\$ 136,813
Tabor Emergency Reserve	19,140
Total Restricted Net Position	<u>\$ 155,953</u>

Unrestricted net position is the remaining net position not included in either of the other classifications.

**ACADEMY WATER & SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – TAX SPENDING AND DEBT LIMITATIONS**

In November 1992, Colorado voters approved the Taxpayer’s Bill of Rights (TABOR), which added Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue, and debt limitations that apply to the State of Colorado and all local governments.

TABOR is complex and subject to interpretation. Ultimate implementation may depend upon litigation and legislative guidance. The District believes it has complied with all aspects of the TABOR amendment and an emergency reserve of \$19,140 has been established.

**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 and natural disasters for which the District carries commercial insurance.

There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

The District is subject to numerous statutes and regulations of the State of Colorado, its subdivisions, and the federal government. Some of these statutes and regulations pertain to the District’s right or duty to appropriate and use water and to treat and discharge water and wastewater. The District’s right to appropriate water may be contingent upon a decree of the water court adjudicating the District’s right and ranking such rights as to priority relative to rights of other water users. The District’s rights may be junior to various other users. If there are owners of senior priorities, they might, under some circumstances, be able to require the District to cease its pumping of water. The District would then be forced to purchase water rights from other sources to allow it to continue pumping from its wells or to purchase the actual water itself from sources other than its own wells for distribution. The District’s inability, if any, to pump and distribute water on a normal basis, would directly affect its future revenues and expenses, as well as property owners in the District.

The District developed a water augmentation plan for which it obtained approval through the District Court for Water, Division No. 2. The water augmentation plan does not require the District to purchase any other water rights and allows the District to continue pumping in the quantities and at the times consistent with its recent historical usage. Augmentation plans are subject to the continuing jurisdiction of the Court, however, and are subject to modification based upon new data. An Application for Finding of Reasonable Diligence with respect to its conditional water rights was filed by the District in 2019, approved by the Court, and the District is required to file another such application in 2026. The District successfully amended the current augmentation plan in 2016, obtaining Court approval for a conditional appropriative right of substitution and exchange of the location where replacement water is delivered under the augmentation plan. Maintenance of this conditional water right requires another filing with the Court in 2022.

**ACADEMY WATER & SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 – COMMITMENTS AND CONTINGENCIES – Continued**

Academy and Donala Water and Sanitation District signed an Intergovernmental Service Agreement (IGA) in 2015 to allow the District to convey all of its wastewater to Donala for treatment. Construction of the new wastewater lift station and service connection for that purpose was completed in 2018 and the District no longer operates a wastewater treatment facility. See Note 9.

The District discovered that certain portions of its utility lines or other facilities may not lie within any dedicated or recorded public right of way or easement or within any tract to which it has title or an easement or right of way. The District continues to conduct a thorough survey of its facilities and the public and private records to determine the extent of this matter. The District has received cooperation from various landowners and will continue to obtain necessary easements or grants of title to document its rights as it discovers any lack of recorded easement. The District may use its powers of eminent domain, but that has so far not been necessary.

**NOTE 9 – INTERGOVERNMENTAL SERVICE AGREEMENT**

Academy and neighboring Donala Water and Sanitation District (Donala) signed an intergovernmental service agreement on December 8, 2015 in order to establish terms and conditions for Donala to provide wastewater management services for conveyance and treatment of Academy wastewater. Academy constructed a lift station and wastewater service connection to Donala which was placed in service in 2018. Academy owns these assets and will provide the maintenance and repair. Academy paid a plant investment fee of \$889,700 to Donala in 2018 which is considered to be a capital contribution to Donala. Academy pays monthly user fees to Donala for wastewater service provided for Academy customers. Fees were \$139,790 in 2021. Donala will operate and maintain conveyance facilities in its service areas and maintain adequate capacity for the management and treatment of Academy wastewater under the agreement.

**NOTE 10 – RISKS AND UNCERTAINTIES**

*Coronavirus (COVID-19) Pandemic*

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to a number of other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the U.S., have declared a state of emergency.

Potential impacts to the District include disruptions or restrictions on our ability to provide services. We cannot anticipate all of the ways in which health pandemics such as COVID-19 could adversely impact the District. Although we are continuing to monitor and assess the effects of the COVID-19 pandemic on the District, the ultimate impact of the COVID-19 outbreak or a similar health pandemic is highly uncertain and subject to change.

**NOTE 11 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date of the independent auditors' report, the date on which the financial statements were available to be released.

***OTHER SUPPLEMENTARY INFORMATION***

**ACADEMY WATER AND SANITATION DISTRICT  
SCHEDULE OF EXPENSES  
YEAR ENDED DECEMBER 31, 2021**

**Water Operating Expense**

Auto Mileage	\$ 3,953
Engineering	6,827
Lab Testing	252
Payroll Taxes and Benefits	12,713
Repairs and Maintenance	79,181
Salaries	73,340
Supplies	10,242
Utilities	33,367
<b>Total Water Operating Expense</b>	<b><u>\$ 219,875</u></b>

**Wastewater Operating Expense**

Auto Mileage	\$ 987
Engineering	5,063
Lab Testing	1,225
Payroll Taxes and Benefits	3,179
Repairs and Maintenance	60,110
Salaries	18,335
Supplies	2,560
Utilities	4,129
Wastewater Usage Fees	139,790
<b>Total Wastewater Operating Expense</b>	<b><u>\$ 235,378</u></b>

**General and Administrative Expense**

Accounting, Audit, and Billing	\$ 45,513
Director's Fees	5,600
Insurance	21,469
Legal	4,322
Office, Postage, and Miscellaneous	10,054
Permits and Fees	85
Telephone	4,954
<b>Total General and Administrative Expense</b>	<b><u>\$ 91,997</u></b>

**ACADEMY WATER AND SANITATION DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
BUDGET TO ACTUAL (BUDGETARY BASIS)  
YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Final Budget</u>
			<u>Basis</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
<b>Budgetary Net Position, January 1, 2021</b>	\$ 654,111	\$ 654,111	\$ 751,384	\$ 97,273
<b>Revenue</b>				
Water Service Sales	230,000	230,000	273,689	43,689
Wastewater Service Sales	350,000	350,000	354,960	4,960
Property Taxes	27,000	27,000	27,169	169
Specific Ownership Tax	2,500	2,500	3,191	691
Interest Income	4,000	4,000	328	(3,672)
Miscellaneous Income	2,000	2,000	354	(1,646)
<b>Amounts Available for Appropriation</b>	<u>1,269,611</u>	<u>1,269,611</u>	<u>1,411,075</u>	<u>44,191</u>
<b>Expenditures</b>				
Accounting, Audit, and Billing	60,000	60,000	45,513	14,487
Auto and Mileage	9,000	9,000	4,940	4,060
Capital Projects-General Construction	-	-	2,946	(2,946)
Contingency	75,000	75,000	-	75,000
County Treasurer's Fees	450	450	408	42
Director's Fees	8,000	8,000	5,600	2,400
Engineering	12,000	12,000	11,890	110
Insurance	35,000	35,000	21,469	13,531
Lab Testing	6,000	6,000	1,477	4,523
Legal	25,000	25,000	4,322	20,678
Miscellaneous	15,000	15,000	10,139	4,861
Payroll Taxes and Benefits	18,000	18,000	15,892	2,108
Principal and Interest on Long Term Debt	135,000	135,000	134,584	416
Repairs and Maintenance	160,000	160,000	139,291	20,709
Salaries	105,000	105,000	91,675	13,325
Supplies	8,000	8,000	12,802	(4,802)
Utilities and Telephone	65,000	65,000	42,450	22,550
Wastewater Usage Fees	144,156	144,156	139,790	4,366
<b>Total Expenditures</b>	<u>880,606</u>	<u>880,606</u>	<u>685,188</u>	<u>195,418</u>
<b>Budgetary Net Position</b>				
<b>December 31, 2021</b>	<u>\$ 389,005</u>	<u>\$ 389,005</u>	<u>\$ 725,887</u>	<u>\$ 336,882</u>

See Accompanying Notes to Other Supplementary Information

**ACADEMY WATER AND SANITATION DISTRICT  
DEBT SERVICE COVENANT AND RESERVE REQUIREMENT SCHEDULE  
YEAR ENDED DECEMBER 31, 2021**

<b>Gross Revenues</b>	
Water Service Sales	\$ 273,689
Wastewater Service Sales	354,960
Tax Revenue	30,360
Other Revenue	354
Interest Income	328
<b>Total Gross Revenues</b>	<u>659,691</u>
 <b>Operation and Maintenance Expense</b>	
Operating Expense	694,880
Less: Depreciation	(147,630)
<b>Net Operating Expenses</b>	<u>547,250</u>
 <b>Net Revenues (Pledged Property)</b>	 <u><u>\$ 112,441</u></u>
 <b>Rate Covenant for CWRPDA Loan</b>	
Total Debt Service paid in 2021	134,584
Total Debt Service - Loan Principal and Interest Due in 2022	134,846
110% of 2022 Debt Service	148,331
 <b>Operation and Maintenance Reserve Fund</b>	
Net Operating Expenses	\$ 547,250
3 Month Reserve	25%
<b>3 Month Reserve Requirement</b>	<u>\$ 136,813</u>
 Current Assets	 \$ 627,612
Current Liabilities	115,978
<b>Current Assets Less Current Liabilities</b>	<u>\$ 511,634</u>
 Debt Service Reserve Account on Other Debt	 N/A
 Academy Water and Sanitation District has no debt other than the 2018 direct loan from the Water Pollution Control Revolving Fund in the original amount of \$3,000,000.	

See Accompanying Notes to Other Supplementary Information

***NOTES TO OTHER SUPPLEMENTARY INFORMATION***

**ACADEMY WATER & SANITATION DISTRICT  
NOTES TO OTHER SUPPLEMENTARY INFORMATION**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

In accordance with Local Government Budget Law of Colorado, the District's board of directors holds public hearings in the fall each year to approve the budget, certify a mill levy, and appropriate funds for the ensuing year. The appropriation is for total expenditures and lapses at year-end. Encumbrance accounting is not used.

The annual budget for Academy Water & Sanitation District is prepared on the budgetary basis of accounting required by the State Law which is a basis of accounting other than U. S. generally accepted accounting principles. The board of directors approves budget transfers and amendments.

The 2021 budget was approved on November 18, 2020 at a public hearing.

**NOTE 1 – BUDGETARY DIFFERENCES**

The budget of the District is prepared on a basis of accounting other than U.S. generally accepted accounting principles. For 2021, total expenditures on a budgetary basis were \$685,188. Excess resources and revenues over expenditures amount to \$725,887. A reconciliation to the increase in net position as determined using U.S. Generally Accepted Accounting Principles follows:

Excess Resources and Revenue, Budgetary Basis	\$ 725,887
Deduct:	
Beginning Net Position	(751,384)
Depreciation	(147,630)
Add:	
Capital Projects	2,946
Debt Principal Payment	77,626
Decrease in Net Position, GAAP Basis	<u>\$ (92,555)</u>