BANCROFT-CLOVER WATER AND SANITATION DISTRICT

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2021 AND 2020

Haynie & Company

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Haynie & Company
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Board of Directors and Management
Bancroft-Clover Water & Sanitation District

Opinions

We have audited the accompanying financial statements of the business-type activities of Bancroft-Clover Water & Sanitation District (the "District) for the years ended December 31, 2021 and 2020 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of December 31, 2021 and 2020, and the respective changes in financial position, budgetary comparison schedules, and, cash flows thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 these 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.

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 GAAS 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 GAAS, 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.

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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the 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.

Such 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Sincerely,

Haynie & Company

Littleton, Colorado
June 20, 2022

This section of the District’s annual financial report presents our analysis of the District's financial performance during the Fiscal Years ended December 31, 2021 and 2020. Please read it in conjunction with the financial statements.

Financial Highlights

Bancroft-Clover Water and Sanitation District increased its net position by $4,747,371 in 2021 compared to an increase in net position of $2,749,658 in 2020. The increase in net position was $5,506,486 more than budgeted and was largely due to variances in water and sewer capital outlay. Capital outlay for water and sewer were under budget by $4,368,380 due to construction delays on the W. Jewell Avenue project and timing of progress payments.

The Board increased rates for water and sewer service to absorb cost increases from the District’s partners, Denver Water and Metro Water Recovery. Water rates were increased by 1.5% and sewer rates were increased by 2.6% to reflect the increased cost to provide water and sewer service.

Overview of the 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 Revenues, Expenses, and Changes in Net Position

This statement measures the results of the District's operations over the past year and may be used to determine profitability, credit worthiness, and whether the District has successfully recovered all its costs through its user fees, taxes and other charges.

Statement of Cash Flows

The final required financial statement is the Statement of Cash Flows. The primary 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, non-capital financing, capital and related financing, and investing activities. It also provides answers to such questions as where did the cash come from, how cash was used, and what was the change in cash balance during the reporting period.

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 the Statement of Revenues, Expenses, and Changes in Net Position report information about the District's activities in a way that can help answer that question. These two statements report the net position of the District and the related change in these assets. The District's net position, (the difference between assets and liabilities), is one way to measure financial health or financial position. Over time increases in the District's net position are one indicator that the District's financial health is improving. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, or changed governmental legislation.

Net Position

As part of our analysis, we provide a summary of the District's Statement of Net Position (below):

Condensed Statement of Net Position December 31,	**2021**	**2020**	**'20-'21 $ Change**	**'20-'21% % Change**
Current assets	$20,126,512	$19,909,097	$ 217,415	1.1%
Capital and other assets	39,857,603	35,020,867	4,836,736	13.8%
Total Assets	59,984,115	54,929,964	5,054,151	9.2%
Current liabilities	721,519	415,544	305,975	73.6%
Deferred inflows of resources	605,370	604,565	805	0.1%
Total liabilities and deferred inflows of resources	1,326,889	1,020,109	306,780	30.1%
Net investment in capital assets	27,251,388	22,267,024	4,984,364	22.4%
Unrestricted net position	31,405,838	31,642,831	(236,993)	-0.7%
Total net position	58,657,226	53,909,855	4,747,371	8.8%

The District's net position increased by $4,747,371 or 8.8%, due primarily to capital additions on the water system and construction in progress.

The Statement of Net Position shows the changes in the financial position and, the Statement of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes. As can be seen in the following chart, during the year, the District's operating and non-operating revenues decreased by $1,099,106 or 7.3%, compared to last year due mainly to a decrease of $456,631 in water sales and decreases in net investment income and market value of US Treasury securities of $748,782. Total expenses decreased by $872,745 which was mainly due to a decrease in water purchases.

Net Position (continued)

Condensed Statement of Revenues, Expenses, and Changes in Net Position

December 31,	2021	2020	'20-'21 $ Change	'20-'21% % Change
Operating revenue	$ 13,492,283	$ 13,835,030	$ (342,747)	-2.5%
Non-operating revenue	564,385	1,320,744	(756,359)	-57.3%
Total revenues	14,056,668	15,155,774	(1,099,106)	-7.3%
Depreciation expense	731,289	697,455	33,834	4.9%
Other operating expense	10,519,805	11,456,388	(936,583)	-8.2%
General & administrative expense	988,249	960,577	27,672	2.9%
Non-operating expense	3,926	1,594	2,332	146.3%
Total expenses	12,243,269	13,116,014	(872,745)	-6.7%
Capital contributions	2,933,972	709,898	2,224,074	313.3%
Change in net position	4,747,371	2,749,658	1,997,713	72.7%
Beginning net position	53,909,855	51,160,197	2,749,658	5.4%
Ending net position	58,657,226	53,909,855	4,747,371	8.8%

Budgetary Highlights

As required by State Law, the District adopts a budget and appropriates funds by December 16 for the following fiscal 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. In 2021, no supplemental appropriation was requested. Budget to actual comparative statements are included as Supplemental Information in the audited financial statements.

Capital Assets and Debt Administration

At the end of 2021, the District had invested $27,251,388 in net property, plant and equipment representing an increase of 22.4% over prior year. The table below summarizes the changes in property, plant and equipment.

Capital assets

December 31,	2021	2020	'20-'21 $ Change	'20-'21% % Change
Buildings	$ 2,215,016	$ 2,215,016	$ -	0.0%
Water system	26,686,714	23,108,856	3,577,858	15.5%
Sewer system	16,563,759	16,207,088	356,671	2.2%
Furniture & equipment	1,201,529	1,145,065	56,464	4.9%
Construction in progress	2,378,576	653,916	1,724,660	263.7%
Land	144,728	144,728	-	0.0%
Subtotal	49,190,322	43,474,669	5,715,653	13.1%
Less: accumulated depreciation	(21,938,934)	(21,207,645)	(731,289)	3.4%
Net Capital assets	27,251,388	22,267,024	4,984,364	22.4%

Capital Assets and Debt Administration (continued)

System increases are due to contributions from small development projects as well as the sewer and water rehabilitation project. In 2021 the District spent $2,510,322 on constructed water systems for the Ohio, Mississippi and Webster Line projects and $1,215,657 on construction in progress for the Jewell Line.

Long-Term Debt

The District continues to have zero long-term debt.

ECONOMIC FACTORS AND 2021 SERVICE RATES

The District's Board of Directors and management considered many factors when setting the 2021 budget, including user fees and charges and replacement of service lines. As in past years, the District conducted an analysis of the impact of Denver Water's and Metro Water Recovery's 2021 rate adjustments. A private consulting firm was engaged to calculate water and sewer rates based on its cost of service. Operating revenues were budgeted to decrease by approximately 3.1% in 2021. In 2021, charges paid to Denver Water were budgeted to decrease by 9.6%. This decrease was driven expected decrease in water usage. Fees paid to Metro Water Recovery were budgeted to increase by 9.3% due to adjustments applied to volumes of wastewater processed in 2020 and 2021. The District's rates for service reflect the changes in revenues necessary to fund operations and capital projects. In most years, treated water and sewer processing are the two largest cost items in the District budget.

Final 2022 Budget vs. Final 2021 Budget December 31,	**2022 Budget**	**2021 Budget**	**'21-'22 $ Change**	**'21-'22% % Change**
Operating revenue	$ 14,335,650	$ 13,405,335	$ 930,315	6.9%
Non-operating revenue	1,034,370	1,706,065	(671,695)	-39.4%
Total revenues	15,370,020	15,111,400	258,620	1.7%
Other operating expense	11,327,405	10,848,847	478,558	4.4%
General & administrative expense	1,186,574	1,023,571	163,003	15.9%
Non-operating expense	3,226,930	4,992,011	(1,765,081)	-35.4%
Total expenses	15,740,909	16,864,429	(1,123,520)	-6.7%
Change in net position	(370,889)	(1,753,029)	1,382,140	-78.8%
Beginning net position	4,560,495	6,313,524	(1,753,029)	-27.8%
Ending net position	4,189,606	4,560,495	(370,889)	-8.1%

In the 2022 budget, Bancroft-Clover's net position is expected to decrease by $370,889 from 2021. The budgeted decrease in net position is due to projected capital expenditures to replace portions of the treated water distribution system and sewer systems. Operating revenue is budgeted at $14,335,650 and total expenses are budgeted at $15,740,909.

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:

Tim Lowe, District Manager
Bancroft-Clover Water & Sanitation District
900 S. Wadsworth Boulevard
Lakewood, CO 80226

Basic Financial Statements

Bancroft-Clover Water & Sanitation District

Statements of Net Position

December 31, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	$ 1,938,879	$ 4,283,707
Investments	16,299,178	13,740,245
Accounts receivable:		
Customers	1,017,367	1,060,402
Other	110,708	103,684
Property taxes receivable	608,739	608,838
Deposits	-	1,000
Prepaid expenses	64,435	20,000
Inventories, supplies and materials	87,206	91,221
Total Current Assets	20,126,512	19,909,097
Capital Assets		
Not Being Depreciated		
Land	144,728	144,728
Construction in progress	2,378,576	653,916
Total Capital Assets, Not Being Depreciated	2,523,304	798,644
Being Depreciated		
Buildings	2,215,016	2,215,016
Water system	26,686,714	23,108,856
Sewer system	16,563,759	16,207,088
Furniture and equipment	1,201,529	1,145,065
Total Capital Assets, Being Depreciated	46,667,018	42,676,025
Less accumulated depreciation	(21,938,934)	(21,207,645)
Net Capital Assets, Being Depreciated	24,728,084	21,468,380
Net Capital Assets	27,251,388	22,267,024
Noncurrent Assets		
Investments—long-term	12,606,215	12,753,843
Total Assets	$ 59,984,115	$ 54,929,964
Liabilities Deferred Inflow of Resources and Net Position		
Current Liabilities		
Accounts payable	$ 721,519	$ 415,544
Total Current Liabilities	721,519	415,544
Deferred Inflow of Resources		
Deferred property tax	605,370	604,565
Total Deferred Inflow of Resources	605,370	604,565
Net Position		
Net investment in capital assets	27,251,388	22,267,024
Unrestricted	31,405,838	31,642,831
Total Net Position	58,657,226	53,909,855
Total Liabilities, Deferred Inflow of Resources and Net Position	$ 59,984,115	$ 54,929,964

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

Bancroft-Clover Water & Sanitation District
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2021 and 2020

	2021	2020
Water Operations		
Revenue		
Water sales	$ 9,613,808	$10,070,439
Tap connection charges	25,159	22,720
Late charges	67,363	37,394
Total Water Revenue	9,706,330	10,130,553
Direct Water Expenses	7,882,613	9,043,159
Gross Income from Water Operations	1,823,717	1,087,394
Sewer Operations		
Revenue		
Sewage treatment	3,785,953	3,704,477
Total Sewer Operations	3,785,953	3,704,477
Direct Sewer Expense	3,316,317	3,052,557
Gross Income from Sewer Operations	469,636	651,920
General and Administrative Expenses	1,040,413	1,018,704
Operating Income	1,252,940	720,610
Nonoperating Revenues (Expenses)		
General property tax	595,815	598,500
Specific ownership tax	54,029	52,921
Net investment income	(85,459)	663,323
County Treasurer's collection fees	(8,931)	(8,985)
Gain on disposal of capital assets	-	6,000
Miscellaneous	5,005	7,391
Total Nonoperating Revenues	560,459	1,319,150
Income Before Capital Contributions	1,813,399	2,039,760
Capital Contributions		
Tap fees received	1,832,400	661,165
Contributed capital assets	1,101,572	48,733
Total Capital Contributions	2,933,972	709,898
Change in Net Position	4,747,371	2,749,658
Net Position—Beginning of Year	53,909,855	51,160,197
Net Position—End of Year	$58,657,226	$53,909,855

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

Bancroft-Clover Water & Sanitation 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	$ 13,528,294	$ 13,898,078
Cash paid to suppliers for goods and services	(10,181,614)	(11,739,228)
Cash paid to employees for services	(1,059,885)	(973,888)
Net Cash From Operating Activities	2,286,795	1,184,962
Cash Flows from Non-capital Financing Activities:		
Property and specific ownership tax	641,817	643,321
Other nonoperating revenue (expense)	5,005	7,391
Net Cash From Non-capital Financing Activities	646,822	650,712
Cash Flows from Capital and Related Financing Activities:		
Tap fees received	1,832,400	661,165
Gain on disposal of assets	-	6,000
Acquisition of property and equipment	(4,614,081)	(702,452)
Net Cash From Capital and Related Financing Activities	(2,781,681)	(35,287)
Cash Flows from Investing Activities:		
Sale of investments	3,045,000	3,044,628
Purchase of investments	(5,456,305)	(3,045,000)
Interest income received (paid)	(85,459)	(999,176)
Net Cash From Investing Activities	(2,496,764)	(999,548)
Net Change in Cash and Cash Equivalents	(2,344,828)	800,839
Cash and Cash Equivalents—beginning of year	4,283,707	3,482,868
Cash and Cash Equivalents—end of year	$ 1,938,879	$ 4,283,707

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

Bancroft-Clover Water & Sanitation District
Statements of Cash Flows (continued)
For the Years Ended December 31, 2021 and 2020

	2021	2020
Reconciliation of Net Operating Income to Net Cash From Operating Activities:		
Operating income (loss)	$1,252,940	$ 720,610
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	731,289	675,262
Changes in assets and liabilities:		
Change in accounts receivable—		
Water and sewer	43,035	(75,655)
Other	(6,024)	147,053
Change in inventories, supplies and materials	4,015	(10,660)
Change in prepaid expenses	(44,435)	11,789
Change in accounts payable	305,975	(283,437)
Total Adjustments	1,033,855	464,352
Net Cash From Operating Activities	$2,286,795	$1,184,962
Non-cash transactions		
Contributed assets	$1,101,572	$ 48,733
Mark to market adjustment	(146,208)	538,816
	$ 955,364	$ 587,549

The accompanying notes are an integral part of these statements.

1. Definition of Reporting Entity

Bancroft-Clover Water & Sanitation District (District), a quasi-municipal corporation, was established on August 30, 1954 as a Title 32 Special District to provide water and sanitation services to southeastern Lakewood and portions of unincorporated Jefferson County, Colorado.

The District contracts with the City and County of Denver through its Board of Water Commissioners (Board) to purchase water to serve the District's customers. The District contracts with Metro Water Recovery to provide its raw sewage processing.

2. Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles applicable to local governments. A summary of the District's significant accounting policies applied in the preparation of these financial statements follows:

Financial Reporting Entity

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the 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.

Fund Accounting

The Proprietary Fund is composed of water and sewer operations. It is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the costs and expenses, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

2. Summary of Significant Accounting Policies (continued)

Basis of Accounting

Enterprise fund accounting is utilized in accordance with generally accepted accounting principles. The financial statements are prepared on the accrual basis of accounting. Under this method revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Revenues received in advance are recorded as a liability for deferred revenue and the liability is removed when earned.

The District has elected to follow Governmental Accounting Standards Board (GASB) pronouncements.

Property, Plant and Equipment

Capital assets which include land, buildings, water and sewer distribution and collection systems and furniture and equipment are reported by the District. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000. Such assets are recorded at historical costs or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repair that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Buildings	30 years
Water System	50 years
Sewer System	50 years
Furniture and Equipment	5 - 7 years

Interest costs incurred during the construction phase are capitalized as incurred.

Budget and Budgetary Accounting

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The total appropriation can only be modified upon completion of notification and publication requirements. The appropriation is at the total fund expenditures level and lapses at year end. Contributions of water and/or sewer lines are not reflected as a budgetary revenue or expenditure as they do not generate or require the use of funds available.

2. Summary of Significant Accounting Policies (continued)

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 non-operating revenues and expenses.

Tap Fees and Contributed Lines

Tap fees are recorded as revenue when received and contributed lines are recorded at year end.

Cash and Cash Equivalents

The District considers cash deposits and highly liquid investments with an intended maturity of three months or less to be cash equivalents.

Investments

The District's policy is to account for investments at fair market value in accordance with GASB 31. Gains or losses on the sale of investments are recognized when the investment is sold.

Accounts Receivable

Accounts receivable are determined to be fully collectible as shown at December 31, 2021 and 2020; therefore, an allowance for doubtful accounts is not recorded in the financial statements.

Inventories

Inventory is stated at the lower of cost or net realizable value, using the first-in, first-out method, and consists of expendable supplies.

Compensated Absences

The District has a policy which allows employees to accumulate unused personal leave time. Personal leave time is accrued annually based on years of service. The maximum carryover limit is 352 hours. The District records a liability at year end for the amount of carryover.

2. Summary of Significant Accounting Policies (continued)

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets 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 asset amount is also adjusted by any bond issuance deferral amounts. Net assets are reported as restricted when there are limitations imposed by creditors, grantors or laws or regulations of other governments. All other net positions are reported as unrestricted. For 2021, the District's Unrestricted Net Position totaled $31,405,838 which was $236,993, or 0.7% less than 2020.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires 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. Actual results could differ from those estimates.

Property Taxes

The District collects property tax from property owners within the district based on assessed values at December 31 of the prior year. Property owners are to pay these assessments either in full by April 30th or in halves by February 28/29th and June 15th. These taxes are collected by Jefferson County and remitted to the district on the 10th day of the month following collection. Tax revenues remitted to the District for 2021 totaled $595,815.

Subsequent Events

The District has evaluated subsequent events through June 20, 2022, the date which the financial statements were available to be issued. During the period, the District was not aware of any material recognizable subsequent events.

3. Cash, Cash Equivalents and Investments

Cash Deposits

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 determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds.

3. Cash, Cash Equivalents and Investments (continued)

The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to the aggregate uninsured deposits. The institution is required to certify sufficient collateral to cover uninsured public funds to state agencies on a regular basis.

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

At December 31, 2021 and 2020, the District's cash deposits had a bank balance and a carrying balance as follows:

	2021		2020	
	Carrying Balance	**Bank Balance**	**Carrying Balance**	**Bank Balance**
Cash on hand	$ 500	$ -	$ 500	$ -
Cash in checking	1,938,379	1,896,777	4,283,207	4,932,771
	$ 1,938,879	$ 1,896,777	$ 4,283,707	$ 4,932,771

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. 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 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, but are collateralized with securities held by the pledging financial institution. Category 3 includes deposits not covered by depository insurance, but are collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. The District had no Category 3 deposits in 2021 and 2020, respectively.

	2021	2020
Insured deposits	$ 250,000	$ 250,000
Category 1	500	500
Category 2	1,688,379	4,032,707
Total cash and equivalents	$ 1,938,879	$ 4,283,207

3. Cash, Cash Equivalents and Investments (continued)

Investments

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

- obligations of the United States and certain U.S. government 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.

Credit Risk - The District's investments are recorded at fair value based on quoted market prices. District investments are securities that are held by the entity or its agent in the District's name, and are insured or registered by the District or its agent. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, or would further limit its investment choices. The District places no limit on the amount the District may invest in any one issuer.

As of December 31, 2021 and 2020, the District's investments in U.S Treasuries and U.S. instrumentalities were rated AA+ by Standard and Poor's and Aaa by Moody's Investors Service.

Local Government Investment Pools – As of December 31, 2021 the District had $13,149,868 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds and is registered with the State Securities Commissioner. Colotrust is rated AAAm by Standard and Poor's. Colotrust operates similarly to a money market fund and each share is equal in value to $1.00. Colotrust offers shares in two portfolios, Colotrust Prime and Colotrust Plus+. The District funds are only invested in Colotrust Plus+. The portfolio may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank serves as custodian for Colotrust's portfolios pursuant to a custodian agreement.

3. Cash, Cash Equivalents and Investments (continued)

Substantially all securities owned by Colotrust are held by the Federal Reserve Bank in the account maintained for the custodial banks. The custodian acts as safekeeping agent for Colotrust investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by Colotrust.

Colotrust records its investments at fair value and the District records its investments in Colotrust using the net asset value method.

As of December 31, 2021 and 2020, the District had the following investments:

		Remaining Maturity (in Months)		
2021 **Type of Investment**	**Fair Value**	**12 months or Less**	**13 to 24 Months**	**25 to 60 Months**
Investment pools	$ 13,149,868	$ 13,149,868	$ -	$ -
U.S. Treasury Securities	15,755,525	3,149,310	7,536,122	5,070,093
Total Investments	$ 28,905,393	$ 16,299,178	$ 7,536,122	$ 5,070,093

		Remaining Maturity (in Months)		
2020 **Type of Investment**	**Fair Value**	**12 months or Less**	**13 to 24 Months**	**25 to 60 Months**
Investment pools	$ 10,643,890	$ 10,643,890	$ -	$ -
U.S. Treasury Securities	15,850,198	3,096,355	3,041,072	9,712,771
Total Investments	$ 26,494,088	$ 13,740,245	$ 3,041,072	$ 9,712,771

The District does not have a policy that addresses limitations on the amount that can be invested in any one issuer. As of December 31, 2021, U.S. Treasury Securities of $15,755,525 comprise 60% of the District's investment portfolio.

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

3. Cash, Cash Equivalents and Investments (continued)

At December 31, 2021, cash deposits and investment, are classified on the statements of net position as follows:

December 31,	2021	2020
Cash and cash equivalents		
Petty cash	$ 500	$ 500
Cash deposits	1,938,379	4,283,207
Total Cash	$ 1,938,879	$ 4,283,707
Investments		
Investments - current	16,299,178	13,740,245
Investments - long-term	12,606,215	12,753,843
Total Investments	$ 28,905,393	$ 26,494,088
Total Cash and Investments	$ 30,844,272	$ 30,777,795

4. Capital Assets

An analysis of the changes in net capital asset for the years ended December 31, 2021 and 2020 follows:

	December 31, 2020	Additions	Retirements/ Transfers	December 31, 2021
Capital assets, not being depreciated:				
Land	$ 144,728	$ -	$ -	$ 144,728
Construction in progress	653,916	2,047,294	(322,634)	2,378,576
Total capital assets, not being depreciated	798,644	2,047,294	(322,634)	2,523,304
Capital assets, being depreciated:				
Buildings	2,215,016	-	-	2,215,016
Water system	23,108,856	3,577,858	-	26,686,714
Sewer system	16,207,088	356,670	-	16,563,758
Furniture and equipment	1,145,065	56,465	-	1,201,530
Total capital assets, being depreciated	42,676,025	3,990,993	-	46,667,018

4. Capital Assets (continued)

	December 31, 2020	Additions	Retirements/ Transfers	December 31, 2021
Less accumulated depreciation for:				
Buildings	(1,148,094)	(55,060)	-	(1,203,154)
Water system	(10,750,522)	(390,880)	-	(11,141,402)
Sewer system	(8,352,356)	(239,670)	-	(8,592,026)
Furniture and equipment	(956,673)	(45,679)	-	(1,002,352)
Total accumulated depreciation	(21,207,645)	(731,289)	-	(21,938,934)
Total capital assets, being depreciated, net	21,468,380	3,259,704	-	24,728,084
Capital assets, net	$ 22,267,024	$ 5,306,998	$ -	$ 27,251,388

	December 31, 2019	Additions	Retirements/ Transfers	December 31, 2020
Capital assets, not being depreciated:				
Land	$ 144,728	$ -	$ -	$ 144,728
Construction in progress	204,905	449,011	-	653,916
Total capital assets, not being depreciated	349,633	449,011	-	798,644
Capital assets, being depreciated:				
Buildings	2,215,016	-	-	2,215,016
Water system	23,027,586	81,270	-	23,108,856
Sewer system	16,081,939	125,149	-	16,207,088
Furniture and equipment	1,049,310	117,948	(22,193)	1,145,065
Total capital assets, being depreciated	42,373,851	324,367	(22,193)	42,676,025
Less accumulated depreciation for:				
Buildings	(1,092,315)	(55,779)	-	(1,148,094)
Water system	(10,390,906)	(359,616)	-	(10,750,522)
Sewer system	(8,112,841)	(239,515)	-	(8,352,356)
Furniture and equipment	(936,321)	(42,545)	22,193	(956,673)
Total accumulated depreciation	(20,532,383)	(697,455)	22,193	(21,207,645)
Total capital assets, being depreciated, net	21,841,468	(373,088)	-	21,468,380
Capital assets, net	$ 22,191,101	$ 75,923	$ -	$ 22,267,024

4. Capital Assets (continued)

Depreciation expense for the years ended December 31, 2021 and 2020 was charged to the following operations:

	2021	2020
Direct water expense	$ 429,740	$ 391,774
Direct sewer expense	249,385	247,554
General and administration	52,164	58,127
Total expense	$ 731,289	$ 697,455

5. Net Position

The District has net position consisting of two components — net investment in capital assets and unrestricted net position.

Net investment in capital assets consists of capital assets, net of accumulated depreciation. The District had no outstanding debt as of December 31, 2021 and 2020. As of December 31, 2021 and 2020, the District had net investment in capital assets of $27,251,388 and $22,267,027, respectively.

Restricted assets include net position that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had no restricted net position as of December 31, 2021 and 2020.

Unrestricted net position consists of net position that do not meet the definition of net investment in capital assets or restricted capital assets.

6. Contracts and Commitments

Water Service Contract

The District is provided water under a master meter distributor's contract with the Board of Water Commissioners of the City and County of Denver (Denver Water Board). The contract provides, among other things, that Denver Water Board will serve the District through build out, may restrict the right of the District to issue new taps and requires compliance to their Operating Rules and Engineering Standards.

6. Contracts and Commitments (continued)

Sewage Treatment Contract

The District is a "special connector" by agreement with Metro Water Recovery (Metro) which provides the treatment of sewage collected within the District. The standard service agreement with Metro provides for annual charges to be assessed by formula against the District on an estimated basis. Corrections to the estimated charge for metered flows and actual costs are billed and payable or credited during the two succeeding years. Metro assesses tap fees against the District for connections to the system. The composition of the charges from the 2021 and 2020 estimates are as follows:

	2021	2020
Certified Estimate for current year	$ 2,540,037	$ 2,506,944
Adjustment of second preceding year estimate to actual finding	(41,693)	35,523
Preliminary adjustment of preceding year estimate, over preceding year certified estimate	(56,788)	27,270
Total annual charges	$ 2,441.556	$ 2,569,737

7. Risk Management

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God. The District pays annual premiums for liability, property, public officials' liability and workers compensation coverage. Settled claims have not exceeded this coverage in any of the past three fiscal years.

8. Employee Retirement Plan

The District participates in the Colorado County Officials and Employees Retirement Association Defined Contribution Plan (CCOERA). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees become participants after one full month of employment. Under this plan, six percent of the employees' compensation is withheld and remitted to the CCOERA along with a matching payment of six percent from the District.

8. Employee Retirement Plan (continued)

The District's contributions, plus earnings, become vested, based on years of service, at a rate of 50% after three years; 75% after four years; and 100% after 5 years. Unvested contributions for employees who leave employment before five years of participation are used to reduce the District's current period contribution requirement. Plan provisions and contributions requirements are established and may be amended by CCOERA and would have to be approved by the District's Board of Directors. There is no liability for benefits under the plan beyond the District's matching payments.

Both the District and the participating employees made the required six percent contributions for 2021 and 2020. Some employees elect to contribute more than the required six percent.

The District's and employees' contributions to the plan for the years ended December 31, 2021 and 2020 were as follows:

	2021	2020
Plan Members	$ 76,373	$ 69,800
District	$ 42,246*	$ 37,846

The District has a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. This plan is also administered by CCOERA. Participation in the plan is optional for all employees. The plan allows the employees to defer a portion of their salary until future years.

*There were $6,770 forfeitures used in 2021. Forfeitures are funds paid into an employees retirement plan with the assumption of that employee fully vesting. If the employee separates from the company prior to fully vesting, excess funds are held by plan administrator as forfeitures and can be used as a credit by the company in lieu of future contributions.

9. Intergovernmental Agreements

Technical Advisory Committee Agreement

Effective July 31, 2003, the District became a participant of the Technical Advisory Committee (TAC). The committee was formed to promote cooperative strategies to respond to drought and research water rates and fees in the Denver area. The TAC consists of a designated representative from each participant. The participant's share of the costs is based on the participant's percentage share of the total number of accounts.

9. Intergovernmental Agreements (continued)

A year-end reconciliation of actual costs to budgeted costs is calculated and amounts are refunded or billed to participants or credited to the participant's payment due for the subsequent year. The percentage share for each participant is adjusted as of December 31 or each year based on the total number of participants. The agreement automatically renews for each participant from calendar year to year. For the year ended December 31, 2021 and 2020, the District paid $2,690 under this agreement for each year.

Alameda Water and Sanitation District Agreement

The District has a formal agreement with Alameda Water and Sanitation District (Alameda) dated August 15, 2011 for the shared use of the Sanderson Gulch sewer line with Alameda to reimburse a portion of the costs subsequent to each year end. Based on the agreement, Alameda is to reimburse the District for the average flow per Equivalent Residential Unit (EQR) for properties flowing into the Sanderson Gulch Metering Facility. The cost per EQR is based on the annual charge for service charged by Metro Water Recovery as well as any costs of maintenance of the Bancroft-Clover facilities.

Green Mountain Water and Sanitation District

The District has a formal agreement with Green Mountain Water and Sanitation District (Green Mountain) for the shared use of Weir Gulch sewer line. Based on the agreement, the District is to reimburse Green Mountain for a certain percentage of the Weir Gulch Metering Facility costs charged by Metro Water Recovery.

Bear Creek Water and Sanitation District

The District has a formal agreement dated November 3, 1969 with Bear Creek Water and Sanitation District (Bear Creek) for a connection to the District's system. Under the agreement, Bear Creek installed approximately 1,870 feet of 12-inch pipe and a water meter to feed up to 250 single family residential taps in their district. Bear Creek maintains the water meter and vault, and the District maintains the 12-inch pipe line. Water supplied to Bear Creek through this connection is credited to the District each billing cycle.

The District also has a formal agreement with Bear Creek Water and Sanitation District dated April 11, 2011 for a shared use of the Bear Creek sewer line, with Bear Creek to reimburse a portion of the costs subsequent to each year-end. Based on the agreement, the District is to reimburse Bear Creek for a pro-rated share of the Bear Creek Metering Facility costs charged by Metro Water Recovery.

9. Intergovernmental Agreements (continued)

South Sheridan Water and Sanitation District

The District has a formal agreement with the South Sheridan Water and Sanitation District (South Sheridan) dated February 8, 2012 that sets forth the terms for the District and South Sheridan to provide sanitary sewer services to each other. It was determined that there are certain properties within the District's boundaries being serviced by South Sheridan and likewise, certain properties within South Sheridan's boundaries being serviced by the District. Per the agreement, each district will pay the other district the respective costs for services provided to these properties.

10. Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Enterprises, defined 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. The District's management believes a significant portion of its operations qualifies for the exclusion. However, TABOR still applies to the assessment of the District's mill levy.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year spending limit must be refunded unless the voters approve retention of such revenue.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualification as an Enterprise will require judicial interpretation.

11. Risks and Uncertainties

As the world and business community continues to deal with the pandemic, the District has not been immune to its effects, but has positioned itself to sustain operations. The District believes it will be able to continue to adapt to the pandemic impacts and any local, state or federal government guidelines.

Supplementary Information

Bancroft-Clover Water & Sanitation District
Schedule of Direct Water Operating Expenses
For the Years Ended December 31, 2021 and 2020

	2021	2020
Source of Supply		
Purchased water	$ 6,586,299	$ 7,432,246
Power purchased for pumping	28,081	27,555
Total Source of Supply	6,614,380	7,459,801
Transmission, Distribution and Other Expenses		
Depreciation	429,740	391,774
Salaries and wages	298,418	244,568
Employee pensions	82,367	91,849
MXU Replacement program	55,989	332,226
Repairs and maintenance—lines	184,529	277,186
Engineering fees	16,309	16,697
Water tap installations	47,381	33,569
Miscellaneous	4,710	1,309
Taxes—payroll	23,724	19,060
Repairs and maintenance—services	41,572	73,471
Repairs and maintenance—equipment	3,991	9,653
Automobile and truck expense	20,523	12,220
Telephone	13,885	11,932
Leak detection	-	5,000
Tools and equipment expense	6,291	8,011
Fire hydrant maintenance	7,201	-
Water line pot holing	-	37,969
Water quality	-	1,555
Operating supplies	1,938	2,914
Continuing education	900	80
Utility Locates	9,579	-
Uniforms	1,050	1,166
Pump station maintenance	16,507	9,179
Safety Equipment	1,629	1,970
Total Transmission, Distribution and Other Expenses	1,268,233	1,583,358
Total Direct Water Expenses	$ 7,882,613	$ 9,043,159

Bancroft-Clover Water & Sanitation District

Schedule of Direct Sewer Operating Expenses

For the Years Ended December 31, 2021 and 2020

	2021	2020
Transmission, Distribution and Other Expenses		
Depreciation	$ 249,385	$ 247,554
Repairs and maintenance—general	15,399	30,944
Repairs and maintenance—preventative	212,767	169,294
Sanitary sewer line TV	114,530	111,894
Salaries and wages	74,605	61,142
Engineering fees	8,516	9,738
Employee pensions	20,604	22,961
Taxes—payroll	5,931	4,765
Utilities	3,690	3,233
Truck expense	5,094	3,037
Telephone	3,794	2,990
Repairs and maintenance—equipment and buildings	1,132	2,204
Operating supplies	696	1,091
Continuing education	169	-
Sewer operator certification	-	491
Uniforms	233	228
Tools	970	1,142
Safety equipment	486	703
Equipment expense	321	800
Total Collection and Transmission Expenses	718,322	674,211
Sewage Treatment Expenses—Outside Service		
Metro Water Recovery	2,569,737	2,349,972
Other	28,258	28,374
Total Sewage Treatment Expenses—Outside Services	2,597,995	2,378,346
Total Direct Sewer Expenses	$ 3,316,317	$ 3,052,557

Bancroft-Clover Water & Sanitation District
Schedule of General and Administrative Expenses
For the Years Ended December 31, 2021 and 2020

	2021	2020
Salaries and wages	$ 414,453	$ 383,582
Employee pensions and benefits	108,328	116,883
Depreciation	52,164	58,127
Mailing expense	59,260	57,362
Office supplies and expenses	18,794	19,551
Water rate and tap fee study	18,881	1,590
Repairs and maintenance—equipment and other	25,664	31,971
Payroll taxes	31,455	29,078
Accounting services	21,400	21,100
Master Plan	1,656	-
Insurance	11,892	58,391
Auditing	20,600	20,000
Computer expense	37,537	47,374
Legal	29,400	33,109
TAC expenses	2,690	2,690
Utilities	4,683	4,078
Bank charges	42,065	37,074
Equipment rent	14,402	14,264
Seminars	5,907	2,912
Telephone	9,254	9,673
Computer support	71,924	24,361
Directors' fees	6,100	6,600
Automobile expense	2,656	762
Dues	5,208	5,133
Meetings	3,399	2,191
Engineering fees	12,465	17,316
Other expenses	6,694	11,082
Lien fees	523	52
Continuing education	959	2,398
Total General and Administrative Expenses	$ 1,040,413	$ 1,018,704

Bancroft-Clover Water & Sanitation District
Statement of Revenue, Expenditures and Changes in Funds Available
Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2021

	Original and Final Budget	2021 Actual	Variance Favorable (Unfavorable)	2020 Actual
Revenue				
Operating revenues:				
Water sales	$ 9,495,319	$ 9,613,808	$ 118,489	$ 10,070,439
Tap connection charges	29,600	25,159	(4,441)	22,720
Sewage treatment	3,820,416	3,785,953	(34,463)	3,704,477
Late charges	60,000	67,363	7,363	37,394
Non-operating revenues:				
General property tax	604,565	595,815	(8,750)	598,500
Specific ownership tax	45,000	54,029	9,029	52,921
Net investment income	80,000	(85,459)	(165,459)	663,323
Tap fees	975,000	1,832,400	857,400	661,165
Miscellaneous	1,500	5,005	3,505	7,391
Total Revenue	$ 15,111,400	$ 15,894,073	$ 782,673	15,818,330
Expenditures:				
Operating expense—water:				
Source of supply	$ 6,718,994	$ 6,394,464	$ 324,530	7,244,160
Transmission, distribution and other expenses	938,655	1,058,409	(119,754)	1,407,225
Operating expense—sewer:				
Collection and transmission	587,461	497,195	90,266	455,031
Sewage treatment	2,603,737	2,569,737	34,000	2,349,972
General and administrative expenses	1,023,571	997,180	26,391	969,562
Capital outlay:				
Water	2,847,345	3,608,723	(761,378)	259,321
Sewer	1,994,666	1,215,657	779,009	324,922
Administrative	150,000	112,335	37,665	39,388
Total Expenditures	16,864,429	16,453,700	$ 410,729	13,049,581
Change in net position (budgetary basis)	$ (1,753,029)	$ (559,627)	$ 1,193,402	$ 2,768,749
Reconciling differences between budgetary basis and generally accepted accounting principles (GAAP):				
Contributed assets		1,101,572		
Depreciation		(731,289)		
Capital outlay		4,936,715		
Change in net position (GAAP basis)		4,747,371		
Net position, beginning of year		53,909,855		
Net position, end of year		$ 58,657,226		