

**NORTH TABLE MOUNTAIN
WATER AND SANITATION DISTRICT**
ANNUAL FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2021 AND 2020





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1221 W. Mineral Avenue, Suite 202
Littleton, CO 80120

 303-734-4800

 303-795-3356

 www.HaynieCPAs.com

Board of Directors and Management
North Table Mountain Water & Sanitation District

Opinions

We have audited the accompanying financial statements of the business-type activities for the years ended December 31, 2021 and 2020 and the related notes to the financial statements, which collectively comprise North Table Mountain Water & Sanitation District's (the "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 respective financial position of the business-type activities of the District, as of December 31, 2021 and 2020 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, including 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.

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

Sincerely,

Haynie & Company

Littleton, Colorado
June 10, 2022

North Table Mountain Water & Sanitation District Management's Discussion and Analysis

The discussion and analysis is designed to provide an analysis of the District's financial condition and operating results and to inform the reader on the District's financial issues and activities.

The Management Discussion and Analysis (MD&A) should be read in conjunction with the District's financial statements.

Financial Highlights

- Net position increased by \$379,812, due primarily to grant revenues received in the current year.
- District operating expenses increased by \$105,036 (1.5%) and operating revenues decreased by \$88,890 (-1.3%) from 2020 to 2021, resulting in a net operating loss of \$191,418. This is driven by a slight decrease in water sales and an increase in operating expenses.
- The District's total assets increased by \$62,397 (0.1%) from 2020 to 2021, due largely to continued work on the water treatment plant rehabilitation project.

Overview of the Financial Statements

The financial statements of the District are presented as a special purpose government engaged in business type activities – providing water and sewer services.

The *Statements of Net Position* present information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statements of Revenues, Expenses and Changes in Net Position* present information which reflects how the District's net position changed during the past year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statements for some items that will only result in cash flows in future fiscal periods.

The *Statements of Cash Flows* report the District's cash flows from operating, noncapital financing, capital financing and investing activities.

These financial statements distinguish functions of the District that will be principally supported by user fees, developer contributions and tap fees. The functions of the District include effective and economical operation of water and wastewater sewer systems within the jurisdictional boundaries of the District. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The district-wide financial statements include only the District itself.

The District adopts an annual appropriated budget to recognize the fiscal impact of operations, non-operating revenues and contributions. A budgetary comparison statement has been provided to demonstrate compliance with this requirement.

The basic financial statements of the District can be found on pages 1-3 of this report.

District-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$42,778,499 at the close of the most recent fiscal year.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. The District's investment in its capital assets is reported net of related debt. It should be noted that the District has no outstanding long-term debt.

The balance of *unrestricted net position*, \$8,347,886 may be used to meet the government's ongoing obligations to customers and creditors. \$400,000 of the District's net position has been reserved for emergencies.

At the end of the current fiscal year, the District reported positive balances in all categories of net position, for the District as a whole.

Financial Analysis of the District's Funds

		NET POSITION	
December 31		<u>2021</u>	<u>2020</u>
ASSETS			
Current assets		\$ 9,395,334	\$ 15,279,720
Capital assets, net		<u>34,030,613</u>	<u>28,083,830</u>
Total assets		43,425,947	43,363,550
LIABILITIES			
Current liabilities		434,145	742,233
Long-term liabilities		<u>213,303</u>	<u>222,630</u>
Total liabilities		647,448	964,863
NET POSITION			
Net investment in capital assets		34,030,613	28,083,830
Reserved for emergencies		400,000	400,000
Unrestricted		<u>8,347,886</u>	<u>13,914,857</u>
		<u>\$ 42,778,499</u>	<u>\$ 42,398,687</u>

CHANGE IN NET POSITION

December 31	2021	2020
Operating revenues	\$ 6,994,615	\$ 7,083,505
Operating expenses	7,186,033	7,080,997
Nonoperating revenues (expenses)	478,805	171,256
Capital contributions	92,425	148,360
CHANGE IN NET POSITION	379,812	322,124
NET POSITION BEGINNING OF YEAR	42,398,687	42,076,563
NET POSITION END OF YEAR	\$ 42,778,499	\$ 42,398,687

Budgetary Highlights

The District prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of capital expenditures, in addition to operations and non-operating revenues and capital contributions.

The total actual revenues (both operating and non-operating) of the District were higher than budget by \$741,420. The total actual expenses (both operating and non-operating) of the District were less than budget by \$1,462,740.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its business type activities as of December 31, 2021 amounts to \$34,030,613 (net of accumulated depreciation). This investment in capital assets includes water and sewer line systems, office furniture and fixtures, vehicles, land and buildings. The total increase in the District's investment in capital assets for the current fiscal year was 21.2% percent, due mainly to current year additions.

Capital Assets (net of depreciation)

	2021	2020	Percentage Change
Land	\$ 533,774	\$ 533,774	0.0%
Raw water rights	1,019,698	1,019,698	0.0%
Water treatment plant	6,841,355	6,841,355	0.0%
Collection, transmission and distribution systems	45,147,485	44,633,596	1.2%
Equipment and vehicles	3,588,365	3,520,025	1.9%
Construction in progress	13,110,325	6,093,643	115.1%
Accumulated depreciation	(36,210,389)	(34,558,261)	4.8%
Net Capital Assets	\$ 34,030,613	\$ 28,083,830	21.2%

Additional information on the District's capital assets can be found in Note 4, on page 11.

The District currently receives a substantial portion of its revenue from its water and sewer services.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District:

North Table Mountain Water & Sanitation District
14806 West 52nd Avenue
Golden, CO 80403

Basic Financial Statements

North Table Mountain Water & Sanitation District

Statements of Net Position December 31, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 8,296,632	\$ 12,157,032
Investments	-	1,768,398
Accounts receivable:		
Trade accounts	754,796	917,164
Inventory	208,203	194,435
Prepaid expenses	135,703	242,691
Total Current Assets	9,395,334	15,279,720
Capital Assets		
Land	533,774	533,774
Raw water rights	1,019,698	1,019,698
Water treatment plant	6,841,355	6,841,355
Collection, transmission and distribution systems	45,147,485	44,633,596
Equipment and vehicles	3,588,365	3,520,025
Construction in progress	13,110,325	6,093,643
Total Capital Assets	70,241,002	62,642,091
Less accumulated depreciation	(36,210,389)	(34,558,261)
Net Capital Assets	34,030,613	28,083,830
Total Assets	\$ 43,425,947	\$ 43,363,550
 Liabilities and Net Position		
Liabilities		
Current liabilities		
Accounts payable	\$ 387,928	\$ 460,025
Accrued liabilities	46,217	282,208
Total Current Liabilities	434,145	742,233
Long-Term Liabilities		
Compensated absences	213,303	222,630
Total Liabilities	647,448	964,863
Net Position		
Net investment in capital assets	34,030,613	28,083,830
Unrestricted	8,347,886	13,914,857
Reserved for emergencies	400,000	400,000
Total Net Position	42,778,499	42,398,687
Total Liabilities and Net Position	\$ 43,425,947	\$ 43,363,550

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

North Table Mountain Water & Sanitation District
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Water sales	\$ 4,842,150	\$ 4,956,411
Sewer charges	2,265,922	2,209,878
Discount - 4%	<u>(169,567)</u>	<u>(171,704)</u>
Water sales, net of discounts	6,938,505	6,994,585
Inspection fees	-	1,400
Penalties, late charges and other revenues	<u>56,110</u>	<u>87,520</u>
Total operating revenues	<u>6,994,615</u>	<u>7,083,505</u>
Operating Expenses		
Wage and salary expense	1,878,012	1,940,006
Depreciation	1,652,128	1,672,770
Wastewater expense	1,135,425	1,029,940
Raw water expense	981,208	1,067,410
Insurance expense	433,828	424,760
Repairs and maintenance	253,651	176,871
Utilities	221,774	190,071
Supplies expense	149,749	117,721
Employee expense	143,590	136,769
Payroll tax expense	146,060	142,594
Office expenses	70,521	73,320
Professional fees	57,211	54,928
Vehicle expense	33,990	24,925
Other expenses	<u>28,886</u>	<u>28,912</u>
Total operating expenses	<u>7,186,033</u>	<u>7,080,997</u>
Operating Income (Loss)	<u>(191,418)</u>	<u>2,508</u>
Nonoperating Revenues (Expenses)		
Interest income	27,208	133,388
Net investment loss	(13,153)	29,776
Grant revenue	464,750	-
Gain (Loss) on disposal of capital assets	<u>-</u>	<u>8,092</u>
Total Nonoperating Revenues (Expenses)	<u>478,805</u>	<u>171,256</u>
Income (Loss) Before Capital Contributions	<u>287,387</u>	<u>173,764</u>
Capital Contributions		
Tap fees	31,825	68,335
Capital improvement charges	<u>60,600</u>	<u>80,025</u>
Total Capital Contributions	<u>92,425</u>	<u>148,360</u>
Change in Net Position	379,812	322,124
Net Position—Beginning of Year	<u>42,398,687</u>	<u>42,076,563</u>
Net Position—End of Year	<u>\$ 42,778,499</u>	<u>\$ 42,398,687</u>

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

North Table Mountain 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	\$ 7,156,983	\$ 6,857,940
Cash paid to suppliers for goods and services	(3,581,111)	(2,775,753)
Cash paid to employees for services	(1,887,339)	(1,838,486)
Cash paid on behalf of employees	(289,650)	(279,360)
Net Cash From Operating Activities	1,398,883	1,964,341
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(7,598,911)	(5,342,555)
Gain (loss) on disposal of assets	-	37,442
Grant revenue	464,750	-
System development fees collected	92,425	148,360
Net Cash From Capital and Related Financing Activities	(7,041,736)	(5,156,753)
Cash Flows from Investing Activities:		
Investments matured/sold	1,772,802	4,045,230
Investments purchased	(4,404)	(36,212)
Net investment income received	14,055	163,164
Net Cash from Investing Activities	1,782,453	4,172,182
Net Change in Cash and Cash Equivalents	(3,860,400)	979,770
Cash and Cash Equivalents—Beginning of Year	12,157,032	11,177,262
Cash and Cash Equivalents—End of Year	\$ 8,296,632	\$ 12,157,032
Reconciliation of Net Operating Income to Net Cash From Operating Activities:		
Net operating income (loss)	\$ (191,418)	\$ 2,508
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	1,652,128	1,672,770
Changes in assets and liabilities:		
Accounts receivable	162,368	(225,565)
Inventory	(13,768)	31,276
Prepaid expenses	106,988	92,326
Accounts payable	(72,097)	331,517
Accrued liabilities	(235,991)	(42,011)
Compensated absences	(9,327)	101,520
Total Adjustments	1,590,301	1,961,833
Net Cash From Operating Activities	\$ 1,398,883	\$ 1,964,341

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

North Table Mountain Water & Sanitation District

Notes to Financial Statements

December 31, 2021 and 2020

1. Definition of Reporting Entity

North Table Mountain Water & Sanitation District (District) was formed by order of the District Court of Jefferson County, Colorado, in November of 1958. The District is a quasi-municipal corporation and political subdivision of the State of Colorado, and is governed pursuant to the provisions of the Colorado Special District Act (Title 32). The primary operating function of the District is to provide treated water and sewage removal for both residential and industrial users within the District's boundaries.

Since the major part of its income is derived from user charges, the District is classified and accounted for as an "Enterprise Fund". Because of the self-supporting nature of the District, its accounting is on the accrual basis much like a private, profit-making business. However, unlike a private business, the District is not subject to federal and state income taxes.

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

2. Summary of Significant Accounting Policies

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

Basis of Accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned, and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets. Tap fees and contributed lines received are recorded as capital contributions when received.

North Table Mountain Water & Sanitation District
Notes to Financial Statements (continued)
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

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.

Capital Assets

The District's property and equipment are carried at cost in the case of outright purchases or construction. In the case of property contributed by sub-dividers or customers, such as water and sewer lines, the asset is recorded at an estimated fair market value at the date of contribution as determined by the District's consulting engineers.

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

Water treatment plant	10-30 years
Collection, Transmission and Distribution Systems	30 years
Leasehold improvements	5 years
Equipment	5-15 years

Accounts Receivable

The District does not provide a reserve for estimated uncollectible accounts for water and sewer services since such accounts are negligible. The District policy regarding delinquent accounts is to place a lien against the real estate and not provide water or sewer services until back charges are paid. A security deposit from customers also helps to ensure collection.

North Table Mountain Water & Sanitation District
Notes to Financial Statements (continued)
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

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.

Operations

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

Tap Fees

Tap fees are recorded as contributions and combined with contributed lines on the Statements of Revenue, Expenses and Changes in Net Position.

Contributed Capital

Contributed capital represent contributions for plant and equipment acquired by the District primarily through donations by customers, developers and sub-dividers. These contributions are in the form of water and sewer lines installed and paid for by others and deeded over to the District.

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 value in accordance with GASB. Gains or losses on the sale of investments are recognized when the investment is sold.

North Table Mountain Water & Sanitation District
Notes to Financial Statements (continued)
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

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.

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 position is 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.

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.

Subsequent Events

The District has evaluated subsequent events through June 10, 2022, the date which the financial statements were available to be issued. During this period, the District was not aware of any material recognizable subsequent events.

3. Cash, Cash Equivalents and Investments

Cash deposits and investments are reflected on the December 31 Statements of Net Position as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 8,296,632	\$ 12,157,032
Investments	-	1,768,398
Total	\$ 8,296,632	\$ 13,925,430

North Table Mountain Water & Sanitation District
Notes to Financial Statements (continued)
December 31, 2021 and 2020

3. Cash, Cash Equivalents and Investments (continued)

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. 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 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 the 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
Deposits with financial institutions	\$ 8,295,932	\$ 9,775,931	\$ 12,156,332	\$ 13,164,892
Petty cash	700	-	700	-
	\$ 8,296,632	\$ 9,775,931	\$ 12,157,032	\$ 13,164,892

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 and collateralized with securities held by the pledging financial institution. Category 3 includes deposits not covered by depository insurance and collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name and uncollateralized.

North Table Mountain Water & Sanitation District
Notes to Financial Statements (continued)
December 31, 2021 and 2020

3. Cash, Cash Equivalents and Investments (continued)

	2021	2020
Insured deposits	\$ 500,000	\$ 500,000
Category 1	700	700
Category 2	9,275,931	12,664,892
Total cash and investments	\$ 9,776,631	\$ 13,165,592

Investments and Credit Risk

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest. The District also adopted an investment policy that specifies instruments the District may invest in, which include:

- Bank and/or Time Certificates of Deposit (Money Market)
- Banking institutions that are regulated by the FDIC and the Colorado Division of Banking
- Local Government Investment pools
- Securities:
 - U.S. Government Treasury Bills & Notes
 - Obligations of the following U.S. Agencies:
 - Federal Home Loan Bank (FHLP)
 - Federal Home Loan Mortgage Corp. (FHLMC)
 - Federal National Mortgage Association (FNMA)
 - Federal Farm Credit Bank (FFCB)
 - A 1 +/P1 Commercial Paper (rating of AAA and/or AA)

The local government investment pools, which include Colorado Surplus Asset Fund Trust (CSAFE) is rated AAAM by Moody's for the years ended December 31, 2021 and 2020.

Interest Rate Risk

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

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

North Table Mountain Water & Sanitation District
Notes to Financial Statements (continued)
December 31, 2021 and 2020

3. Cash, Cash Equivalents and Investments (continued)

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

2021

Type of Investment	Maturity	Fair Value
Colorado Surplus Asset Fund Trust (CSAFE)	Less than one year	\$ 2,867,813
Money Market	Less than one year	3,137,575
Total Investments		<u>\$ 6,005,388</u>

2020

Type of Investment	Maturity	Fair Value
Colorado Surplus Asset Fund Trust (CSAFE)	Less than one year	\$ 2,865,218
Money Market	Less than one year	7,863,849
Fixed Income	Less than one year	1,768,398
Total Investments		<u>\$ 12,497,465</u>

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Investments

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; Level 3 inputs are significant unobservable inputs. The District's fixed income investments are considered to be Level 1 and are valued using quoted prices in an active market.

North Table Mountain Water & Sanitation District
Notes to Financial Statements (continued)
December 31, 2021 and 2020

4. Capital Assets

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

	Balance December 31, 2020	Additions/ Transfers	Retirements/ Transfers	Balance December 31, 2021
Capital assets, not being depreciated:				
Land	\$ 533,774	\$ -	\$ -	\$ 533,774
Raw water rights	1,019,698	-	-	1,019,698
Construction in progress	<u>6,093,643</u>	<u>7,286,713</u>	<u>(270,030)</u>	<u>13,110,326</u>
Total capital assets, not being depreciated	<u>7,647,115</u>	<u>7,286,713</u>	<u>(270,030)</u>	<u>14,663,798</u>
Capital assets, being depreciated:				
Water treatment plant	6,841,355	-	-	6,841,355
Collection, transmission and distribution system	44,633,596	513,889	-	45,147,485
Equipment and vehicles	<u>3,520,025</u>	<u>68,339</u>	<u>-</u>	<u>3,588,364</u>
Total capital assets, being depreciated	<u>54,994,976</u>	<u>582,228</u>	<u>-</u>	<u>55,577,204</u>
Less accumulated depreciation for:				
Water treatment plant	(4,385,847)	(175,940)	-	(4,561,787)
Collection, transmission and distribution system	(27,392,621)	(1,292,780)	-	(28,685,401)
Equipment and vehicles	<u>(2,779,793)</u>	<u>(183,408)</u>	<u>-</u>	<u>(2,963,201)</u>
Total accumulated depreciation	<u>(34,558,261)</u>	<u>(1,652,128)</u>	<u>-</u>	<u>(36,210,389)</u>
Total capital assets, being depreciated, net	<u>20,436,715</u>	<u>(1,069,900)</u>	<u>-</u>	<u>19,366,815</u>
Total capital assets, net	<u>\$ 28,083,830</u>	<u>\$ 6,216,813</u>	<u>\$ (270,030)</u>	<u>\$ 34,030,613</u>

North Table Mountain Water & Sanitation District
Notes to Financial Statements (continued)
December 31, 2021 and 2020

4. Capital Assets (continued)

	Balance December 31, 2019	Additions/ Transfers	Retirements/ Transfers	Balance December 31, 2020
Capital assets, not being depreciated:				
Land	\$ 533,774	\$ -	\$ -	\$ 533,774
Raw water rights	1,019,698	-	-	1,019,698
Construction in progress	<u>1,022,333</u>	<u>5,071,310</u>	<u>-</u>	<u>6,093,643</u>
Total capital assets, not being depreciated	<u>2,575,805</u>	<u>5,071,310</u>	<u>-</u>	<u>7,647,115</u>
Capital assets, being depreciated:				
Water treatment plant	6,841,355	-	-	6,841,355
Collection, transmission and distribution system	44,407,048	226,548	-	44,633,596
Equipment and vehicles	<u>3,515,349</u>	<u>44,697</u>	<u>(40,021)</u>	<u>3,520,025</u>
Total capital assets, being depreciated	<u>54,763,752</u>	<u>271,245</u>	<u>(40,021)</u>	<u>54,994,976</u>
Less accumulated depreciation for:				
Water treatment plant	(4,209,135)	(176,712)	-	(4,385,847)
Collection, transmission and distribution system	(26,099,744)	(1,292,877)	-	(27,392,621)
Equipment and vehicles	<u>(2,587,283)</u>	<u>(203,181)</u>	<u>10,671</u>	<u>(2,779,793)</u>
Total accumulated depreciation	<u>(32,896,162)</u>	<u>(1,672,770)</u>	<u>10,671</u>	<u>(34,558,261)</u>
Total capital assets, being depreciated, net	<u>21,867,590</u>	<u>(1,401,525)</u>	<u>(29,350)</u>	<u>20,436,715</u>
Total capital assets, net	<u>\$ 24,443,395</u>	<u>\$ 3,669,785</u>	<u>\$ (29,350)</u>	<u>\$ 28,083,830</u>

5. Retirement Plans

The District has a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. This plan is administered by the Colorado Retirement Association (CRA). The plan allows employees to defer a portion of their salary until future years. Participation in the plan to the extent of a minimum of 4% is a requirement of employment with the District.

North Table Mountain Water & Sanitation District

Notes to Financial Statements (continued)

December 31, 2021 and 2020

5. Retirement Plans (continued)

Employees hired prior to July 2016 are grandfathered into a plan where the employer will match up to 7% of the employee's contributions to their 401(a) plan. However, if the employee contributes less than 7% to their 401(a) account, the employer will catch up the remaining % to meet 7% total employer contribution, to the employee's 457 plan account.

Employees hired on or after July 1, 2016 are required to contribute no less than 4% to their 401(a) account. The District will match dollar for dollar up to 7%. If an employee elects to defer more than 7%, they may do that within the 457 plan.

The total employee and employer contributions to an employee's 457 plan account may not exceed the annual IRS limits.

During the years ended December 31, 2021 and 2020, the District contributed \$127,641 and \$119,976, respectively, to the plan. Total covered payroll under the plan during the years ended December 31, 2021 and 2020 was \$1,845,614 and \$1,793,081, respectively.

6. Net Position

The District has net position consisting of three components — net investment in capital assets, reserved for emergencies and unrestricted.

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 \$34,030,613 and \$28,083,830, respectively.

Restricted net position includes 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 \$400,000 of restricted net position for both December 31, 2021 and 2020, which fulfills the TABOR requirement for local governments to emergency reserves representing at least 3% of fiscal year spending (excluding debt service).

Unrestricted net position consists of net position that does not meet the definition of invested in capital assets or restricted. When an expenditure is incurred for purposes for which both restricted and unrestricted net position are available, restricted resources are considered expended.

North Table Mountain Water & Sanitation District
Notes to Financial Statements (continued)
December 31, 2021 and 2020

7. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the Colorado Special Districts Property and Liability Pool (the “Pool”), which is an organization created by inter-governmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate.

It provides coverage for property claims up to the values declared, and liability claims for up to \$1,000,000. It is reinsured for up to 80% of the first \$250,000 of each casualty claim and for 100% of the excess. Public official liability claims are reinsured for the full limit of \$1,000,000.

The District pays annual premiums to the Pool for auto, public officials’ liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members.

Supplementary Information

North Table Mountain Water & Sanitation District
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2021

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>2021 Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating Revenues				
Water sales	\$ 4,100,000	\$ 4,479,000	\$ 4,842,150	\$ 363,150
Sewer charges	2,100,000	2,321,000	2,265,922	(55,078)
Discount - 4%	<u>(186,000)</u>	<u>(143,000)</u>	<u>(169,567)</u>	<u>(26,567)</u>
Water sales, net of discounts	6,014,000	6,657,000	6,938,505	281,505
Inspection fees	4,000	1,000	-	(1,000)
Penalties, late charges and other revenues	<u>55,000</u>	<u>60,000</u>	<u>56,110</u>	<u>(3,890)</u>
Total operating revenues	<u>6,073,000</u>	<u>6,718,000</u>	<u>6,994,615</u>	<u>276,615</u>
Operating Expenses				
Wage and salary expense	2,080,750	2,055,000	1,878,012	176,988
Wastewater expense	1,200,000	1,135,425	1,135,425	-
Raw water expense	1,010,100	925,000	981,208	(56,208)
Insurance expense	451,900	435,000	433,828	1,172
Repairs and maintenance	217,500	290,000	253,651	36,349
Utilities	203,000	202,000	221,774	(19,774)
Supplies expense	-	-	149,749	(149,749)
Employee expense	135,100	130,000	143,590	(13,590)
Payroll tax expense	-	-	146,060	(146,060)
Office expenses	91,500	55,750	70,521	(14,771)
Professional fees	60,000	57,000	57,211	(211)
Vehicle expense	39,000	35,250	33,990	1,260
Other expenses	186,350	160,000	28,886	131,114
Capital outlay	<u>5,842,000</u>	<u>9,115,131</u>	<u>7,598,911</u>	<u>1,516,220</u>
Total operating expenses	<u>11,517,200</u>	<u>14,595,556</u>	<u>13,132,816</u>	<u>1,462,740</u>
Operating Income (Loss)	<u>(5,444,200)</u>	<u>(7,877,556)</u>	<u>(6,138,201)</u>	<u>1,739,355</u>
Nonoperating Revenues (Expenses)				
Interest income	-	-	27,208	27,208
Net investment income	100,000	14,000	(13,153)	(27,153)
Grant revenue	<u>-</u>	<u>-</u>	<u>464,750</u>	<u>464,750</u>
Total Nonoperating Revenues (Expenses)	<u>100,000</u>	<u>14,000</u>	<u>478,805</u>	<u>464,805</u>
Income Before Capital Contributions	<u>(5,344,200)</u>	<u>(7,863,556)</u>	<u>(5,659,396)</u>	<u>2,204,160</u>
Capital Contributions				
Tap fees	127,000	68,000	31,825	(36,175)
Capital improvement charges	<u>-</u>	<u>-</u>	<u>60,600</u>	<u>60,600</u>
Total Capital Contributions	<u>127,000</u>	<u>68,000</u>	<u>92,425</u>	<u>24,425</u>
Change in Net Position	<u>(5,217,200)</u>	<u>(7,795,556)</u>	<u>(5,566,971)</u>	<u>2,228,585</u>
Net Position—Beginning of Year	<u>4,493,857</u>	<u>4,493,857</u>	<u>42,398,687</u>	<u>37,904,830</u>
Net Position—End of Year	<u>\$ (723,343)</u>	<u>\$ (3,301,699)</u>	<u>\$36,831,716</u>	<u>\$ 40,133,415</u>
Reconciliation to GAAP-Basis Financial Statements				
Change in net position - budget basis			\$ (5,566,971)	
Capital outlay			7,598,911	
Depreciation			<u>(1,652,128)</u>	
Change in net position - GAAP basis			<u>\$ 379,812</u>	