

Spring Canyon Water and Sanitation District

Financial Statements and Supplementary Information
with Independent Auditor's Report

Year Ended December 31, 2021



WIPFLI

Spring Canyon Water and Sanitation District
INDEPENDENT AUDITOR'S REPORT

Board of Directors
Spring Canyon Water and Sanitation District
Larimer County, Colorado

Independent Auditor's Report

Opinion

We have audited the accompanying financial statements of the business-type activities of Spring Canyon Water and Sanitation District (the "District"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Spring Canyon Water and Sanitation District as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 audits. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), 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 Supplemental Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the basic financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Wipfli LLP

Wipfli LLP
Lakewood, Colorado

September 30, 2022

Spring Canyon Water and Sanitation District

BASIC FINANCIAL STATEMENTS

Spring Canyon Water and Sanitation District
STATEMENTS OF NET POSITION
December 31, 2021

ASSETS

Current Assets:

Cash and investments	\$	1,622,593
Cash and Investments - restricted		262,267
Accounts receivable - service fees		96,459
Property taxes receivable		70,066
Other receivables		4,086
Other current assets		24,169
Total current assets		2,079,640

Capital assets not being depreciated		906,882
Capital assets being depreciated, net		4,221,459
Total capital assets		5,128,341

TOTAL ASSETS	\$	7,207,981
---------------------	-----------	------------------

LIABILITIES

Current liabilities

Accounts payable	\$	88,289
Construction retainage payable		18,073
Current portion of long-term obligations		134,874
Accrued interest payable		7,046
Accrued salaries and benefits		24,471
Total current liabilities		272,753

Long-term obligations

Long-term obligations		1,978,957
Accrued compensated absences		7,602
Total long-term liabilities		1,986,559

TOTAL LIABILITIES		2,259,312
--------------------------	--	------------------

DEFERRED INFLOWS OF RESOURCES

Deferred property tax revenue		70,066
Total deferred inflows of resources		70,066

NET POSITION

Net invested in capital assets		3,014,510
Restricted		286,436
Unrestricted		1,577,657
TOTAL NET POSITION	\$	4,878,603

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

Spring Canyon Water and Sanitation District
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
For the Years Ended December 31, 2021

OPERATING REVENUES	
Water and sanitary sewer services	\$ 1,032,800
Late fees and penalties	7,339
Miscellaneous income	14,961
Total operating revenues	1,055,100
 OPERATING EXPENSES	
General and administration	410,891
System operation	392,015
Depreciation	195,123
Total operating expenses	998,029
GAIN FROM OPERATIONS	57,071
 NONOPERATING REVENUE AND (EXPENSES)	
Property taxes	66,413
Specific ownership taxes	5,045
System improvement surcharge	218,116
Tap fees	98,775
Interest	(43,072)
Total nonoperating revenue	345,277
CHANGE IN NET POSITION	402,348
NET POSITION - BEGINNING OF YEAR	4,476,255
NET POSITION - END YEAR	\$ 4,878,603

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

Spring Canyon Water and Sanitation District
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,049,643
Cash payments to employees for services	(194,402)
Cash payments to suppliers for goods and services	(732,192)
Net cash from operating activities	<u>123,049</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Net property and specific ownership taxes received	71,458
System improvement surcharge fees received	218,116
Tap fees received	98,775
Acquisition of capital assets	(301,478)
Principal paid on general obligation debt	(132,215)
Interest paid on general obligation debt	(43,605)
Net cash from capital and related financing activities	<u>(88,949)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	533
Net cash from investing activities	<u>533</u>
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	34,633
CASH AND INVESTMENTS - BEGINNING OF YEAR	<u>1,850,227</u>
CASH AND INVESTMENTS - END OF YEAR	<u>\$ 1,884,860</u>
 RECONCILIATION OF OPERATING GAIN TO NET CASH FROM OPERATING ACTIVITIES	
Operating gain	\$ 57,071
Adjustments to reconcile operating gain to cash flows from operating activities	
Depreciation	195,123
(Increase) decrease in:	
Receivables	(3,240)
Other current assets	(2,217)
Increase (decrease) in:	
Accounts payable for operations	(133,321)
Payroll liabilities	4,461
Compensated benefits	(3,802)
Other current liabilities	8,974
Net cash from operating activities	<u>\$ 123,049</u>

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

Spring Canyon Water and Sanitation District
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

Note 1: Definition of Reporting Entity

The District was established under State of Colorado statutes as a quasi-municipal corporation and a political sub-division of the State of Colorado. The District is governed by a five-member Board of Directors pursuant to the provisions of the Colorado Special District Act. The District's service area is located in Larimer County, Colorado.

The District's primary function is to provide water and sanitary sewer services to the residents of the District. The majority of the District's operations and administrative functions are provided through contract service arrangements.

As required by US GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local government entities. The District has no component units as defined by Governmental Accounting Standards Board ("GASB"), Statement No. 14, The Reporting Entity and GASB No. 39, Determining Whether Certain Organizations are Component Units.

The District is not a component unit of any other primary governmental entity.

Note 2: Summary of Significant Accounting Policies

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

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

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

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

Basis of Accounting – The District's financial statements maintained on the accrual basis of accounting. Revenue is recognized when earned, and expenses are recognized when the liability is incurred, regardless of the timing of related cash flows. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets; and payments on long-term obligations are recorded as reductions in liabilities. Tap fees are recorded as capital contribution revenue when received.

Spring Canyon Water and Sanitation District
NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2021

Note 2: Summary of Significant Accounting Policies (Continued)

Operating revenues and expenses – The District distinguishes between operating revenues and expenses from non-operating items in the statements of revenues, expenses, and changes in net position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District’s purpose of providing water and sanitation services to its customers. Operating revenues consist of charges to customers for service provided. Operating expenses include the cost of service, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

Budgets – In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The total appropriation can only be modified upon completion of notification and publication requirements.

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

Accounts receivable, allowance for doubtful accounts – User fees and tap fees constitute a perpetual lien on or against property served until paid. Such liens may be foreclosed upon as provided by the State of Colorado. Therefore, no provision for uncollectible receivables has been made in the financial statements.

Property Taxes – Property taxes are levied by the District Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer’s election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

Spring Canyon Water and Sanitation District
NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2021

Note 2: Summary of Significant Accounting Policies (Continued)

Capital assets – Capital assets include water and sanitation operating systems and equipment and vehicles. Capital assets are defined by the District as those assets with an initial, individual cost of \$5,000 or greater. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation or at the developer's cost.

The costs of normal maintenance and repairs 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 capital assets, as applicable. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

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

Buildings and improvements	20-39 years
Water treatment and distribution system	5-50 years
Wastewater collection and treatment system	15-50 years
Equipment and software	3-7 years

Compensated absences – District employees earn a general leave benefit at the rate of 30 to 42 days per year based on length of service which is to be used for vacations, medical leave and holidays. Employees are generally allowed to accrue up to 70 days of unused general leave days each at the end of each calendar year. Compensated absences are recognized as current salary expense when earned.

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

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Spring Canyon Water and Sanitation District
NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2021

Note 2: Summary of Significant Accounting Policies (Continued)

Deferred Inflow/Outflow of Resources – In addition to liabilities, the statements of net position report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, deferred property tax revenue, is deferred, and recognized as an inflow of resources in the period that the amount becomes available.

Note 3: Cash and Investments

Cash and investments are reflected on the Statements of Net Position at December 31, 2021 as follows:

Cash and investments	\$ 1,622,593
Cash and investments - restricted	<u>262,267</u>
Total cash and investments	<u><u>\$ 1,884,860</u></u>

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

Deposits with financial institutions	\$ 560,461
Investments	<u>1,324,399</u>
Total cash and investments	<u><u>\$ 1,884,860</u></u>

At December 31, 2021, the District's cash deposits had bank balances of \$559,866 and a carrying balance of \$560,461.

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. As of December 31, 2021, the federal insurance limits were \$250,000. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Spring Canyon Water and Sanitation District
NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2021

Note 3: Cash and investments (Continued)

Custodial credit risk – deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's cash deposit and investment policy adopts state statutes regarding custodial credit risk for deposits. As of December 31, 2021, none of the District's bank balances were exposed to custodial credit risk, as amounts were either insured or collateralized.

Investments

The District's investment policy adopts state statutes regarding investments.

The District primarily limits its investments to local government investments pools, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to custodial credit risk for investments that are in the possession of another party.

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

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
- . Certain international agency securities
- . General obligation and revenue bonds of U.S. local government entities
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

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 an 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. Investments not measured at fair value and not categorized include governmental money market funds, money market funds, and COLOTRUST which are recorded at net asset value.

Spring Canyon Water and Sanitation District
NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2021

Note 3: Cash and Investments (Continued)

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

<u>Investment</u>	<u>Maturity</u>	
Colorado Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 1,324,399</u>

COLOTRUST

The District invests in the Colorado Local Government Liquid Asset Trust (Colostrust or the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State Statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS-24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. Colostrust is rated AAAM by Standard and Poor's. Colostrust records its investments at fair value and the District records its investment in Colostrust using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Restricted cash and investments

Restricted cash and investments represent funds available as of December 31, 2021, as follows:

TABOR	\$ 29,941
Capital reserve	<u>232,326</u>
Restricted cash and investments	<u>\$ 262,267</u>

Spring Canyon Water and Sanitation District
NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2021

Note 4: Capital Assets

Capital asset activity for the year ended December 31, 2021 was as follows:

	<u>Balance</u> <u>12/31/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>12/31/2021</u>
<u>Capital assets not being depreciated:</u>					
Construction in Process	\$ 771,215	\$ 214,095	\$ -	\$ (78,428)	\$ 906,882
Total capital assets not being depreciated	<u>771,215</u>	<u>214,095</u>	<u>-</u>	<u>(78,428)</u>	<u>906,882</u>
<u>Capital assets being depreciated</u>					
Building and improvements	47,200	-	-	-	47,200
Water treatment and distribution system	5,168,818	87,383	-	78,428	5,334,629
Wastewater collection and treatment system	1,997,834	-	-	-	1,997,834
Equipment	<u>110,266</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>110,266</u>
Total capital assets being depreciated	<u>7,324,118</u>	<u>87,383</u>	<u>-</u>	<u>78,428</u>	<u>7,489,929</u>
<u>Accumulated Depreciation:</u>					
Building and improvements	23,855	1,386	-	-	25,241
Water treatment and distribution system	1,584,909	121,572	-	-	1,706,481
Wastewater collection and treatment system	1,408,281	63,803	-	-	1,472,084
Equipment	<u>56,302</u>	<u>8,362</u>	<u>-</u>	<u>-</u>	<u>64,664</u>
Total Accumulated Depreciation	<u>3,073,347</u>	<u>195,123</u>	<u>-</u>	<u>-</u>	<u>3,268,470</u>
Net capital assets being depreciated	<u>4,250,771</u>	<u>(107,741)</u>	<u>-</u>	<u>78,428</u>	<u>4,221,459</u>
Government type assets, net	<u>\$ 5,021,986</u>	<u>\$ 106,355</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,128,341</u>

Spring Canyon Water and Sanitation District
NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2021

Note 5: Long Term Obligations

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

	Balance at December 31,			Balance at December 31,	
	2020	Additions	Reductions	2021	Due Within One Year
2015 Loan	\$ 1,745,322	\$ -	\$ 104,875	\$ 1,640,447	\$ 106,983
2016 Loan	246,729	-	13,725	233,004	14,001
2017 Loan	253,996	-	13,616	240,380	13,890
Total long-term obligations	<u>\$ 2,246,047</u>	<u>\$ -</u>	<u>\$ 132,216</u>	<u>\$ 2,113,831</u>	<u>\$ 134,874</u>

Loans payable - Colorado Water Resources and Power Development Authority ("CWRPDA")

2015 Loan

In April 2015, the District entered into a \$2,200,000 loan agreement ("2015 Loan Agreement") with CWRPDA, for the purpose of financing the construction of a permanent connection (the "Project") to the Fort Collins-Loveland Water District as further discussed in NOTE G. The 2015 Loan requires semiannual payments, including interest at 2.0%, of \$68,168, due on May 1 and November 1, with a final payment due on May 1, 2035.

Under the terms of the 2015 Loan Agreement, the District is subject to certain covenants, including pledging revenue, with a minimum rate guarantee, generated from the water delivery system, and pledging to maintain a three-month reserve of the annual budget for operation and maintenance expenses. The District has restricted \$232,326 in satisfaction of the reserve requirement at December 31, 2021.

2016 Loan

In February 2016, the District entered into an additional \$300,000 loan agreement ("2016 Loan Agreement") with CWRPDA, for the purpose of financing additional costs associated with the Project. The 2016 Loan Agreement requires semiannual payments, including interest at 2.0%, of \$9,296, due on May 1 and November 1, with a final payment due on November 1, 2035.

2017 Loan

In February 2017, the District entered into an additional \$300,599 loan agreement ("2017 Loan Agreement") with CWRPDA, for the purpose of financing additional costs associated with the Project. The 2017 Loan Agreement requires semiannual payments, including interest at 2.0%, of \$9,314, due on May 1 and November 1, with a final payment due on November 1, 2036.

Spring Canyon Water and Sanitation District
NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2021

Note 5: Long Term Obligations (Continued)

Loan Covenants

Under the terms of the loan agreements, the District is required to provide CWRPDA with annual audited financial statements by July 31, extendable to September 30, of each subsequent year.

Additionally, under the terms of the loan agreements, the District must maintain an operating reserve, defined as current assets less current liabilities equal to three months of operating expenses.

As of December 31, 2021, the District was in compliance with the above loan covenants.

Debt maturities

Debt maturities for the next five years and to maturity are as follows:

Year Ended December 31,	Principal	Interest	Total
2022	\$ 134,874	\$41,606	\$176,479
2023	137,585	38,895	176,479
2024	140,350	36,129	176,479
2025	143,171	33,308	176,479
2026	146,049	30,430	176,479
2027-2031	775,475	106,920	882,396
2032-2035	636,327	27,884	664,211
	<u>\$ 2,113,831</u>	<u>\$ 315,172</u>	<u>\$ 2,429,002</u>

Debt authorization

At December 31, 2021, the District had no authorized but unissued indebtedness.

Spring Canyon Water and Sanitation District
NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2021

Note 6: Net Position

The District has Net Position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, loans, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2021, the District had net investment in capital assets, net of related debt as follows:

Capital assets, net	\$	5,128,341
Current portion of long-term obligations		(134,874)
Long-term obligations		<u>(1,978,957)</u>
Net investment in capital assets	\$	<u>3,014,510</u>

Restricted assets include Net Position that is restricted for use either externally imposed by creditors, net grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The purposes for the restrictions of Net Position are described in Note 3. As of December 31, 2021, the District had restricted Net Position of \$286,436.

Note 7: Commitments and Contingencies

Intergovernmental Agreement - Fort Collins-Loveland Water District

In February 2015, the District and Fort Collins-Loveland Water District ("FCLWD") entered into an intergovernmental agreement (the "Agreement") whereby the District's existing drinking water system was interconnected with that of FCLWD for the purpose of acquiring a permanent drinking water supply (the "Project") as a drinking water supply alternative to the District's then existing water treatment plant and allowed for the permanent decommissioning of the District's water treatment plant.

Under the terms of the Agreement, the District purchases treated drinking water, to a maximum of 40,000,000 gallons per year, plus or minus 10%, on a "take or pay" basis.

Spring Canyon Water and Sanitation District
NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2021

Note 7: Commitments and Contingencies (continued)

Utility Management and Operator in Responsible Charge Contract

The District has a contract for Utility Management and Operator in Responsible Charge services, as defined in the contract, related to the operation of the District with an independent contractor. Under the terms of the contract, the independent contractor receives a monthly service fee. Additional services as necessary and approved are to be based upon the estimated number of hours to be incurred and hourly rates as specified in the contract. The contract can be extended upon agreement in writing by the District and the independent contractor. The contract may be terminated by either party by providing notice no less than 3 days prior to the termination date.

Intergovernmental Agreement - South Fort Collins Sanitation District

The District has an intergovernmental agreement with the South Fort Collins Sanitation District for sanitary sewer treatment services.

Note 8: Deferred Compensation Plan

The District offers employees a deferred compensation plan (the Plan) created in accordance with Internal Revenue Service Code Section 457, administered by the Special District Association. The plan is available to all full-time District employees, and permits them to defer a portion of their salaries until future years. The plan allows the District, as resolved annually by the Board, to make discretionary contributions up to 5% of each eligible employee's salary. The Board authorized a contribution rate of 5% for all eligible employees in 2021. The District contributed \$2,935 for the year ended December 31, 2021. The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency. The assets under the Plan are not property of the District and are held by a second-party administrator for the exclusive benefit of the Plan participants and their beneficiaries.

Spring Canyon Water and Sanitation District
NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2021

Note 9: 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 maintains commercial insurance for all risks of loss.

During 2019, the District purchased an insurance policy with Plus Water Insurance Program. The District paid annual premiums for property, commercial crime, commercial general liability, public officials and management liability, business auto commercial excess liability and privacy 101. The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation coverage to its members. The District paid annual premiums to the Pool for workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula. Settled claims have not exceeded these coverages in any of the past five fiscal years.

Note 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 Board of Directors has adopted a resolution establishing an enterprise to operate its water and sanitation activities. The District's management believes its water and sanitation operations qualify for this exclusion.

TABOR requires local governments (not including enterprises) to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). The District established an emergency reserve of \$29,941 as of December 31, 2021.

The District's management believes, after consultation with legal counsel, it is in compliance with the provisions of TABOR. However, TABOR is complex and has been, and will continue to be, 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 further judicial interpretation.

Spring Canyon Water and Sanitation District

SUPPLEMENTAL INFORMATION

Spring Canyon Water and Sanitation District
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET TO
ACTUAL (BUDGETARY BASIS) AND RECONCILIATION
TO CHANGE IN NET POSITION - U.S. GAAP BASIS
For the Year ended December 31, 2021

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
ENTERPRISE:			
REVENUE			
Water operations	\$ 618,332	\$ 598,004	\$ (20,328)
Sewer operations	424,578	437,069	12,491
Tap fees	-	98,775	98,775
Transfer fees	-	1,876	1,876
Property and specific ownership taxes	71,679	71,458	(221)
Interest	14,000	533	(13,467)
Late fees and penalties	-	7,339	7,339
System improvement surcharge	202,320	218,116	15,796
Miscellaneous	14,427	10,812	(3,615)
Total enterprise revenue	1,345,336	1,443,982	98,646
EXPENDITURES			
General and administrative	487,565	410,891	76,674
Water operations			
Treatment	151,837	127,926	23,911
Transmission and distribution	154,000	95,129	58,871
Sewer operations			
Collection and transmission	50,900	83,160	(32,260)
Treatment	85,000	85,800	(800)
CAPITAL EXPENDITURES			
Capital expenditures	694,306	433,694	260,612
DEBT SERVICE			
Principal payments	132,216	132,216	-
Interest	44,261	43,605	656
Total enterprise expenditures	1,800,085	1,412,421	387,664
EXCESS (DEFICIT) OF ENTERPRISE REVENUE OVER (UNDER) ENTERPRISE EXPENDITURES	(454,749)	31,561	486,310
FUNDS AVAILABLE - BEGINNING OF YEAR - ENTERPRISE	1,365,012	4,476,255	3,111,243
FUNDS AVAILABLE - END OF YEAR - ENTERPRISE	\$ 910,263	\$ 4,507,816	\$ 3,597,553
REVENUE (BUDGETARY BASIS)		\$ 1,443,982	
EXPENDITURES (BUDGETARY BASIS)		1,412,421	
Add:			
Depreciation		195,123	
Less:			
Loan principal		(132,216)	
Capital outlay		(433,694)	
		1,041,634	
CHANGE IN NET POSITION PER STATEMENT OF REVENUES EXPENSES AND CHANGES IN NET POSITION		\$ 402,348	