



WIDEFIELD WATER AND SANITATION DISTRICT

Management's Discussion and Analysis

and Financial Statements

For the Years Ended December 31, 2021 and 2020,

Supplementary Information

For the Year Ended December 31, 2021

And

Independent Auditors' Report

WIDEFIELD WATER AND SANITATION DISTRICT

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020	
Statements of Net Position	8
Statements of Revenues, Expenses and Changes in Net Position	10
Statements of Cash Flows	11
Notes to Financial Statements	13
SUPPLEMENTAL SCHEDULE FOR THE YEAR ENDED DECEMBER 31, 2021	
Schedule of Revenues, Expenses and Changes in Net Position Compared to Budget	22

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Widefield Water and Sanitation District

Opinion

We have audited the accompanying financial statements of Widefield Water and Sanitation District (the District) as of and 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 financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 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 within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and

therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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.

Report on Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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.

Report on Other Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary schedule of revenues, expenses and changes in net position compared to budget is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary schedule of revenues, expenses and changes in net position compared to budget is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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.

Stockman Kast Ryan + Co, LLP

May 17, 2022

WIDEFIELD WATER AND SANITATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the District's annual financial report presents an analysis of the District's financial performance during the fiscal years ended December 31, 2021 and 2020. The information is presented in conjunction with the audited basic financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the following three parts: Management's Discussion and Analysis, Financial Statements, and Supplementary Information. The Financial Statements include notes which explain in detail some of the information included in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the District report information utilizing the full accrual basis of accounting. The Financial Statements conform to accounting principles, which are generally accepted in the United States of America. The Statement of Net Position includes information on the District's assets, deferred outflows and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors. The Statement of Activities and Changes in Net Position identifies the District's revenues and expenses for the fiscal years ended December 31, 2021 and 2020. This statement provides information on the District's operations over the past two fiscal years and can be used to determine whether the District has recovered all its actual and projected costs through user fees and other charges. The third financial statement is the Statement of Cash Flows. This statement provides information on the District's cash receipts, cash payments, and changes in cash resulting from operations, investments, and financing activities. From the Statement of Cash Flows, the reader can obtain comparative information on the sources and uses of cash and the change in the cash balance for each of the last two fiscal years.

FINANCIAL POSITION AND RESULTS FROM OPERATIONS

Operating and Non-Operating Revenue and Expenses were as follows:

	2021	2020	2019
Operating revenues	\$ 13,673,645	\$ 12,357,028	\$ 10,966,289
Operating expenses	<u>9,527,553</u>	<u>8,818,636</u>	<u>8,163,032</u>
Operating income	4,146,092	3,538,392	2,803,257
Non-operating revenue, net	<u>16,590,967</u>	<u>10,927,272</u>	<u>7,899,007</u>
Change in net position before contributions for capital assets	20,737,059	14,465,664	10,702,264
Contributions for capital assets	<u>22,321,960</u>	<u>5,763,821</u>	<u>1,894,154</u>
Change in net position	<u>\$ 43,059,019</u>	<u>\$ 20,229,485</u>	<u>\$ 12,596,418</u>

Operating revenues are received primarily from customers receiving water and wastewater services from the District.

The District made no adjustments to the Water and the Wastewater volume rate in 2021 but did increase the base rates for these services. The District's average customer saw an increase of about \$3.00 to their monthly bill for water or wastewater charges.

At the end of 2021, the number of water accounts served by the District was 9,695. This compares to 9,038 accounts at the end of 2020. (Note: water volume information is in the Economic and Other Factors section). At the end of 2021, the number of wastewater accounts served by the District was 10,251. This compares to 9,599 accounts at the end of 2020.

The District's operating expenses tend to be relatively fixed in nature with annual increases expected for inflation. Controlling operating expenses continues to be a priority of the District. In 2021, operating expenses increased by \$708,917 over 2020 expenses or 8%.

Non-operating revenue consists of tap fees, water resource acquisition fees, and interest earnings. Non-operating expenses are interest payments for outstanding debt and water acquisition costs. Collection of tap fees and water resource acquisition fees occur when new connections are added to the District. In 2021, the District collected 936 water tap fees, 918 wastewater tap fees, and 891 water acquisition fees. This compares to 2020 when the District collected 631 water tap fees, 631 wastewater tap fees, and 571 water acquisition fees. The \$5,750 per water tap and \$5,750 per wastewater tap remained consistent for 2021 and 2020. The \$7,000 per tap for water resource acquisition remained consistent for 2021 and 2020. A developer may provide a permanent supply of water in lieu of paying a water resource acquisition fee pursuant to the District's water policy.

The assets, deferred outflows, liabilities, and net position were as follows:

	2021	2020	2019
ASSETS, DEFERRED OUTFLOWS AND LIABILITIES			
Current assets	\$ 67,592,407	\$ 47,584,265	\$ 35,361,931
Capital assets, net	64,766,527	41,044,798	35,517,396
Other non-current assets	22,043,878	22,303,519	21,629,105
Deferred outflows	394,075	444,383	494,691
Current liabilities	(5,019,726)	(2,698,823)	(2,639,466)
Non-current liabilities	<u>(15,145,000)</u>	<u>(17,105,000)</u>	<u>(19,020,000)</u>
Net position	<u>\$ 134,632,161</u>	<u>\$ 91,573,142</u>	<u>\$ 71,343,657</u>
NET POSITION			
Net investment in capital assets	\$ 56,122,079	\$ 31,448,130	\$ 24,996,913
Unrestricted	<u>78,510,082</u>	<u>60,125,012</u>	<u>46,346,744</u>
Total	<u>\$ 134,632,161</u>	<u>\$ 91,573,142</u>	<u>\$ 71,343,657</u>

Current assets increased in 2021, primarily due to cash generated from operations and collections of tap and water acquisition fees. Capital asset information is available in Note 3 of the financial statements.

Non-current liabilities decreased primarily because of principal payments made on the District's Water and Sewer Revenue Refinancing Bonds, Series 2012, and the District's Water and Sewer Revenue Refunding Bonds, Series 2016. Further debt information is available in Note 4 of the financial statements.

CONTRIBUTIONS FROM DEVELOPER / GRANT

Developers requesting service from the District are required to build the water and sewer infrastructure for their development. Following a two-year warranty period, title to the infrastructure is transferred to the District and recorded as Contributions from Developer. These contributions vary widely from year to year, dependent on development. In 2021, Lorson, L.L.C. contributed water infrastructure totaling \$718,136 and sewer infrastructure totaling \$456,974 to the District for The Carriage Meadows North at Lorson Ranch, water infrastructure totaling \$1,568,557 and sewer infrastructure totaling \$876,868 for the Lorson Ranch East Filing 1, water infrastructure totaling \$395,016 and sewer infrastructure totaling \$228,599 for Lorson Ranch East Filing 3, water infrastructure totaling \$787,001 and sewer infrastructure totaling \$476,424 for Lorson Ranch East Filing 2, water infrastructure totaling \$880,295 and sewer infrastructure totaling \$553,468 for Creekside at Lorson Ranch Filing 1, and design costs totaling \$3,933 at Lorson Rolling Hills. The Glen Development Company contributed water infrastructure to the District totaling \$444,421 and sewer infrastructure totaling \$527,016 for the Glen at Widefield Filing 9. Widefield District 3 contributed water infrastructure to the District totaling \$151,350. COLA, L.L.C. contributed water infrastructure to the District totaling \$676,971 for the Trails at Aspen View Offsite Water Line. Eagle Development (Lorson) contributed water infrastructure to the District totaling \$252,260 for transmission Line Segment 4A to 6 Lorson Zone 7, Rolling Hills Pump Station Lorson Zone 7, and transmission Line Segment 6 to 7 Lorson Zone 7 via Cost Recovery Agreement. The US Army Corp of Engineers contributed the Water Mitigation Facility to the District which totaled \$13,099,671. The Glen Investment Group No. 1-12, L.L.C. contributed \$225,000 to the District towards the purchase of the Southwest Lot.

BUDGETS

See Supplemental Schedule of Revenues, Expenses and Changes to Budget on last page of the report. The schedule shows the District's operating budget for 2021, as adopted on November 18, 2020, by Board resolution. Actual Operating Revenue for the District in 2021 was \$13,673,645, 13.55% above the projected revenue total of \$12,042,365. Actual Operating Expenses for the District in 2021 were \$9,527,553, 2.6% below the projected operating expense total of \$9,778,774.

For non-operating revenue (primarily tap fees and water resource acquisition fees) the District received \$17,090,653, 137% above the projected revenue total of \$7,305,338. The non-operating expense (interest expense) total in 2021 was \$499,686, which was equal to the budgeted amount. Overall, the net non-operating revenue was more than the budget amount by \$9,785,315.

ECONOMICS AND OTHER FACTORS

District revenues tend to vary according to weather conditions and water usage from lawn irrigation, which has a significant impact on revenue. In 2021, the District had water sales of about 1.02 billion gallons compared to 2020 water sales of about 1.01 billion gallons, an increase of 1.23%.

A total of \$3,367,414 and \$1,434,108, were expended for capital projects in 2021 and 2020, respectively.

Accomplishments in 2021 were completion of the Generators and Emergency Response Equipment which was placed into service. The District also purchased a new Cargo Camera Van, Ford F-350, a 1500 Dodge Ram, Filtrate Tank Mixer, and completed IT Upgrades in the Administration Building Board Room.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the District's customers, investors, and other interested parties with an overview of the District's financial operations and condition. Should the reader have any questions regarding the information included in this report, or wish to request additional financial information, please contact the District Manager or the Director of Administrative Services at 8495 Fontaine Blvd., Colorado Springs, Colorado 80925.

WIDEFIELD WATER AND SANITATION DISTRICT

STATEMENTS OF NET POSITION DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
Non-designated	\$ 39,434,876	\$ 27,925,905
Designated	26,934,359	18,252,725
Accounts receivable	1,015,613	992,182
Prepaid expenses	188,385	395,374
Current portion of receivables — Peaceful Valley	<u>19,174</u>	<u>18,079</u>
Total current assets	<u>67,592,407</u>	<u>47,584,265</u>
NON-CURRENT ASSETS		
Capital assets, net	<u>64,766,527</u>	<u>41,044,798</u>
Other non-current assets		
Water rights	18,294,888	18,533,028
Receivables — Peaceful Valley	86,907	108,408
Contract rights	<u>3,662,083</u>	<u>3,662,083</u>
TOTAL OTHER NON-CURRENT ASSETS	<u>22,043,878</u>	<u>22,303,519</u>
TOTAL NON-CURRENT ASSETS	<u>86,810,405</u>	<u>63,348,317</u>
TOTAL ASSETS	154,402,812	110,932,582
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	<u>394,075</u>	<u>444,383</u>
TOTAL	<u>\$ 154,796,887</u>	<u>\$ 111,376,965</u>

(Continued)

WIDEFIELD WATER AND SANITATION DISTRICT

STATEMENTS OF NET POSITION DECEMBER 31, 2021 AND 2020

	2021	2020
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 761,450	\$ 150,890
Accrued expenses	2,109,906	410,193
Customer deposits	188,370	222,740
Current portion of bonds payable	<u>1,960,000</u>	<u>1,915,000</u>
Total current liabilities	5,019,726	2,698,823
BONDS PAYABLE, NET	<u>15,145,000</u>	<u>17,105,000</u>
TOTAL LIABILITIES	<u>20,164,726</u>	<u>19,803,823</u>
NET POSITION		
Net investment in capital assets	56,122,079	31,448,130
Unrestricted	<u>78,510,082</u>	<u>60,125,012</u>
Total net position	<u>134,632,161</u>	<u>91,573,142</u>
TOTAL	<u>\$ 154,796,887</u>	<u>\$ 111,376,965</u>

(Concluded)

See notes to financial statements.

WIDEFIELD WATER AND SANITATION DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
OPERATING REVENUE		
Water revenue	\$ 7,195,605	\$ 6,958,293
Wastewater revenue	5,285,087	4,743,225
Other operating revenue	<u>1,192,953</u>	<u>655,510</u>
Total operating revenue	<u>13,673,645</u>	<u>12,357,028</u>
OPERATING EXPENSES		
Salaries and taxes	2,390,877	2,275,611
Depreciation	1,975,930	1,670,527
Water	1,665,164	1,539,428
Maintenance and repairs	818,519	617,203
Employee benefits and insurance	610,005	589,266
Professional services	580,423	810,103
Office services	565,809	513,500
Other operating expenses	<u>920,826</u>	<u>802,998</u>
Total operating expenses	<u>9,527,553</u>	<u>8,818,636</u>
OPERATING INCOME	<u>4,146,092</u>	<u>3,538,392</u>
NON-OPERATING REVENUE (EXPENSES)		
Tap fees	10,660,500	7,256,500
Water acquisition fees	6,237,000	3,997,000
Interest income	7,000	19,580
Other income	186,153	198,181
Interest expense	<u>(499,686)</u>	<u>(543,989)</u>
Total	<u>16,590,967</u>	<u>10,927,272</u>
CHANGE IN NET POSITION BEFORE CONTRIBUTIONS		
FOR CAPITAL ASSETS	20,737,059	14,465,664
CONTRIBUTIONS FOR CAPITAL ASSETS	<u>22,321,960</u>	<u>5,763,821</u>
CHANGE IN NET POSITION	43,059,019	20,229,485
NET POSITION, Beginning of year	<u>91,573,142</u>	<u>71,343,657</u>
NET POSITION, End of year	<u>\$ 134,632,161</u>	<u>\$ 91,573,142</u>

See notes to financial statements.

WIDEFIELD WATER AND SANITATION DISTRICT

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
OPERATING ACTIVITIES		
Receipts from customers	\$ 13,615,843	\$ 12,299,459
Payments to suppliers	(2,063,189)	(4,304,560)
Payments to employees	<u>(2,971,171)</u>	<u>(2,827,238)</u>
Net cash provided by operating activities	<u>8,581,483</u>	<u>5,167,661</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Tap fees	10,660,500	7,256,500
Water acquisition fees	6,237,000	3,997,000
Acquisition and construction of capital assets	(3,367,414)	(1,434,108)
Proceeds from sale of water rights	416,667	817,167
Purchase of water rights	(659)	(1,311,479)
Interest paid on bonds and capital lease obligation	(499,686)	(543,989)
Proceeds from receivables — Peaceful Valley	20,406	17,047
Principal payments on bonds	(1,915,000)	(1,865,000)
Deferred loss on bond refunding	<u>50,308</u>	<u>50,308</u>
Net cash provided by capital and related financing activities	<u>11,602,122</u>	<u>6,983,446</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash provided by investing activities —		
Interest on investments	<u>7,000</u>	<u>19,580</u>
INCREASE IN CASH AND CASH EQUIVALENTS	20,190,605	12,170,687
CASH AND CASH EQUIVALENTS, Beginning of year	<u>46,178,630</u>	<u>34,007,943</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 66,369,235</u>	<u>\$ 46,178,630</u>
CASH AND CASH EQUIVALENTS ARE INCLUDED IN THE STATEMENTS OF NET POSITION AS FOLLOWS:		
Non-designated	\$ 39,434,876	\$ 27,925,905
Designated	<u>26,934,359</u>	<u>18,252,725</u>
	<u>\$ 66,369,235</u>	<u>\$ 46,178,630</u>

(Continued)

WIDEFIELD WATER AND SANITATION DISTRICT

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 4,146,092	\$ 3,538,392
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,975,930	1,670,527
Change in operating assets and liabilities:		
Accounts receivable	(23,431)	(36,579)
Prepaid expenses	206,989	(14,036)
Accounts payable and accrued expenses	2,310,273	30,347
Customer deposits	<u>(34,370)</u>	<u>(20,990)</u>
Net cash provided by operating activities	<u>\$ 8,581,483</u>	<u>\$ 5,167,661</u>
NON-CASH TRANSACTIONS		
Contribution of capital assets	<u>\$ 22,321,960</u>	<u>\$ 5,763,821</u>

(Concluded)

See notes to financial statements.

WIDEFIELD WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity — Widefield Water and Sanitation District of El Paso County, Colorado (the District), was organized on May 17, 1996 and is governed by a Board of Directors that is selected by an election of eligible electors within the District's legal boundaries. As required by generally accepted accounting principles, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District supplies water and sanitary sewer services for the geographical service area known as the Widefield Water and Sanitation District. The District has no component units.

Basis of Accounting — The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America, including all applicable statements of the Governmental Accounting Standards Board (GASB). The financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. An enterprise fund is used to account for operations that are financed and operated in a manner similar to a private business enterprise; (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Net Position — The District's net position is classified in the following three components:

- **Net investment in capital assets** — This component consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** — This component consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets are assets which have restrictions placed on the use of the assets through external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- **Unrestricted** — This component consists of the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Budgets — In the fall, the Budget officer is required to submit to the Board of Directors a budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted by the District to obtain public comments on the budget. Prior to December 31, the budget is officially adopted by the Board.

The District is authorized to transfer budgeted amounts between line items of the budget; however, any revisions that increase the total expenditures of the District must be approved by the Board of Directors.

Capital Assets — Capital assets, which consist primarily of water and sanitary sewer systems, are stated at historical cost or fair market value at the time of donation. Depreciation is calculated using the straight-line method over the estimated useful lives ranging from three to seventy-five years.

Cash and Cash Equivalents — Cash in excess of daily requirements is invested in money market accounts. Such accounts, demand deposits and cash on hand, are deemed to be cash equivalents for the purpose of the statement of cash flows.

Accounts Receivable — Accounts receivable as of December 31, 2021 and 2020 include unbilled customers' accounts of \$722,190 and \$613,308, respectively. Billed accounts receivable are stated at invoiced amounts. Management has determined that accounts receivable are collectible and no allowance for doubtful accounts is deemed necessary.

Contract Rights — Certain contract rights donated in 1997 are recorded at fair market value at the time of donation. No amortization of the contract rights is recognized since they are perpetual. Annually, the District evaluates the contract rights for impairment.

Fair Value of Financial Instruments — The District's financial instruments include cash and cash equivalents, accounts receivable, and accounts payable. The District estimates that the fair values of its financial instruments at December 31, 2021 and 2020 do not differ materially from the carrying values of its financial instruments recorded in the accompanying statements of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Operating Revenue and Expenses — Operating revenue and expenses are those that result from providing services and producing and delivering goods and services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Use of Estimates — Preparation of the District's financial statements in conformity with accounting principles generally accepted in the United States of America 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 income and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events — The District has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

2. RECEIVABLES — PEACEFUL VALLEY

The District installed a water transmission system for a subdivision known as Peaceful Valley Lake Estates (Peaceful Valley). The cost of the improvements was \$789,818 and was financed by the District's 1997 Series A bonds. Each homeowner within the subdivision was asked to pay a one-time charge equal to a pro-rata share of the overall cost or agree to a separate monthly assessment sufficient to amortize the pro-rata cost using a term and interest rate roughly equivalent to the 1997 Series A bonds. The amounts due from Peaceful Valley homeowners at December 31, 2021 and 2020 were \$106,081 and \$126,487, respectively. The receivables are secured by liens on each of the properties within Peaceful Valley.

After a one year warranty period, the District assumed ownership and maintenance responsibility for the system. Accordingly, the District has recorded the cost of the system as an asset and capital contribution. The receivables bear interest at 5.89% and are due as follows for the year ending December 31:

2022	\$ 19,174
2023	20,335
2024	21,566
2025	22,872
2026	<u>22,134</u>
Total	<u>\$ 106,081</u>

3. CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2021 and 2020 is as follows:

	Balance at January 1, 2021	Increases	Decreases	Balance at December 31, 2021
Land	\$ 984,495	\$ 488,000		\$ 1,472,495
Equipment and systems	58,531,434	25,268,004	\$ (28,583)	83,770,855
Office furniture and equipment	59,342			59,342
Construction in progress	<u>769,868</u>		<u>(57,630)</u>	<u>712,238</u>
Total capital assets	<u>60,345,139</u>	<u>25,756,004</u>	<u>(86,213)</u>	<u>86,014,930</u>
Less accumulated depreciation for:				
Equipment and systems	(19,262,871)	(1,968,709)	27,868	(21,203,712)
Office furniture and equipment	<u>(37,470)</u>	<u>(7,221)</u>		<u>(44,691)</u>
Total accumulated depreciation	<u>(19,300,341)</u>	<u>(1,975,930)</u>	<u>27,868</u>	<u>(21,248,403)</u>
Capital assets, net	<u>\$ 41,044,798</u>	<u>\$ 23,780,074</u>	<u>\$ (58,345)</u>	<u>\$ 64,766,527</u>

	Balance at January 1, 2020	Increases	Decreases	Balance at December 31, 2020
Land	\$ 934,676	\$ 49,819		\$ 984,495
Equipment and systems	49,464,195	9,067,239		58,531,434
Office furniture and equipment	59,342			59,342
Construction in progress	<u>2,688,997</u>		\$ (1,919,129)	<u>769,868</u>
Total capital assets	<u>53,147,210</u>	<u>9,117,058</u>	<u>(1,919,129)</u>	<u>60,345,139</u>
Less accumulated depreciation for:				
Equipment and systems	(17,599,565)	(1,663,306)		(19,262,871)
Office furniture and equipment	<u>(30,249)</u>	<u>(7,221)</u>		<u>(37,470)</u>
Total accumulated depreciation	<u>(17,629,814)</u>	<u>(1,670,527)</u>	<u>—</u>	<u>(19,300,341)</u>
Capital assets, net	<u>\$ 35,517,396</u>	<u>\$ 7,446,531</u>	<u>\$ (1,919,129)</u>	<u>\$ 41,044,798</u>

4. LONG-TERM DEBT

A summary of long-term debt is as follows:

	Balance at January 1, 2021	Increases	Decreases	Balance at December 31, 2021	Amounts Due Within One Year
Water and Sewer Revenue Refinancing Bonds, Series 2012	\$ 2,390,000		\$ (225,000)	\$ 2,165,000	\$ 235,000
Water and Sewer Revenue Refunding and Improvement Bonds, Series 2016	<u>16,630,000</u>		<u>(1,690,000)</u>	<u>14,940,000</u>	<u>1,725,000</u>
Total	<u>\$19,020,000</u>	<u>\$ —</u>	<u>\$ (1,915,000)</u>	<u>\$17,105,000</u>	<u>\$ 1,960,000</u>

	Balance at January 1, 2020	Increases	Decreases	Balance at December 31, 2020	Amounts Due Within One Year
Water and Sewer Revenue Refinancing Bonds, Series 2012	\$ 2,605,000		\$ (215,000)	\$ 2,390,000	\$ 225,000
Water and Sewer Revenue Refunding and Improvement Bonds, Series 2016	<u>18,280,000</u>		<u>(1,650,000)</u>	<u>16,630,000</u>	<u>1,690,000</u>
Total	<u>\$20,885,000</u>	<u>\$ —</u>	<u>\$ (1,865,000)</u>	<u>\$19,020,000</u>	<u>\$ 1,915,000</u>

The following is a summary of bond principal maturities and interest requirements as of December 31, 2021:

Year Ending December 31,	Series 2016 Bonds	Series 2012 Bonds	Total
2022	\$ 2,058,162	309,566	2,367,728
2023	2,059,695	311,472	2,371,167
2024	2,060,335	313,034	2,373,369
2025	2,060,084	314,252	2,374,336
2026	2,058,940	315,125	2,374,065
2027 – 2029	<u>6,180,705</u>	<u>952,167</u>	<u>7,132,872</u>
Total	16,477,920	2,515,616	18,993,536
Less interest	<u>1,537,920</u>	<u>350,616</u>	<u>1,888,536</u>
Outstanding principal	<u>\$ 14,940,000</u>	<u>\$ 2,165,000</u>	<u>\$ 17,105,000</u>

Series 2012 Bonds:

In 2012, the District issued Water and Sewer Revenue Refunding Bonds Series 2012 in order to defease the District's Series B Bonds. The Bonds have a face amount of \$4,170,000 with interest ranging from 2% to 3% plus the five-year LIBOR Swap Curve multiplied by .065 (3.44% as of December 31, 2020).

Series 2016 Bonds:

In 2016, the District issued Water and Sewer Revenue Refunding and Improvement Bonds Series 2016 in order to extinguish the District's Series 2004 Bonds, as well as purchase the remaining shares related to the Cody water rights. The bonds have a face value of \$23,920,000 and bear interest at 2.23%.

The District's "Net Revenue" is pledged to pay the principal and interest of the Series 2016 and 2012 Bonds. Net Revenue is generally defined as all income and revenue derived by the District from the operation and use of the water and wastewater systems less all reasonable and necessary expenses incurred for operating, maintaining and repairing the Systems.

5. WATER RIGHTS

As of December 31, 2021 and 2020, the District owns 341 shares of stock in Fountain Mutual Irrigation Company respectively, which are recorded at cost in the amount of \$3,294,888 and \$3,294,229, respectively. Each share provides a right to 0.7 acre feet of water. In addition, the District has 100% interest in certain water rights referred to as the Cody Water Rights, which are also recorded at cost in the amount of \$15,000,000. As of December 31, 2020 the District also had a \$238,799 interest in certain water rights referred to as the Westcliffe H2O Ranch Water Rights (Westcliffe Rights), which are also recorded at cost. The District sold its remaining interest in the Westcliffe Rights during 2021 (see Note 7).

6. DEPOSITS

The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash into eligible public depositories as determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA which allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

At December 31, 2021 and 2020, the carrying amount of the District's cash was \$66,369,235 and \$46,178,630, respectively, and the bank balances were \$64,135,745 and \$46,263,149, respectively. Of the bank balances, \$250,000 was covered by federal depository insurance and \$63,885,745 and \$46,013,149 as of December 31, 2021 and 2020, respectively is required by Colorado statutes to be collateralized with securities held by the pledging financial institution's trust department in the District's name.

7. WATER PURCHASE COMMITMENTS

Fountain Valley Authority:

Fountain Valley Authority (the Authority) is a political subdivision of the State of Colorado formed in 1979 for the primary purpose of constructing and operating a water treatment plant for its five customers, each of which owns and operates a water system. The District has a 7.46% share in the Authority and is a customer of the Authority. The Authority has entered into a water treatment and delivery contract with its five customers in which each customer agrees to pay the Authority its proportionate share of all costs, including bonded indebtedness, whether or not such customer requests or receives any treated water.

In addition, the Authority has conveyance contracts with the United States Department of the Interior through the Southeastern Colorado Water Conservancy District which has constructed a conduit from the Pueblo Reservoir to the site of the water treatment plant. Construction costs of this project will be reimbursed with interest over a 40-year period by conveyance service rates based upon the scheduled acre feet of water to be conveyed for each customer.

The District's participation is 1,500 acre-feet (7.46% of the total). The Authority charges contract participants amounts necessary to recover its construction costs and to purchase and treat the raw water. Total expenses under this arrangement were \$979,126 and \$971,533 for the years ended December 31, 2021 and 2020, respectively.

1997 Master Lease of Water:

In 1997, the District entered into a perpetual Master Lease of Water (Water Lease) that was subsequently amended in 2009, under which the District agreed to pay the lessor for the first six years of the lease a payment of \$125 per acre-foot at the bottom of the well for all water pumped. Terms of the Water Lease require the District to acquire a minimum of 1,000 acre feet annually. The lease provides that on March 1, 2003 and on each ten-year anniversary thereafter, the lease payment per acre-foot is to be adjusted to the then market value. Each year after a market value

determination has been made and until the next market value determination, annual adjustments shall be made to the lease rate pursuant to the CPI. Effective March 1, 2021 and 2020, the rate was \$218 and \$214 per acre foot, respectively.

2006 Water Rights Agreement:

In December 2006, the District, together with Security Water District (Security), entered into a perpetual Water Rights Agreement with Pikes Peak Community Foundation to lease approximately 1,350 acre feet of water per year. Terms of the agreement provide for the District and Security each receiving, and paying for, one half of the water available and include future annual CPI adjustments to lease payments. Concurrent with the lease, the District and Security entered into a Water Rights Sublease with the City of Fountain (Fountain) to lease to Fountain approximately 1,125 acre feet of water per year through December 2011. The agreement was amended in March 2012 to extend the initial sublease period through December 31, 2016. Commencing January 1, 2017, Fountain has the continuing right to lease water that the District and Security are unable to use or do not wish to use. Also, commencing January 1, 2017, Fountain is entitled to lease, in perpetuity, 10% of the amount of water available under the Water Rights Lease Agreement with Pikes Peak Community Foundation. The District and Security will share the remaining water 45% each. Additional terms of the Water Rights Sublease require Fountain to pay for the necessary well rehabilitation and pipeline installations with an understanding that the District and Security will reimburse Fountain for two-thirds of the costs of infrastructure that benefits them, at such time as the District and Security cease to sublet their water to Fountain.

Westcliffe Water:

In 2008, the District entered into an agreement with Fountain and the owner of H2O Ranch (the Ranch) in Westcliffe, Colorado, the owner of 486 acres and certain water rights. Terms of the agreement provided for Fountain to buy the Ranch and the appurtenant water rights for \$3,500,000, including \$2,000,000 at closing and a note for \$1,500,000 due in monthly installments of \$12,000 including interest at 7%. The District is a party to this agreement and, in a separate agreement with Fountain, agreed to reimburse Fountain for 50% of the costs incurred in the original deal in exchange for 50% of the water which becomes decreed for municipal use.

During 2015, Fountain made a payment to Westcliffe Water of \$2,191,178 towards the \$3,500,000 agreed upon purchase price. As such, the District reimbursed the City of Fountain \$1,095,589 (50%). As a result of this payment by the District and fees paid in 2016, the amount of the interest in the Westcliffe Water Rights is \$1,096,584 as of December 31, 2019. During 2019, the District entered into an agreement with Fountain to sell the District's 50% interest over three installments. The amount of the interest in the Westcliffe Water Rights is \$0 and \$238,799 as of December 31, 2021 and 2020, respectively.

8. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District carries commercial insurance for these risks of loss, including worker's compensation and employee health and accident insurance. There were no claims resulting from these risks that exceeded commercial insurance coverage during 2021 and 2020.

9. TAX, SPENDING AND DEBT LIMITATIONS

In November 1992 Colorado voters approved Amendment 1 to the state Constitution which is commonly known as the Taxpayer's Bill of Rights or the TABOR Amendment. The amendment applies to all units of local government and limits taxes, spending, revenue, and multi-year debt (excepting bond refundings to lower interest rates and adding employees to pension plans). The amendment does not apply to units of local government that are defined as an "Enterprise".

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 substantially all of its operations qualify for this exclusion. Therefore, the District adopted a resolution pursuant to CRS 37-45.1-101 et seq. to establish a water activity enterprise.

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 qualification as an Enterprise will require judicial interpretation.

10. PENSION PLAN

The District contributes to the Colorado County Officials and Employees Retirement System (CCOERS), a cost-sharing multiple-employer defined contribution pension plan administered by the Colorado County Officials and Employees Retirement Association (CCOERA). CCOERS provides pension benefits and deferred compensation for members and beneficiaries. Employees regularly employed on a full-time basis for five months a year and having completed 90 days of service are eligible for the plan and participants become fully vested 12 months later. Plan members and the District are required to contribute at a rate set by statute. The contribution requirements of plan members and the District are established under Title 24, Article 54, Part 101 of the Colorado Revised Statutes (CRS), as amended. The District is required to contribute between 3% and 6% of the participant's compensation. The District's board approved rate is 5% of compensation. Total contributions made by the District for the years ended December 31, 2021 and 2020 were \$100,235 and \$94,562, respectively.

CCOERA issues a publicly available annual financial report that includes financial statements and required supplementary information for CCOERS. That report may be obtained by writing to CCOERA, 4949 South Syracuse Street, Suite 400, Denver, Colorado 80237 or by calling CCOERA at 1-800-352-0313.

11. JOINT FACILITIES OPERATING AGREEMENT

The District has a Joint Facilities Operating Agreement (Agreement) with the City of Fountain (Fountain), Colorado. The purpose of the Agreement is to provide for the ownership, operation, and use of water storage tanks and related facilities. Under the Agreement, the facilities were constructed at a cost of \$2,623,177 shared equally by the District and Fountain.

The District provides day-to-day operational control and revenues and costs generally are shared equally.

12. WIDEFIELD AQUIFER RECHARGE ASSOCIATION

During 2003, the District entered into an agreement with Security Water District (Security) to form the Widefield Aquifer Recharge Association (the Association), made up of the District and Security as members. The Association was formed to engage in the planning, evaluation, design and financial feasibility of jointly developing a public water treatment and supply facility that would utilize certain water rights controlled by the Members. In 2008, the agreement was amended for the purpose of including the City of Fountain (Fountain) into the Association. The Association's purpose continues to be the same and will ultimately utilize water rights of the Members to enhance each Member's developed water supply. The Association will continue until the earlier of: (a) the execution of a new agreement between the parties, (b) the withdrawal of a member, (c) the mutual agreement of the Members to dissolve or (d) December 31, 2016, unless the term of the Association is extended by mutual agreement of the Members. During 2019, the agreement was renewed through May 1, 2025. The Association is governed by a Board of Directors which consists of a representative from each of the Member entities. Each member contributes one third (1/3) of the annual operating budget. There were no District contributions in both 2021 and 2020. The Association had \$86,702 and \$35,176 of cash remaining at December 31, 2021 and 2020, respectively.

13. COMMITMENTS AND CONTINGENCIES

On December 18, 2007, the District entered into an operating agreement with the Security Water District and the City of Fountain. The operating agreement details the responsibilities of each entity for operations of the Venetucci Well Field, which is under lease by the District. Under the operating agreement, Fountain is responsible for the initial development, construction and ownership of a facility, which is eventually to be jointly owned, for the initial sublease period from January 1, 2007 through December 31, 2011. After the initial sublease period, the District is required to reimburse Fountain for 1/3 of the depreciated costs incurred during the initial sublease period for development and construction of the jointly owned facility, and the District will have joint ownership in the facility. Upon termination of the initial sublease, all operating costs for the jointly owned facility are allocated based on the respective entity's ownership of the jointly owned facility and all operating costs for the jointly constructed facility are allocated based on use and benefit that the entities incur from the jointly constructed facility. The District will be responsible for 45% of operating costs for the jointly owned facility. The agreement was amended in March 2012 to extend the initial sublease period through December 31, 2016. However, due to water contamination issues, the lease of the Venetucci Well Field was suspended until resolved. In 2020, the City of Fountain requested reimbursement for costs in the amount of \$739,418. In 2020 and 2021, the District examined the City of Fountain records, evaluated the terms of the agreement, and determined that the District owed the City of Fountain \$582,883. Such amount was paid in February 2021, and recognized as a capital asset by the District. The difference remains uncontested.

WIDEFIELD WATER AND SANITATION DISTRICT

SUPPLEMENTAL SCHEDULE

WIDEFIELD WATER AND SANITATION DISTRICT

SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION COMPARED TO BUDGET FOR THE YEAR ENDED DECEMBER 31, 2021

	Original Budget	Final Budget	Actual	Variance between Final and Actual
OPERATING REVENUES				
Water revenue	\$ 6,747,400	\$ 6,747,400	\$ 7,195,605	\$ 448,205
Wastewater revenue	4,799,760	4,799,760	5,285,087	485,327
Other operating revenue	465,205	465,205	1,192,953	727,748
Total operating revenue	<u>12,012,365</u>	<u>12,012,365</u>	<u>13,673,645</u>	<u>1,661,280</u>
OPERATING EXPENSES				
Salaries and Payroll Taxes	2,471,054	2,471,054	2,390,877	80,177
Water	1,885,500	1,885,500	1,665,164	220,336
Depreciation	1,815,690	1,815,690	1,975,930	(160,240)
Other operating costs	947,900	947,900	920,826	27,074
Maintenance and repairs	670,900	670,900	818,519	(147,619)
Employee Benefits and insurance	704,955	704,955	610,005	94,950
Office services	629,565	629,565	565,809	63,756
Professional fees	653,210	653,210	580,423	72,787
Total operating expenses	<u>9,778,774</u>	<u>9,778,774</u>	<u>9,527,553</u>	<u>251,221</u>
OPERATING INCOME	<u>2,233,591</u>	<u>2,233,591</u>	<u>4,146,092</u>	<u>1,912,501</u>
NON-OPERATING REVENUE (EXPENSES)				
Tap fees	4,887,500	4,887,500	10,660,500	5,773,000
Water acquisition fees	2,233,000	2,233,000	6,237,000	4,004,000
Gain on Disposal of Assets	177,867	177,867	177,867	
Interest income	6,971	6,971	7,000	29
Interest expense	(499,686)	(499,686)	(499,686)	
Other income			8,286	8,286
Total	<u>6,805,652</u>	<u>6,805,652</u>	<u>16,590,967</u>	<u>9,785,315</u>
CHANGE IN NET POSITION BEFORE				
CONTRIBUTIONS FOR CAPITAL ASSETS	9,039,243	9,039,243	20,737,059	11,697,816
CONTRIBUTIONS FOR CAPITAL ASSETS			<u>22,321,960</u>	<u>22,321,960</u>
CHANGE IN NET POSITION	<u>\$ 9,039,243</u>	<u>\$ 9,039,243</u>	<u>\$ 43,059,019</u>	<u>\$ 34,019,776</u>