

CLIFTON WATER DISTRICT
BASIC FINANCIAL STATEMENTS
AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Clifton Water District
Clifton, Colorado

Opinions

We have audited the accompanying financial statements of the business-type activities and each major fund of Clifton Water District (the District) as of and for the year ended December 31, 2022, 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 respective financial position of the business-type activities and each major fund of Clifton Water District, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial

likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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



- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion 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.

Supplementary 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 budgetary comparison schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Chadwick, Steinkirchner, Davis & Co., P.C.

Chadwick, Steinkirchner, Davis & Co., P.C.

October 26, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents an analysis of the District's financial performance and an overview of the District's financial activities for the fiscal year ending December 31, 2022. The financial statements are an integral part of this analysis and are included with this document.

Financial Highlights

After evaluation of the District's financial statements the following highlights have been identified:

- Net Position increased by \$509,889 which is a 1.0% increase from 2021.
- Total Operating Income decreased by \$52,105 which is a 68.6% decrease from 2021.
- Total Liabilities decreased by \$983,447 which is a 7.2% decrease from 2021.
- The District's Working Capital ratio was 6.59 at the end of 2021.

Overview of the Financial Statements

This report consists of four parts: Management's Discussion and Analysis, Independent Auditor's Report and Opinion, Financial Statements, and Supplementary Information. The Financial Statements include notes that explain, in detail, the information in the financial statements.

Financial Statements

Statements of Net Position

The Statements of Net Position include all District assets and liabilities and provides information pertaining to the nature of investments (assets) and obligations to creditors (liabilities). The Statements also provide the basis for determining the overall financial health of the District, including liquidity and financial flexibility.

The Statements of Revenues, Expenses and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net Position include all revenues and expenses. This statement measures the success of the District's overall operation and can be used to determine if the District's user fees, rates and charges are adequate to recover expenses.

Statements of Cash Flows

The Statements of Cash Flows present information concerning the District's cash receipts and cash payments during the year. The Statements of Cash Flows report the cash receipts, cash payments, and the changes in net cash from operating, investing, and financing activities.

Financial Analysis of Clifton Water District

The true picture of the financial health of the District must consider operational theory and financial control that is practiced daily by the District.

Day-to-Day Operational Control of the District

For operational control, the District has classified all operations into two distinct categories: Operating and Non-operating. Operating Revenues and Operating Expenses are those items that are allocated to operations and are essential elements for day-to-day operation of the District. Non-operating Revenues are received and reserved for funding Non-operating Expenses that include infrastructure improvement, capacity development, and equipment purchases.

The District operates as a self-supporting enterprise, meaning that the revenue received from water sales and other Operating revenue sources must be adequate to cover the expenses of day-to-day operation of the District. Capital projects that include infrastructure improvement, capacity development and equipment purchases are also funded using Operating Revenues with a Water Rate Structure adequate to fund a portion of the District's replacement costs for existing, aging infrastructure using annual Depreciation Expense as a guide. The Operating philosophy is critically dependent upon effective rates and user fees. Non-operating Revenues are primarily received from the sales of new water service connections called Plant Investment Fees.

The District's day-to-day operational control involves many levels of planning, forecasting, and budgeting. Revenues and expenses are allocated to specific functions of the District and staff is required to comply with monthly budget and budget variance parameters. The effectiveness of this system and the development of Cost of Service based fees and rates have been instrumental to operating the District in an efficient and economical manner.

Financial Analysis

Net Position

A condensed Statements of Net Position is included as **Table A**. The District's Net Position, the difference between assets and liabilities, is one way to measure the financial health of the District. Increases or decreases in the District's Net Position are indicators of improving or deteriorating financial health. Certain consideration must be given to non-financial factors such as changes in economic conditions, population growth and decline, zoning changes, and legislative or policy changes.

TABLE A
Condensed Statements of Net Position

	2022	2021	Dollar Change	Total Percent Change
Current Assets	\$11,443,873	\$12,734,518	(\$1,290,645)	-10.1%
Non-Current Assets	\$50,593,593	\$49,553,945	\$1,039,648	2.1%
Total Assets	\$62,037,466	\$62,288,463	(\$250,997)	-0.4%
Current Liabilities	\$1,737,658	\$1,862,400	(\$124,742)	-6.7%
Non-Current Liabilities	\$10,931,388	\$11,790,093	(\$858,705)	-7.3%
Total Liabilities	\$12,669,046	\$13,652,493	(\$983,447)	-7.2%
Total Deferred inflows of Resource	\$222,561	\$0	\$222,561	100.0%
Invested in Capital Assets	\$37,431,443	\$35,564,581	\$1,866,862	5.2%
Restricted for Debt Service	\$436,197	\$436,000	\$197	0.0%
Unrestricted	\$11,278,219	\$12,635,389	(\$1,357,170)	-10.7%
Total Net Position	\$49,145,859	\$48,635,970	\$509,889	1.0%

The analysis of the District's Statements of Net Position displays the changes in financial position of the District and the resulting Net Position.

Total Net Position increased by \$509,889 for an ending total of \$49,145,859. The District has experienced an average increase of 5.0% in Total Net Position over the past five years. This year's increase is due to the District's investment in capital assets.

Total Assets decreased by \$250,997 from 2021.

- The decrease in Total Assets is mostly related to the decrease in cash and cash equivalents. In 2022, the AP process of issuing checks once a month had changed to at least twice a month which greatly reduced current liabilities and cash at year end.

Total Liabilities decreased by \$983,447 from 2021.

- The decrease in Total Liabilities is due to making scheduled debt service payments as well as a decrease in current liabilities.

Total Deferred Inflows of Resource increased from \$0.00 to \$222,561 due to the implementation of GASB87 by the District.

Net Investment in Capital Assets increased by \$1,866,862 from 2021.

Statements of Revenues, Expenses and Change in Net Position

The Statements of Revenues, Expenses, and Changes in Net Position provide information as to the nature and the source of the changes observed in Net Position. **Table B** is a condensed version of the Statements of Revenues, Expenses and Changes in Net Position. **Table B** shows:

- An increase of \$54,942 or 0.8%, in Total Operating Revenues from 2021.
- A decrease of \$52,105 in Operating Income as compared to 2021.
- A decrease in Capital Contributions of \$407,010 from 2021.

TABLE B
Condensed Statements of Revenues, Expenses and Changes in Net Position

	2022	2021	Dollar Change	Total Percent Change
Total Operating Revenues	\$6,618,707	\$6,563,765	\$54,942	0.8%
Total Operating Expenses	\$6,746,809	\$6,639,762	\$107,047	1.6%
Operating Income (Loss)	(\$128,102)	(\$75,997)	(\$52,105)	68.6%
Non-Operating Revenue	(\$433,628)	(\$21,870)	(\$411,758)	1882.8%
Non-Operating Expense	\$224,723	\$245,072	(\$20,349)	-8.3%
Total Non-Operating Revenue	(\$658,351)	(\$266,942)	(\$391,409)	146.6%
Net Income Before Contributions	(\$786,453)	(\$342,939)	(\$443,514)	129.3%
Capital Contributions	\$1,296,342	\$1,703,352	(\$407,010)	-23.9%
Change in Net Position	\$509,889	\$1,360,413	(\$850,524)	-62.5%
Beginning Net Position	\$48,635,970	\$47,275,557	\$1,360,413	2.9%
Ending Net Position	\$49,145,859	\$48,635,970	\$509,889	1.0%

A closer examination of the Condensed Statements of Revenues, Expenses and Changes in Net Position in **Table B** reveals the following:

Operating Revenue and Expense

- Operating Revenue increased by \$54,942 from the previous year. The increase in water sales is mostly related to the increase in residents and subdivisions added to the District in 2021.
- Operating Expense increased by \$107,047 from 2021 due to record high inflation.

Non-operating Revenue and Expense

- Non-Operating Revenue decreased by \$411,758 from 2021. The decrease is primarily due to \$474,801 unrealized loss on investment.
- Non-Operating Expense decreased by \$20,349 from 2021 which is due to a decrease in interest expense.
- Capital Contributions decreased by 23.9% in 2021, which is due to the significant amount of subdivisions added in 2021.

Net Position

- The increase observed in Net Position for 2022 is \$509,889. This is due to an increase in Capital Assets coupled with a decrease in Total Liabilities.

Budgetary Highlights

The Schedule of Revenues and Expenditures Budget and Actual is included in the Supplementary Information. The Statement shows an unfavorable variance in Revenues of \$530,269 as compared to the budget. Factors contributing to the variance are:

- \$15,251 less in Water Sales than budgeted.
- \$476,365 less in Plant Investment Fees than budgeted.
- \$78,185 less in Investment Income than budgeted.

The Statement shows a favorable variance in most Expense categories, resulting in an overall favorable variance of \$11,501,124 of Revenues over Expenses. Over 50% of the favorable variance is Contingency and Emergency line items.

Some of the most noteworthy variances are:

- Capital Outlay displayed a favorable variance of \$2,360,572 due to MCC/SCADA improvements being delayed to a future date and delay in replacing aging infrastructure.

Capital Assets and Debt Activities

At the conclusion of 2022 the District had expended \$3,105,966 on essential capital and infrastructure improvements.

In 2023 the District's Non-Operating Budget includes \$4,545,065 in Capital Expenses. The 2023 Budget includes funds for the following Major Capital Improvement Projects:

- Project 2022-01 Coffman Road \$1,700,000
- Project 2022-06 32 Road Upgrades \$1,200,000
- Project 2022-03 Fill Station \$20,000
- Modeling of our Distribution System \$75,000
- Various small line upgrades \$480,000

Debt Activities

The District did not take on any new debt in 2022. Additional information concerning debt is included in Note E of the Financial Statements. The District was in compliance with Loan Covenants at the end of 2022.

Economic Factors and Next Year's Budget and Rates

Many factors were considered when the District Board of Directors and Management set the 2023 Budget. In the recent five-year period, the District's customer base has shown a growth rate of approximately 1% annually. The 2023 Budget represents this condition while also considering lower per capita water use associated with water conservation efforts and efforts to reduce operational expenses.

The District's fees and rates are routinely evaluated. The Water Rate Structure is designed to adequately fund not only the day-to-day operation of the District, but also to partially fund replacement costs of major capital assets and encourage water conservation by using an inclining block structure. In 2023, the District's Water Usage Rates increased to meet the financial needs of the District and additional tiers and fees were added to promote conservation throughout the District.

Contacting the District's Manager

This Financial Report is designed to provide our citizens, customers, investors, and creditors with the general overview of the District's finances and demonstrate the District's accountability for the money it receives. If you have any questions concerning this report or need additional information please contact the Manager of the Clifton Water District, Ty Jones 510 34 Road, Clifton, Colorado 81520.

Clifton Water District

STATEMENTS OF NET POSITION

December 31, 2022

ASSETS	2022	2021
Current assets		
Cash and cash equivalents	\$ 2,363,724	\$3,914,876
Investments, net of unrealized loss	7,296,123	7,659,835
Customer accounts receivable, less allowance of \$-0-	645,212	593,530
Inventory	595,843	257,909
Sanitation District's accounts receivable	318,779	308,368
Leases receivable	224,192	-
Total current assets	<u>11,443,873</u>	<u>12,734,518</u>
Noncurrent assets		
Restricted cash and investments	436,197	436,000
Grand Valley Irrigation Co. stock	953,843	953,843
Capital assets, net	49,203,553	48,164,102
Total noncurrent assets	<u>50,593,593</u>	<u>49,553,945</u>
Total assets	<u>62,037,466</u>	<u>62,288,463</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	147,008	396,479
Due to Sanitation District	577,905	535,589
Compensated absences payable	172,023	120,904
Current portion of long-term debt	840,722	809,428
Total current liabilities	<u>1,737,658</u>	<u>1,862,400</u>
Noncurrent liabilities		
Long-term debt, less current	<u>10,931,388</u>	<u>11,790,093</u>
Total liabilities	<u>12,669,046</u>	<u>13,652,493</u>
DEFERRED INFLOWS OF RESOURCES		
Leases	<u>222,561</u>	<u>-</u>
Total deferred inflows of resources	<u>222,561</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	37,431,443	35,564,581
Restricted for debt service	436,197	436,000
Unrestricted	11,278,219	12,635,389
Total net position	<u>\$ 49,145,859</u>	<u>\$ 48,635,970</u>

The accompanying notes are an integral part of these statements.

Clifton Water District

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years ended December 31, 2022

	2022	2021
Operating revenues		
Water sales	\$ 5,888,642	\$ 5,944,200
System investment fees	447,823	439,938
Penalties and turn fees	163,791	105,018
Tap installation and main line extension fees	15,800	15,000
Administration fees, Sanitation District	47,190	52,657
Miscellaneous operating income	55,461	6,952
Total operating revenues	<u>6,618,707</u>	<u>6,563,765</u>
Operating expenses		
Source of supply	36,170	29,882
Water treatment	1,224,740	1,453,775
Transmission and distribution	1,383,735	1,095,775
Depreciation expense	1,930,039	1,907,920
General and administrative	2,166,844	1,238,310
Equipment - non-capital	5,281	914,100
Total operating expenses	<u>6,746,809</u>	<u>6,639,762</u>
Operating income (loss)	(128,102)	(75,997)
Nonoperating revenues (expenses)		
Investment income (loss)	(474,801)	(64,541)
Interest expense	(224,723)	(245,072)
Lease income	13,799	14,515
Availability of service	27,374	28,803
Gain (loss) on disposal of capital assets	-	(647)
	<u>(658,351)</u>	<u>(266,942)</u>
Net income (loss) before contributions	(786,453)	(342,939)
Capital contributions	1,296,342	1,703,352
Change in net position	<u>509,889</u>	<u>1,360,413</u>
Net position at beginning of year	<u>48,635,970</u>	<u>47,275,557</u>
Net position at end of year	<u>\$ 49,145,859</u>	<u>\$ 48,635,970</u>

The accompanying notes are an integral part of these statements.

Clifton Water District

STATEMENTS OF CASH FLOWS

Years ended December 31,

	2022	2021
Cash flows from operating activities		
Cash received from customers	\$ 6,501,153	\$ 6,592,085
Cash payments to suppliers	(2,871,200)	(2,920,972)
Cash payments to employees	(2,439,540)	(1,985,361)
Other cash receipts	55,461	6,952
Net cash provided by (used in) operating activities	1,245,874	1,692,704
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(2,596,783)	(2,239,458)
Principal payments on notes and bonds	(827,411)	(800,721)
Interest payments on notes and bonds	(224,723)	(245,072)
Purchase of Grand Valley Irrigation CO. shares	-	(17,995)
Lease payments and miscellaneous income	13,799	14,515
Availability of service charges	27,374	28,803
Plant investment fees collected	923,635	1,025,525
Net cash provided by (used in) capital and related financing activities	(2,684,109)	(2,234,403)
Cash flows from investing activities		
Proceeds from maturities or sales of investments	493,096	3,799,900
Cash used in investment purchases	(686,434)	(3,700,000)
Income received on investments	80,618	90,892
Net cash provided by (used in) investing activities	(112,720)	190,792
Increase (decrease) in cash and cash equivalents	(1,550,955)	(350,907)
Cash and cash equivalents at the beginning of the year	4,350,876	4,701,783
Cash and cash equivalents at the end of the year	<u>\$ 2,799,921</u>	<u>\$ 4,350,876</u>
Reconciliation of cash and cash equivalents to cash and investments:		
Cash and cash equivalents	\$ 2,799,921	\$4,350,876
Other investment securities	7,296,123	7,659,835
	<u>\$ 10,096,044</u>	<u>\$ 12,010,711</u>

(continued)

The accompanying notes are an integral part of these statements.

Clifton Water District

STATEMENTS OF CASH FLOWS

Years ended December 31,

	<u>2022</u>	<u>2021</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	\$ (128,102)	\$ (75,997)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation and amortization	1,930,039	1,907,920
Change in assets and liabilities		
(Increase) decrease in accounts receivable	(62,093)	35,272
(Increase) decrease in inventory	(337,934)	(10,800)
Increase (decrease) in accounts payable and accrued expenses	(249,471)	(162,199)
Increase (decrease) in due to Sanitation District	42,316	(33,974)
Increase (decrease) in compensated absences payable	51,119	32,482
Total adjustments	<u>1,373,976</u>	<u>1,768,701</u>
Net cash provided by (used in) operating activities	<u>\$ 1,245,874</u>	<u>\$ 1,692,704</u>
Noncash investing and capital and related financing activities		
Unrealized gain (loss) on investments	\$ (524,796)	\$ (50,557)
Lines contributed by developers and governments	372,707	677,827
Amortization of premium on debt	(17,983)	(17,983)
Book value of disposed capital assets	-	(647)

Clifton Water District

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. History and Activity

Clifton Water District was organized to provide domestic water service to the community of Clifton and surrounding farm lands. The District is a governmental subdivision of the State of Colorado organized with all the powers of a public or quasi-municipal corporation. The Order and Decree of the District Court in and for Mesa County creating the District was entered on March 5, 1951. The District is governed by a Board of Directors consisting of five members. The members must be qualified electors of the District and are elected to staggered four year terms of office at successive biennial elections.

2. Reporting Entity

The Clifton Water District is the primary government operating as a water enterprise fund. The District has no component units.

3. Basis of Presentation – Fund Accounting

The operations of the District are accounted for as an enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to business enterprises 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 revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

4. Basis of Accounting

The District uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When the District has the option to use either restricted or unrestricted net position to finance a program it is the District's policy to first apply restricted resources.

Clifton Water District

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Government-wide Net Position

- *Net investment in capital assets* – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- *Restricted net position* – consist of assets that are restricted by the District's creditors (for example, through debt covenants), by enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors (those who may donate to the District).
- *Unrestricted*—all other net position is reported in this category.

6. Budgets and Budgetary Accounting

The annual budget is prepared and approved by the Board of Directors in accordance with the State of Colorado *Financial Management Manual* and in accordance with Colorado Revised Statutes. The District adopts an appropriation resolution for the next fiscal year before December 31. The Board of Directors may amend the appropriation resolution at any time during the year if warranted by circumstances.

The District appropriates, and may not exceed appropriations, at a total fund level. Appropriations for the year ended December 31, 2022 and 2021 were \$20,544,488 and \$20,310,170, respectively.

The budget basis of accounting used by the District differs from the generally accepted accounting principles (GAAP) basis in that outlays for acquisition of capital assets, outlays for debt retirement, and purchases of GVIC shares are included as expenditures and proceeds from debt issuance is included as other financing sources. Plant and system investment fees are included as revenues.

7. Cash and Cash Equivalents

For purposes of the statements of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

8. Investments

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles and GASB Statement No. 72. 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.

Clifton Water District

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

9. Customer Accounts Receivable

The District considers customer accounts receivable to be fully collectible. The District is empowered to place a lien on real property in the case of nonpayment. Accordingly, no allowance for doubtful accounts is required.

10. Inventory

The inventory held by the District is recorded at cost using the first-in, first-out method. The inventory is used for repair and replacement of the system.

11. Capital Assets

Capital assets (property, plant and equipment) are recorded at cost, or in the case of donations, at their estimated fair value on the date donated. Cost includes the capitalization of materials and direct labor for additions made by District personnel. The District's capitalization level is \$1,000 for capital assets.

Maintenance, repairs and renewals that neither materially add to the value of the asset nor appreciably prolong its life are charged to expense as incurred. Gains or losses on disposition of property and equipment are included in income.

Depreciation is computed using the straight-line method over estimated useful lives, as follows:

	<u>Estimated Lives</u>
Buildings and plant	10 to 50 years
Equipment	3 to 30 years
Water delivery system	10 to 50 years

Plans and designs are recorded as intangible assets and are amortized over 5 years.

12. Risk Management

The District purchases general liability and property insurance through commercial insurers to provide coverage of all losses, claims and judgments.

Clifton Water District

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

13. Compensated Absences

Full-time employees are given 24 hours of paid time off upon hire. Annual leave benefits can accumulate to a maximum of 450 hours based on years of service. Full time employees are paid out 100% of accumulated annual leave upon termination.

14. Availability of Service Charges

As required by Colorado statute, the use of availability of service charges is restricted to meeting current debt service requirements.

15. Bond Premium

The bond premium is reported in the balance sheet as a direct addition to the face amount of the bonds payable. Amortization of the premium, which is being calculated on the straight-line basis, which approximates the interest method, is reported as a reduction of interest expense over the 10 year life of the bonds.

16. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B – CASH AND INVESTMENTS

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 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 the aggregate uninsured deposits. Collateral in the pool is considered to be equal to depository insurance pursuant to definitions listed in GASB Statement No. 40. At December 31, 2021, the bank balance of the District's deposits was \$4,279,650, of which \$4,023,762 was not covered by federal depository insurance. The District also held \$268,734 in money market accounts which were insured by SIPC.

Clifton Water District

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE B – CASH AND INVESTMENTS – CONTINUED

Cash and investments carrying amount value, including level under the GASB 72 fair value hierarchy, where applicable, is as follows:

	<u>2022</u>	<u>2021</u>
Cash on hand	\$ 1,060	\$ 1,060
Cash in checking	2,705,706	4,081,082
Money markets	<u>129,250</u>	<u>268,734</u>
Total cash	2,836,016	4,350,876
Investments		
COLOTRUST	1,123	1,123
Treasury Notes, maturities between 1 – 5 years (Level 1)	3,073,734	2,552,263
FNMA, maturities between 1 – 2 years (Level 1)	1,366,130	1,475,874
FHLB, maturities between 1 – 5 years (Level 1)	1,788,704	1,972,943
FFCB, maturities between 1 – 5 years (Level II)	<u>1,066,433</u>	<u>1,671,615</u>
Total investments	<u>7,296,124</u>	<u>7,673,818</u>
Total cash and investments	10,132,140	12,024,694
Less restricted cash and investments	<u>436,000</u>	<u>436,000</u>
	<u>\$ 9,696,140</u>	<u>\$ 11,588,694</u>

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. Authorized investments 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; local government investment pools; written repurchase agreements collateralized by certain authorized securities; certain money market funds; and, guaranteed investment contracts. The District’s investment policy follows Colorado statutes. The District’s investments are registered in the name of the government.

On December 31, 2022 the District had \$1,123 of deposits in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian’s internal records identify the investments owned by COLOTRUST. These pools are not required to and are not registered with the SEC. COLOTRUST’s two funds are rated AAAM by Standard and Poor’s, Fitch’s and Moody’s rating services. COLOTRUST operates like a 2a-7 external investment pool and investments in the pool are valued at \$1 net asset value (NAV) per share. The underlying investments held by Colotrust are valued at fair value.

Clifton Water District

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE C – GRAND VALLEY IRRIGATION CO. STOCK

As of December 31, 2022 and 2021, the District owns 1,948 and 1,918 shares of Grand Valley Irrigation Co. stock, respectively, which is recorded at the price paid when purchased. This is considered an interest in a source of supply and not an investment.

NOTE D – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2022:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 749,787	\$ –	\$ –	\$ 749,787
Construction in progress	<u>1,725,533</u>	<u>1,702,491</u>	<u>781,288</u>	<u>2,646,736</u>
Total capital assets, not being depreciated	2,475,320	1,702,491	781,288	3,396,523
Capital assets, being depreciated:				
Water services system	39,236,527	1,710,819	–	40,947,346
Water treatment:				
Plant	31,616,275	37,052	–	31,653,327
Shop	255,695	–	–	255,695
Equipment	1,165,628	130,772	18,024	1,278,376
General:				
Buildings	500,673	38,761	–	539,434
Furniture and equipment	1,076,237	85,579	55,586	1,106,230
Vehicles	<u>771,151</u>	<u>45,304</u>	<u>150,080</u>	<u>666,375</u>
Total capital assets being depreciated	<u>74,622,186</u>	<u>2,048,287</u>	<u>223,690</u>	<u>76,446,783</u>
Less accumulated depreciation and amortization:				
Water services system	16,879,046	852,204	–	17,731,250
Water treatment:				
Plant	9,329,925	797,405	–	10,127,330
Shop	195,395	8,973	–	204,368
Equipment	820,146	93,107	18,024	895,229
General:				
Buildings	377,374	19,961	–	397,335
Furniture and equipment	685,290	97,218	55,586	726,922
Vehicles	<u>646,228</u>	<u>61,171</u>	<u>150,080</u>	<u>557,319</u>
	<u>28,933,404</u>	<u>1,930,039</u>	<u>223,690</u>	<u>30,639,753</u>
Total capital assets being depreciated, net	<u>45,688,782</u>	<u>118,248</u>	<u>–</u>	<u>45,807,030</u>
Total capital assets, net	<u>\$ 48,164,102</u>	<u>\$ 1,820,739</u>	<u>\$ 781,288</u>	<u>\$ 49,203,553</u>

Clifton Water District

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE E – LONG-TERM DEBT

On October 1, 2013, the District issued \$4,360,000 in water revenue refunding bonds with interest rates ranging between 2.0% and 4.0%. The bonds were issued with interest due semiannually on June 1 and December 1 of each year, commencing December 1, 2013. Principal payments are due each December 1. The bonds mature in various amounts through December 1, 2023. The bonds are collateralized by the Net Pledged Revenues of the District as defined in the agreement. The District was in compliance with all significant financial requirements as of December 31, 2021.

The District entered into a loan agreement for \$13,948,507 with an interest rate of 1.19% with the Colorado Water Resources and Power Development Authority (CWRPDA) dated May 1, 2014. The agreement calls for the CWRPDA to issue bonds with the proceeds to be used to finance a loan to the District and several other entities. Loan funds were used for the Clifton Water District Microfiltration Ultrafiltration Water Treatment Plant project. The note is collateralized by the net revenue of the District as defined in the agreement. The District is in compliance with all significant financial requirements as of December 31, 2022. The payments are due in semi-annual installments beginning August 2014 through August 2035. Payment amounts range from \$71,125 to \$527,133.

The following is a summary of long-term debt transactions of the District for the years ended December 31, 2022 and 2021:

	Balance January 1, 2022	Issues	Reductions	Balance December 31, 2022
2014 Note Payable	\$ 11,691,551	\$ —	\$ 334,428	\$ 11,357,123
2013 Water Revenue Refunding Bonds	875,000	—	475,000	400,000
2013 Bond Premium	32,970	—	17,983	14,987
	<u>\$ 12,599,521</u>	<u>\$ —</u>	<u>\$ 827,411</u>	<u>\$ 11,772,110</u>
	Balance January 1, 2021	Issues	Reductions	Balance December 31, 2021
2014 Note Payable	\$ 12,014,289	\$ —	\$ 322,738	\$ 11,691,551
2013 Water Revenue Refunding Bonds	1,335,000	—	460,000	875,000
2013 Bond Premium	50,953	—	17,983	32,970
	<u>\$ 13,400,242</u>	<u>\$ —</u>	<u>\$ 800,721</u>	<u>\$ 12,599,521</u>

Clifton Water District

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE E – LONG-TERM DEBT – CONTINUED

	<u>2022</u>	<u>2021</u>
Long-term debt, face amount	\$ 11,757,123	\$ 12,566,551
Add premium	<u>14,987</u>	<u>32,970</u>
	11,772,110	12,599,521
Less current portion	<u>840,722</u>	<u>809,428</u>
	<u>\$ 10,931,388</u>	<u>\$ 11,790,093</u>

The annual aggregate maturities for the years subsequent to December 31, 2022 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	825,736	221,605	1,047,341
2024	845,707	204,905	1,050,612
2025	849,419	199,055	1,048,474
2026	857,396	193,205	1,050,601
2027	864,821	187,205	1,052,027
2028-2032	4,511,697	746,287	5,257,984
2033-2036	<u>3,002,347</u>	<u>144,340</u>	<u>3,146,686</u>
	11,757,123	1,896,602	13,653,725
Premium	<u>14,987</u>	-	<u>14,987</u>
	<u>\$ 11,772,110</u>	<u>\$ 1,896,602</u>	<u>\$ 13,668,712</u>

NOTE F – RESTRICTED NET POSITION

The District is required to maintain a reserve fund under the terms of the 2013 Water Revenue Refunding Bonds issued on October 1, 2013. The reserve fund required is calculated as the lesser of (a) an amount set forth in the Sale Certificate or (b) (i) 10% of the principal amount of the Bonds, (ii) 100% of the maximum annual payment of principal of and interest on the Bonds, or (iii) 125% of the average payments of principal of and interest on the Bonds which will become due in any fiscal year. The amounts reserved by the District for the years ending December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Reserve requirement	\$ 436,000	\$ 436,000
Total - Restricted Net Position	<u>\$ 436,000</u>	<u>\$ 436,000</u>

NOTE G – CAPITAL CONTRIBUTIONS

Capital contributions consist of the following:

	<u>2022</u>	<u>2021</u>
Plant investment fees	\$ 923,635	\$ 1,025,525
Donated water lines from developers and governments	<u>372,707</u>	<u>677,827</u>
	<u>\$ 1,296,342</u>	<u>\$ 1,703,352</u>

Clifton Water District

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE H – RETIREMENT PLANS

Defined Contribution Plans

The District provides retirement benefits for all of its qualified employees through the Colorado Retirement Association (CRA). The plan is a defined contribution plan created in accordance with Internal Revenue Code Section 401(a). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are able to participate with one-half (1/2) year of service. Under the plan, the District is required to contribute 3% of each participant's total compensation. The District's contributions for each employee (and interest allocated to the employee's account) are fully vested after five years continuous service. Forfeitures due to termination of an employee who is not fully vested are used to reduce the District's current period contribution requirement. All employees participating in the former plan at the start of the new plan received past service credit for all periods of employment.

For the CRA plan the District's total payroll for 2022 and 2021 was \$1,778,827 and \$1,477,681, respectively. The District's covered payroll for 2022 and 2021 was \$1,633,835 and \$1,303,141 and the District made the required 3% contribution for 2022 and 2021 of \$42,258 and \$37,675, respectively. Employee contributions to this plan in 2022 and 2021 were \$170,183 and \$147,637, respectively.

Section 457 Plan

The District participates in a deferred compensation plan in accordance with Internal Revenue Service Code Section 457 through CCOERA. All District employees are eligible to make contributions to the plan for up to certain amounts, dictated by the Code, of eligible gross wages.

NOTE I – LEASES

As a lessor, the District recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases that transfer ownership of the underlying asset to lessee. The District does not have any leases of assets held as investment or leases that transfer ownership of the underlying asset to lessee. As a lessor, the asset underlying the lease is not derecognized. The lease receivable is measured at the present value of the lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods.

In accordance with GASB 87, the District recognizes a lease receivable and a deferred inflows of resources for leases the Airport Authority categorizes as in-scope of GASB 87.

Cell Tower Leases

The District entered into a lease with CommNet Cellular Inc., d/b/a Version Wireless, on September 1, 2022 for a cell phone antenna. This lease will be automatically renewed upon the same terms and

Clifton Water District

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE I – LEASES – CONTINUED

conditions of the lease for up to two separate additional periods of five years each. The rent receivable under the lease is \$1,800 per month. The present value of the lease receivable and the deferred inflow at December 31, 2022 is \$224,192 and (\$222,561), respectively.

The future expected lease receivable and revenue balances for these in-scope GASB No. 87 leases are summarized as follows:

Year ended December 31,	Beginning lease Receivable	Interest Revenue	Receivable Reduction	Annual Lease Revenue	Ending Lease Receivable
2023	\$ 224,192	\$ 10,968	\$ 10,632	\$ 15,175	\$ 213,560
2024	213,560	10,424	11,176	15,175	202,384
2025	202,384	9,852	11,748	15,175	190,636
2026	190,636	9,251	12,349	15,175	178,288
2027	178,288	8,620	12,980	15,175	165,307
2028 - 2032	165,307	32,430	75,570	75,873	89,738
2033 - 2037	89,738	11,062	89,738	70,815	-

NOTE J – TAX, SPENDING AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment as they have interpreted it.

SUPPLEMENTARY INFORMATION

Clifton Water District
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
Year ended December 31, 2022

	Original and Final Budget 2022	Actual 2022	Variance Favorable (Unfavorable)	Actual 2021
Revenues				
Water sales	\$ 5,903,893	\$ 5,888,642	\$ (15,251)	\$5,944,200
Plant investment fees	1,400,000	923,635	(476,365)	1,025,525
System investment fees	444,570	447,823	3,253	439,938
Admin fees, Sanitation District	48,090	47,190	(900)	52,657
Investment income	128,180	49,995	(78,185)	(64,541)
Penalties and turn fees	124,480	163,791	39,311	105,018
Tap installation fees	1,600	-	(1,600)	-
Availability of service	29,366	27,374	(1,992)	28,803
Miscellaneous income	58,000	71,261	13,261	21,952
Gain/ (loss) on disposal of assets	10,000	-	(10,000)	(647)
Lease income	15,600	13,799	(1,801)	14,515
	<u>8,163,779</u>	<u>7,633,510</u>	<u>(530,269)</u>	<u>7,567,420</u>
Expenses				
Assessment of water shares and purchases	73,636	36,170	37,466	29,882
Capital outlay	5,466,538	3,105,966	2,360,572	3,833,668
Wages and benefits	2,631,709	2,503,786	127,923	2,030,970
Distribution expense	972,428	764,437	207,991	521,537
Charles A. Strain WTP operating expenses	902,767	788,335	114,432	856,566
Office expenses	572,682	587,566	(14,884)	378,786
Interest expense	242,705	224,723	17,982	245,072
Bond and note principal	809,428	827,411	(17,983)	787,009
Contingency	8,667,625	-	8,667,625	-
	<u>20,339,518</u>	<u>8,838,394</u>	<u>11,501,124</u>	<u>8,683,490</u>
EXCESS OF REVENUE OVER (UNDER) EXPENSES	<u>\$ (12,175,739)</u>	<u>(1,204,884)</u>	<u>\$ 10,970,855</u>	<u>\$ (1,116,070)</u>
Adjustment to budgetary basis:				
Depreciation expense		(1,930,039)		
Urealized loss on investments		(524,796)		
Plant investment fees		(923,635)		
Capital outlay (capitalized)		2,969,490		
Bond and note principal payment		827,411		
Net income (loss) before contributions		<u>\$ (786,453)</u>		