

**INVERNESS WATER AND SANITATION
DISTRICT**

FINANCIAL STATEMENTS

December 31, 2021 and 2020



Logan and Associates, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Inverness Water and Sanitation District
Arapahoe and Douglas Counties, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Inverness Water and Sanitation District, which comprise the statements of net position as of December 31, 2021 and 2020, and the related statements of revenues, expenses and changes in fund net position and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Inverness Water and Sanitation District as of December 31, 2021 and 2020, and the respective changes in 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 Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Inverness Water and Sanitation District, and to meet our 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 the 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 of 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 of 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 judgement, 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 on pages i – iv 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.

Supplementary Information and Other Information

Our audit was performed for the purpose of forming opinions on the financial statements and related notes to financial statements that collectively comprise the Inverness Water and Sanitation

District's basic financial statements. The budgetary comparison schedule and schedule of assessed valuation, mill levy and property taxes collected are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 schedule is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Other Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Logan and Associates, LLC

Aurora, Colorado
September 29, 2022

**Inverness Water and Sanitation District
Management Discussion and Analysis
December 31, 2021**

This management's discussion and analysis of the Inverness Water and Sanitation District (the "District") financial statements provides an overview of the District's financial activities for the fiscal year ended December 31, 2021. The intent of this discussion and analysis is to look at the District's financial performance as a whole; it should be read in conjunction with the basic financial statements and notes to enhance the reader's understanding of the District's overall financial and operational performance.

The District's 2021 operating revenues were \$348,653 lower than 2020 operating revenues. Operating expenses decreased \$353,192 from 2020 to 2021. The District revenue decrease was attributable to lower irrigation volumes throughout a comparably wetter 2021 despite a 5% increase in water rates. In-building water consumption began a return to pre-COVID 19 levels, however, that impact was dwarfed by the decrease in overall water usage. Decreased water usage was the primary driver of the operating costs decreases. The District has also increased use of more expensive renewable water supplies rather than production from the District's non-renewable deep well supply.

The District's net position for the year ended 2021 is approximately \$42.4MM compared to \$42.1MM at year end 2020. The District has very strong liquidity with current assets exceeding current liabilities by over \$5.0MM. The District's net investment in capital assets (fixed assets less long-term debt) is over \$24.2MM.

The District's strong liquidity and net position provide the District with the capability to upgrade and improve system infrastructure along with considerable operating cushion.

Financial Highlights

The Statement of Net Position describes the District's financial condition as of December 31, 2021, the close of the most recent fiscal year. The assets of the District exceeded its liabilities and deferred inflows of resources by \$42,486,882. As described in Note 4 and Note 7 of the financial statements, the District has \$28,454,783 of capital assets net of depreciation and investments of \$12,849,469 in authorities. These assets generally consist of land, wells, water rights, water and sewer treatment facilities, pipelines and other infrastructure required to provide water and sewer services for the District. By their nature, these assets are not available for future spending.

The District has \$4,236,079 of long-term liabilities. During 2021, the District repaid principal of \$2,355,451 on its general obligation debt. Note 5 describes the interest and payment terms of the various bonds and notes that comprise the long-term debt. The debt service payments are funded by property taxes assessed by the District.

Overview of the Financial Statements

This annual report consists of three parts; 1) Management's discussion and analysis (this section), 2) the Financial Statements including the accompanying footnotes, and 3) the Supplementary and Other Information.

The Financial Statements include the Statement of Net Position, the Statement of Revenues, Expenses and Change in Fund Net Position, the Statement of Cash Flows, and the Notes to Financial Statements which provide information integral to the Financial Statements.

These statements report information about the District as a whole and include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**Inverness Water and Sanitation District
Management Discussion and Analysis
December 31, 2021**

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as Net Position. Over time, *increases or decreases* in the District's Net Position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other non-financial factors, however, such as changes in the District's property tax base and the condition of the infrastructure, are needed to assess the *overall health* of the District. The District operated with an increase in Net Position in both 2021 and 2020.

The Statement of Revenues, Expenses, and Changes in Net position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods such as 'deferred property taxes'.

The District's activity is reported as a business-type fund, which distinguishes operating revenues and expenses from non-operating items. This one proprietary fund combines the revenues and expenses of the water and wastewater operations as operating revenues and expenses. Not all revenues and expenses are considered operating revenues. Property and specific ownership taxes are reported as non-operating revenues. In addition, system development fees are reported as capital contributions and are netted in the "Other non-operating revenues and expenses" line item in the accompanying summary statements. Following are summary comparative financial statement information for the most recent two fiscal year-ends:

Comparative Statements of Net Position as of December 31:

	2021	2020
ASSETS		
Total current assets	\$ 5,904,117	\$ 7,585,491
Property tax receivable	1,588,000	1,552,000
Investment in Authorities	12,849,461	12,021,144
Capital assets, net	28,454,783	29,744,497
Total Assets	\$ 48,796,361	\$ 50,903,132
DEFERRED OUTFLOWS OF RESOURCES		
Cost of Refunding	\$ 5,745	\$ 11,491
LIABILITIES		
Current liabilities	491,145	850,440
Current portion of Long-term debt	1,432,406	2,276,940
Long-term debt	2,803,673	4,168,848
Total Liabilities	\$ 4,727,224	\$ 7,296,228
DEFERRED INFLOWS OF RESOURCES		
Property tax revenue	\$ 1,588,000	\$ 1,552,000
NET POSITION		
Net investment in capital assets	24,218,704	23,298,709
Restricted fund balances	99,000	111,000
Unrestricted fund balances	18,169,178	18,656,686
Total Net Position	\$ 42,486,882	\$ 42,066,395

**Inverness Water and Sanitation District
Management Discussion and Analysis
December 31, 2021**

**Comparative Statements of Revenues, Expenses and Changes in
Net Position for the years ended December 31:**

	2021	2020
OPERATING REVENUES		
Water charges	\$ 2,146,977	\$ 2,509,266
Wastewater charges	1,168,617	1,123,316
Other operating revenue	204,122	235,787
Total Operating Revenues	\$ 3,519,716	\$ 3,868,369
OPERATING EXPENSES		
Water expenses	1,498,669	2,079,029
Wastewater expense	663,272	526,691
Professional services & administrative	1,103,367	1,069,277
Depreciation	1,609,478	1,552,981
Total Operating Expenses	\$ 4,874,786	\$ 5,227,978
NET OPERATING INCOME (LOSS)	\$ (1,355,070)	\$ (1,359,609)
NON-OPERATING REVENUES & EXPENSES		
Property & specific ownership taxes	1,842,212	1,754,313
Increase in investment in authorities	-	-
Interest expense	(159,476)	(214,425)
Other non-operating items (net)	(28,257)	52,980
Net non-operating income	\$ 1,654,479	\$ 1,592,868
CAPITAL CONTRIBUTIONS		
Tap fees	\$ -	\$ 260,238
CHANGES IN NET POSITION	\$ 299,409	\$ 493,497
NET POSITION, beginning, as restated	\$ 42,187,173	\$ 41,572,898
NET POSITION, ending	\$ 42,486,882	\$ 42,066,395

Budgetary Highlights

The District's procedures in establishing budgetary data reflected in the financial statements are summarized in *Note 2* of the financial statements. The budget to actual comparison is presented in the supplementary information accompanying the financial statements.

Revenues

The District's 2021 operating revenues were under budget by \$89,284 generally as a result of \$0 in tap fee income. The District's non-operating revenues were under budget by \$117,235. The District anticipated draws on the CWCB WISE infrastructure notes that were mostly deferred until 2021. During fiscal year 2021, the District drew \$145,742 on CWCB Loan - Note C.

Expenses

The District's total operating expenses were \$457,692 less than budgeted operating expenses. The District's contributions to authorities and capital outlays were \$3,791,917 under budget. This large under

**Inverness Water and Sanitation District
Management Discussion and Analysis
December 31, 2021**

expenditure was primarily due to the deferral of Cherry Creek Project Water Authority related assessments to fiscal years 2022 and 2023.

Debt service fund

The District collected 93.2% of budgeted property taxes. The District paid the scheduled amounts due for principal and interest on the District's general obligation debt.

Contacting the District's Financial Management

This financial report is designed to provide our residents, customers, taxpayers, and creditors with a general overview of the District's financials and to show the District's accountability for the income it receives. If you have any questions regarding this report or need additional financial information, please contact District management per the following:

Mulhern MRE, Inc., District Manager
Inverness Water and Sanitation District
188 Inverness Drive West, Suite 150
Englewood, CO 80112

Phone: (303) 649-9857

BASIC FINANCIAL STATEMENTS

INVERNESS WATER AND SANITATION DISTRICT

STATEMENTS OF NET POSITION

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and Investments	\$ 4,098,950	\$ 5,928,563
Accounts Receivable - Service Charges	248,083	290,602
Accounts Receivable - Other	14,524	119,591
LTCWRF Renewal and Replacement Reserve	1,377,978	1,245,569
Prepaid Expenses	164,582	1,166
Property Taxes Receivable	1,588,000	1,552,000
Total Current Assets	<u>7,492,117</u>	<u>9,137,491</u>
Other Assets		
Investments in Authorities	<u>12,849,461</u>	<u>12,021,144</u>
Capital Assets		
Capital Assets, Not Being Depreciated	5,181,935	5,041,768
Capital Assets, Net of Accumulated Depreciation	<u>23,272,848</u>	<u>24,702,729</u>
Total Capital Assets	<u>28,454,783</u>	<u>29,744,497</u>
 TOTAL ASSETS	 <u>48,796,361</u>	 <u>50,903,132</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Cost of Refunding, Net of Accumulated Amortization	<u>5,745</u>	<u>11,491</u>
 LIABILITIES		
Current Liabilities		
Accounts Payable	421,470	792,512
Escrow Deposits Payable	6,812	8,000
Accrued Compensated Absences Payable	2,512	7,126
Accrued Interest Payable	60,351	42,802
Loans and Bonds Payable, Current Portion	1,432,406	2,276,940
Total Current Liabilities	<u>1,923,551</u>	<u>3,127,380</u>
Noncurrent Liabilities		
Loans and Bonds Payable	<u>2,803,673</u>	<u>4,168,848</u>
Total Noncurrent Liabilities	<u>2,803,673</u>	<u>4,168,848</u>
 TOTAL LIABILITIES	 <u>4,727,224</u>	 <u>7,296,228</u>
 DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - Property Taxes	<u>1,588,000</u>	<u>1,552,000</u>
 NET POSITION		
Net Investment in Capital Assets	24,218,704	23,298,709
Restricted for Emergency Reserve	99,000	111,000
Unrestricted	<u>18,169,178</u>	<u>18,656,686</u>
 TOTAL NET POSITION	 <u>\$ 42,486,882</u>	 <u>\$ 42,066,395</u>

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

INVERNESS WATER AND SANITATION DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION Years Ended December 31, 2021 and 2020

	2021	2020
OPERATING REVENUES		
Charges for Services		
Water System	\$ 2,146,977	\$ 2,509,266
Wastewater System	1,168,617	1,123,316
Contract Operating Fees	180,000	171,600
Solar Revenue	24,082	61,009
Other	40	3,178
TOTAL OPERATING REVENUES	<u>3,519,716</u>	<u>3,868,369</u>
OPERATING EXPENSES		
General & Administrative	1,103,367	1,069,277
Water Operations	1,498,669	2,079,029
Sewer Operations	663,272	526,691
Depreciation	1,609,478	1,552,981
TOTAL OPERATING EXPENSES	<u>4,874,786</u>	<u>5,227,978</u>
OPERATING INCOME (LOSS)	<u>(1,355,070)</u>	<u>(1,359,609)</u>
NON-OPERATING REVENUES (EXPENSES)		
Property Taxes	1,443,057	1,414,762
Specific Ownership Taxes and Other Tax Equivalent Revenue	131,136	124,912
Property Tax Equivalent	268,019	214,639
Investment Income	2,765	83,000
County Treasurer's Fees	(25,276)	(24,274)
Debt Service - Interest Expense and Fiscal Charges	(159,476)	(214,425)
Amortization Cost of Refunding	(5,746)	(5,746)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>1,654,479</u>	<u>1,592,868</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	299,409	233,259
CAPITAL CONTRIBUTIONS		
Tap Fees	-	260,238
TOTAL CAPITAL CONTRIBUTIONS	<u>-</u>	<u>260,238</u>
CHANGE IN NET POSITION	299,409	493,497
NET POSITION, Beginning, As Restated	<u>42,187,473</u>	<u>41,572,898</u>
NET POSITION, Ending	<u><u>\$ 42,486,882</u></u>	<u><u>\$ 42,066,395</u></u>

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

INVERNESS WATER AND SANITATION DISTRICT

STATEMENTS OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents
Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 3,463,180	\$ 3,461,019
Cash Received from Contract Services	180,000	171,600
Cash Received from Solar Revenue	24,082	61,009
Other Receipts	40	3,178
Cash Payments to Suppliers	(3,425,051)	(2,734,315)
Cash Payments to Employees and Related Benefits	(380,517)	(347,936)
Net Cash Provided (Used) by Operating Activities	<u>(138,266)</u>	<u>614,555</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property Taxes	1,443,057	1,414,762
Specific Ownership Taxes	131,136	124,912
Property Tax Equivalent	389,099	214,639
County Treasurer's Fees	(25,276)	(24,274)
Net Cash Provided by Noncapital Financing Activities	<u>1,938,016</u>	<u>1,730,039</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash Received from Tap Fees	-	260,238
Acquisition of Capital Assets	(319,766)	(1,315,263)
CWCB Loan Proceeds	145,742	644,393
Principal Paid	(2,355,451)	(2,302,897)
Debt Service - Interest Expense and Fiscal Charges	(141,927)	(197,306)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,671,402)</u>	<u>(2,910,835)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Investment Activity	2,765	83,000
LTCWRF Renewal and Replacement Reserve (Increase)	(132,409)	59,805
Net Investment in Authorities	(828,317)	(1,739,151)
Net Cash Provided (Used) by Investing Activities	<u>(957,961)</u>	<u>(1,596,346)</u>
Increase (Decrease) in Cash and Cash Equivalents	(1,829,613)	(2,162,587)
CASH AND CASH EQUIVALENTS, Beginning	5,928,563	8,091,150
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 4,098,950</u>	<u>\$ 5,928,563</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (1,355,070)	\$ (1,359,609)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Depreciation	1,609,478	1,552,981
Changes in Assets and Liabilities		
Accounts Receivable	147,586	(171,563)
Prepaid Expenses	(163,416)	(539)
Accounts Payable	(371,042)	600,959
Escrow Deposits Payable	(1,188)	-
Accrued Compensated Absences Payable	(4,614)	(7,674)
Net Cash Provided (Used) by Operating Activities	<u>\$ (138,266)</u>	<u>\$ 614,555</u>

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

INVERNESS WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Inverness Water and Sanitation District (the "District"), a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Arapahoe and Douglas Counties, Colorado. The District was established in 1973 to provide water, sewer and storm drainage services and facilities to the District commercial business and residents. The District's primary revenue sources are property taxes and water and sewer charges. The District is governed by an elected five-member Board of Directors.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

Reporting Entity

The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if District officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. The District may also be financially accountable for organizations that are fiscally dependent upon it. Based on the application of the criteria, the District does not include additional organizations in its reporting entity.

Fund Accounting

The District uses a proprietary fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District uses a proprietary fund-type, an enterprise fund, to account for its activities of providing water and wastewater collection, transmission and treatment services to District residents. The enterprise fund uses the economic resources measurement focus and the accrual basis of accounting for reporting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

INVERNESS WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

The activities of the fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses. The fund distinguishes operating revenues and expenses from non-operating revenues and expenses, and capital contributions. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

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

Assets, Liabilities and Net Position

Cash Equivalents and Investments - Cash equivalents include cash deposits and highly liquid investments with original maturities of three months or less when purchased. Investments are reported at fair value.

Accounts Receivables - All receivables are reported at their gross value. User services charges and tap fees create a perpetual lien on or against a property service until paid. Such liens may be foreclosed upon as provided by State statute. Therefore, an allowance for uncollectible accounts is not reported for user service charges and tap fees. The District collects reimbursement of engineering and design costs from developers in the District. The District believes all such reimbursable amounts are fully collectible, and therefore, has not reported an allowance for uncollectible accounts.

Capital Assets - Capital assets include water and supply contract rights, land and easements, water system, effluent water system, sewer system, storm drainage system, vehicles and equipment, are reported in the financial statements net of accumulated depreciation. Capital assets are defined by the District as assets with an individual cost of more than \$5,000 and an initial estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements that will be conveyed to other governmental entities are classified as construction in

INVERNESS WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

progress and are not depreciated. Land and easements are not depreciated.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives.

Water and Sewer Systems	10 - 50 years
Effluent Irrigation System	25 - 50 years
Storm Drainage System	45 - 50 years
Equipment and Vehicles	5 years

Water rights include acquisition, legal, and engineering costs related to the development and augmentation of those rights. Water rights have a perpetual life, therefore the cost is not amortized. All other costs, including costs incurred for the protection of those rights are expensed.

Compensated Absences – The District accrues vacation pay when earned. These amounts are reported in Accrued Compensated Absences Payable on the Statement of Net Position.

Long-Term Obligations – Long-term debt and other long-term obligations are reported at face value, net of unamortized debt premiums and discounts, as liabilities in the financial statements. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. The cost of refunding is reported as deferred outflows of resources and is amortized over the life of the related debt.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement classification represents a consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditures) until then. The District has an item related to debt refunding costs that is reported as deferred outflows of resources at December 31, 2021 and 2020.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement classification represents an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until then. The District has an item related to unavailable revenue – property taxes that is reported as deferred inflows of resources at December 31, 2021 and 2020.

INVERNESS WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

Capital Contributions – Tap fees collected are recorded as capital contributions when received. Water and sewer lines contributed to the District by developers are recorded as capital contributions when conveyance of the lines are received.

Net Position – Net position results from the accumulation of net earnings from operating income, non-operating revenues and expenses, and capital contributions and are classified in the financial statements as follows:

- Net Investment in Capital Assets – The investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of related debt obligations and deferred inflows of resources.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – This classification includes the residual net position that does not meet the classification of “net investment in capital assets” or “restricted.”

Property Taxes

Property taxes attach as an enforceable lien on property on January 1 and are levied the following January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The Arapahoe and Douglas County Treasurer’s Offices collect property taxes and remit to the District on a monthly basis. Since property taxes are collected in arrears during the succeeding year, a receivable and corresponding deferred inflow of resources are reported at December 31.

Use of Estimates

The preparation of the financial statements in conformity 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.

Subsequent Events

The District has evaluated events subsequent to the year ended December 31, 2021 through September 29, 2022, the date these financial statements were issued, and has incorporated any required recognition into these financial statements.

INVERNESS WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- The budget is legally adopted by the District. The budget is adopted on a non-GAAP budgetary basis. Capital outlay and long-term debt principal payments are budgeted as expenditures, and depreciation, and amortization of debt premium/discounts, and costs of debt refunding are not budgeted.
- The District appropriates expenditures for the enterprise/operations fund and capital expenditures, and a separate appropriation for the related debt service.
- Prior to October 15, management submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1.
- The operating budget includes proposed expenditures and the means of financing them.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- Management is authorized to transfer budgeted amounts between departments within the fund. However, any revisions that alter the total expenditures of the fund must be approved by the Board of Directors.
- All appropriations lapse at year end. Colorado governments may not exceed budgeted appropriations at the fund level.

NOTE 3: CASH AND INVESTMENTS

A summary of cash and investments at December 31, 2021 and 2020, follows:

	<u>2021</u>	<u>2020</u>
Cash Deposits	\$ 631,876	\$ 630,848
Investments	<u>3,467,074</u>	<u>5,297,175</u>
Total	<u>\$ 4,098,950</u>	<u>\$ 5,928,563</u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of Federal Deposit Insurance Corporation (FDIC) levels must be collateralized by eligible collateral as determined by the PDPA.

INVERNESS WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 3: CASH AND INVESTMENTS (Continued)

The FDIC insures depositors up to \$250,000 for each financial institution. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2021, the District had bank balances totaling \$702,488 of which \$250,000 were insured by FDIC and \$452,488 were collateralized with securities held by the financial institution's agent but not in their name.

Investments

The District has not adopted a formal investment policy; however, the District follows State statutes regarding investments. The District generally limits its concentration of investments to Local Government Investment Pools, obligation of the United States and certain U.S. government agency securities, which are believed to have minimal credit risk; minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

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

State statutes specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest which include the following.

- Obligations of the United States and certain U.S. 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
- Guaranteed investment contracts

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

	<u>Maturity</u>	<u>2021</u>	<u>2020</u>
Colorado Liquid Asset Trust (COLOTRUST)	Weighted Average under 60 days	<u>\$ 3,467,074</u>	<u>\$ 5,297,715</u>

INVERNESS WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 3: CASH AND INVESTMENTS (Continued)

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

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INVERNESS WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2021, is summarized below:

	<u>Balances</u> <u>12/31/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/2021</u>
Governmental Activities:				
Capital Assets, not being depreciated				
Water and Supply Contract Rights	\$ 4,779,738	\$ -	\$ -	\$ 4,779,738
Land and Easements	67,417	-	-	67,417
Construction in Progress	194,613	197,908	57,741	334,780
Total Capital Assets, not being depreciated	<u>5,041,768</u>	<u>197,908</u>	<u>57,741</u>	<u>5,181,935</u>
Capital Assets, being depreciated				
Water System	18,311,187	104,011	-	18,415,198
Effluent Irrigation System	3,576,761	479	-	3,577,240
Sewer System	24,942,415	75,109	-	25,017,524
Storm Drainage System	3,474,804	-	-	3,474,804
Equipment and Vehicles	259,948	-	-	259,948
Total Capital Assets, being depreciated	<u>50,565,115</u>	<u>179,599</u>	<u>-</u>	<u>50,744,714</u>
Less accumulated depreciation				
Water System	(9,481,163)	(601,964)	-	(10,083,127)
Effluent Irrigation System	(2,265,287)	(115,476)	-	(2,380,763)
Sewer System	(12,219,879)	(788,577)	-	(13,008,456)
Storm Drainage System	(1,703,295)	(69,498)	-	(1,772,793)
Equipment and Vehicles	(192,762)	(33,965)	-	(226,727)
Total accumulated depreciation	<u>(25,862,386)</u>	<u>(1,609,480)</u>	<u>-</u>	<u>(27,471,866)</u>
Total Capital Assets, being depreciated, net	<u>24,702,729</u>	<u>(1,429,881)</u>	<u>-</u>	<u>23,272,848</u>
Governmental Activities Capital Assets, net	<u>\$ 29,744,497</u>	<u>\$ (1,231,973)</u>	<u>\$ 57,741</u>	<u>\$ 28,454,783</u>

NOTE 5: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended December 31, 2021:

	<u>Balances</u> <u>12/31/2020</u>	<u>Borrowings</u>	<u>Repayments</u>	<u>Balances</u> <u>12/31/2021</u>	<u>Due Within</u> <u>One Year</u>
2012 GO Refunding Bonds	\$ 3,675,000	\$ -	\$ 2,260,000	\$ 1,415,000	\$ 1,415,000
CWCB 2014 Loan - Note A	1,551,686	-	78,511	1,473,175	-
CWCB 2014 Loan - Note B	415,426	-	16,940	398,486	17,406
CWCB 2014 Loan - Note C	459,201	145,742	-	604,943	-
CWCB 2014 Loan - Note D	344,475	-	-	344,475	-
Totals	<u>\$ 6,445,788</u>	<u>\$ 145,742</u>	<u>\$ 2,355,451</u>	<u>\$ 4,236,079</u>	<u>\$ 1,432,406</u>

INVERNESS WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 5: LONG-TERM DEBT (Continued)

Series 2012 GO Refunding Bonds

On April 3, 2012, the District issued bonds in the amount of \$10,000,000, titled Series 2012 General Obligation Refunding Bonds. The proceeds were used to refund and pay-off the Series 2008 Bonds. Principal and interest payments are due semi-annually on June 1 and December 1. Interest accrues at 2.39% per annum. The Bonds are secured by pledged property tax revenues derived by the required mill levy.

The Series 2012 Bonds shall be subject to redemption prior to maturity, in whole or in part, at the option of the District on any interest payment date at par with no redemption premium.

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2012 Bonds:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	<u>\$ 1,415,000</u>	<u>\$ 33,819</u>	<u>\$ 1,448,819</u>

2014 Colorado Water Conservation Board (CWCB) Loan

On May 22, 2014, the District entered into a loan agreement with the CWCB for an amount not to exceed \$4,908,600 for costs related to the District's participation in the Water Infrastructure and Supply Efficiency Authority (WISE) project. The District's draws and repayment obligation will be evidenced by four separate promissory notes as follows:

Note A – \$1,845,270 for the District's share of the Western Pipeline,

Note B – \$1,181,700 for the District's share of cost of Phase 1 Infrastructure to be constructed by WISE,

Note C – \$1,427,130 for the District's share of cost for Phase 2 Infrastructure to be constructed by WISE, and

Note D – \$454,500 for the District's share of the cost of a use of pipeline.

This loan is pledged by an ad valorem property tax revenue. Interest accrues at 2.75% per annum for each individual promissory note commencing on the date of the initial note draw. Principal and interest payments will commence 1 year from the date CWCB determines the projects are substantially complete. As of December 31, 2021 and 2020, \$3,226,602 and \$3,080,860, respectively, had been drawn from CWCB.

INVERNESS WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 5: LONG-TERM DEBT (Continued)

Annual debt service requirements for Note A and Note B as at December 31, 2021 are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 17,406	\$ 10,958	\$ 28,364
2023	98,555	50,992	149,547
2024	101,265	48,282	149,547
2025	104,050	45,497	149,547
2026	106,911	42,636	149,547
2027 – 2031	580,307	167,426	747,733
2032 – 2036	664,610	83,123	747,733
2037 – 2039	198,558	7,717	206,275
Amortization Terms Unknown	949,418	-	949,418
Total	<u>\$ 2,821,080</u>	<u>\$ 456,631</u>	<u>\$ 3,277,711</u>

The payment schedules for Notes C and D are unavailable as they are contingent upon the projects being substantially complete.

Debt Authorization

At elections held May 4, 2004 and November 1, 2005, a majority of the qualified electors of the District who voted in the elections authorized the issuance of general obligation indebtedness in an amount not to exceed \$15,000,000 for the purposes of the extension and improvements of the existing sanitary sewer system and \$20,000,000 for the extension and improvement of the existing potable and non-potable water supply, storage transmission and distribution system of the District, respectively. After the issuance of Series 2008 Bonds, which were refunded with the Series 2012 Refunding Bonds, the District has the authority to issue additional obligations for sanitary sewer purposes in the amount of \$3,154,400 from the May 2004 election and \$4,561,110 from the November 2005 election and to issue \$7,778,530 for water improvements from the November 2005 election.

NOTE 6: INTERGOVERNMENTAL AGREEMENTS

Loan Tree Creek Water Reclamation Facility (LTCWRF)

On April 19, 2005, the District entered into an agreement with Arapahoe County Water and Wastewater Authority (ACWWA) to share in the modifications and expansion of the existing ACWWA wastewater treatment facility to construct the LTCWRF. The LTCWRF expansion provided a total treatment capacity of 3.6 million gallons per day with the District's capacity at 1.1 million gallons per day. The expansion was completed, and the District began sending flows to the LTCWRF in July 2009. The District's capacity in the LTCWRF is intended to accommodate all future water treatment needs. The District's wastewater treatment plant and advanced wastewater treatment plant used prior to the LTCWRF expansion are currently idle.

INVERNESS WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 6: INTERGOVERNMENTAL AGREEMENTS (Continued)

On September 20, 2011, the District and ACWWA executed the first amendment to the aforementioned agreement. This amendment defined the treatment rates to be paid by the District. This amendment also established a renewal and replacement reserve for the LTCWRF. The District and ACWWA are to make annual deposits of \$132,384 and \$300,949, respectively, for this reserve until a maximum reserve balance of \$7,500,000 is attained. For the year ended December 31, 2021 and 2020, the District made reserve deposits of \$132,409 each year. As of December 31, 2021 and 2020 the District's renewal and replacement reserve balances were \$1,377,978 and \$1,245,569, respectively.

Cottonwood Water and Sanitation District

The District has an intergovernmental agreement with Cottonwood Water and Sanitation District (Cottonwood) in which the District provided operations and maintenance of the Cottonwood facilities for a monthly fee of \$15,000 and \$14,300, respectively, for the years ended December 31, 2021 and 2020.

NOTE 7: INVESTMENTS IN AUTHORITIES

Cherry Creek Project Water Authority

On October 14, 2005, the Cherry Creek Project Water Authority (Cherry Creek Authority) was created by a Water Project Agreement between the District, Cottonwood Water and Sanitation District, ACWWA, and Denver Southeast Suburban Water and Sanitation District. On November 17, 2005, the Cherry Creek Authority purchased certain water rights, well rights, facilities and storage rights at a bankruptcy action for \$14,000,000 plus closing costs. The District's share of participation is 31.12%, which had a value of \$6,354,601 and \$5,564,040, at December 31, 2021 and 2020, respectively. For a copy of the Cherry Creek Authority's financial statements, contact the Cherry Creek Authority.

South Metro Water Supply Authority (SMWSA) – Barr Lake Pipeline Enlargement

On March 25, 2005, certain members of SMWSA entered into an agreement with East Cherry Creek Valley Water and Sanitation District (ECCV) to participate in the incremental enlargement capacity in the ECCV Barr Lake Pipeline. Pursuant to this agreement, the District contributed \$732,200 to reserve future transmission capacity of 0.7 million gallons per day. The District does not currently have any connecting infrastructure to utilize this line capacity and will need to construct such facilities if the District is to use the pipeline capacity in the future. At December 31, 2021 and 2020, the District reported \$732,200 as Investments in Authorities.

INVERNESS WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 7: INVESTMENTS IN AUTHORITIES (Continued)

South Metro Water Supply Authority – WISE Partnership (WISE)

On March 31, 2013, the District entered into an amended WISE Negotiations and Cost Sharing Participation Agreement with South Metro Water Supply Authority (SMWSA). In the amended agreement the costs will be shared based on the participants' pro-rata share of the annual subscription amount in relation to the total of all annual subscription amounts. The District has committed to subscribing to 500 acre feet (5.0%) out of a revised total of 10,000 (previously 7,225pg1) acre feet of renewable water to be delivered annually from the WISE Partnership. In December of 2013, the District along with other members of the WISE Partnership entered into the WISE Partnership-Water Delivery Agreement between the City and County of Denver, acting by and through its Board of Water Commissioners, the City of Aurora acting by and through its Utility Enterprise, and the South Metro WISE Authority. The Water Delivery Agreement is the overarching agreement that defines the terms under which Denver and Aurora will deliver water to the South Metro WISE Authority members.

Pursuant to the WISE Agreements, the District pays its proportionate share of WISE capital costs, operations and maintenance costs, and the cost of water delivered. During the year ended December 31, 2021 and 2020, the District analyzed its investment in WISE, and adjusted the amount to \$5,762,660 and \$5,724,904, respectively, which is reported as Investment in Authorities in the financial statements. The District received its first water deliveries from the WISE project in 2017. For the years ended December 31, 2021 and 2020, the District's water purchases were \$327,519 and \$774,279, respectively.

NOTE 8: EXCLUDED PROPERTIES

The District has excluded approximately 80 acres under various agreements dated between 2005 and 2020. The District will continue to provide facilities, services and programs to these properties in the same manner and to the same extent as previously provided. These property owners are obligated to pay debt service property taxes for debt service existing prior to the exclusion. Additionally, They are obligated to pay a tax equivalency fee for debt service on bonds issued after their exclusion. During the year ended December 31, 2021, the District determined that revenue related to the excluded properties received in 2021 should have been reported for the year ended December 31, 2020. Therefore, the beginning net position was restated by an increase of \$121,078.

NOTE 9: RISK MANAGEMENT

Public Entity Risk Pool

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets. The District plans to provide for or restore the

INVERNESS WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 9: RISK MANAGEMENT (Continued)

Public Entity Risk Pool (Continued)

economic damages of those losses through risk transfer. The District participates in the Colorado Special Districts Property and Liability Pool and Workmen's Compensation Pool (the "Pool").

The purposes of the Pool are to provide members defined liability, property, and workers compensation coverages and to assist members in preventing and reducing losses and injuries to property and to persons or property which might result in claims being made against members of the Pool, their employees and officers.

It is the intent of the members of the Pool to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of the Pool against stated liability of loss, to the limit of the financial resources of the Pool. It is also the intent of the members to have the Pool provide continuing stability and availability of needed coverages at reasonable costs.

All income and assets of the Pool shall be at all times dedicated to the exclusive benefit of its members. The Pool is a separate legal entity and the District does not approve budgets nor does it have the ability to significantly affect the operations of the Pool.

NOTE 10: COMMITMENTS AND CONTINGENCIES

Tabor Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR), 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.

Enterprises, defined as government-owned business 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 establishes separate budgets for enterprise activity and general government activity. Budgeted general government activity consists only of tax revenue and expenditures related to the District's debt obligations. The District has made certain interpretations of the Amendment's language in order to determine compliance.

On November 1, 2005, a majority of the District voters authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the

INVERNESS WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 10: COMMITMENTS AND CONTINGENCIES (Continued)

Tabor Amendment (Continued)
State Constitution.

The District's management believes a significant portion of its operations qualifies for the "enterprise" exclusion allowed by the Amendment. The District believes it is in compliance with the requirements of the Amendment.

The District has established an emergency reserve, representing 3% of fiscal year spending, as required by the Amendment. At December 31, 2021, the emergency reserve of \$99,000 was reported as a restriction of net position in the statement of net position.

Uncertainty – Coronavirus Pandemic

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. The coronavirus and actions taken by government and public health officials to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets in many countries, including the geographical area in which the District is located. It is unknown how long these conditions will last and what the complete financial impact will be to the District.

SUPPLEMENTARY INFORMATION

INVERNESS WATER AND SANITATION DISTRICT

BUDGETARY COMPARISON SCHEDULE - (Non-GAAP BASIS)

WITH RECONCILIATION TO GAAP BASIS

Year Ended December 31, 2021

(With Comparative Actual Totals for the Year Ended December 31, 2020)

	2021			2020
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	ACTUAL
<u>ENTERPRISE FUND:</u>				
<u>REVENUES</u>				
Operating				
Charges for Services				
Water System	\$ 2,163,000	\$ 2,146,977	\$ (16,023)	\$ 2,509,266
Wastewater System	1,215,000	1,168,617	(46,383)	1,123,316
Other	231,000	204,122	(26,878)	235,787
Total Operating Revenues	<u>3,609,000</u>	<u>3,519,716</u>	<u>(89,284)</u>	<u>3,868,369</u>
Non-Operating				
Tap Fees	80,000	-	(80,000)	260,238
Income from Investment in Authorities	-	-	-	-
Net Investment Income	40,000	2,765	(37,235)	83,000
Total Non-Operating Revenues	<u>120,000</u>	<u>2,765</u>	<u>(117,235)</u>	<u>987,631</u>
TOTAL REVENUES	<u>3,729,000</u>	<u>3,522,481</u>	<u>(206,519)</u>	<u>4,856,000</u>
<u>EXPENSES</u>				
General & Administrative				
Salaries and Wages	246,000	256,922	(10,922)	255,936
Employee Benefits and Payroll Taxes	82,000	118,981	(36,981)	84,326
Professional Fees	78,000	36,689	41,311	54,781
Rent	26,000	30,967	(4,967)	25,917
Landscape Maintenance	28,000	26,385	1,615	26,723
Office and Communication	37,000	54,978	(17,978)	62,212
Insurance	67,000	69,905	(2,905)	57,681
Management and Accounting	354,000	369,513	(15,513)	354,000
CCPWA, WISE, ECCV & DIA Operating Costs	100,000	111,759	(11,759)	127,567
Miscellaneous	18,000	27,268	(9,268)	20,134
Total General & Administrative	<u>1,036,000</u>	<u>1,103,367</u>	<u>(67,367)</u>	<u>1,069,277</u>
Water Operations				
Denver Water Purchases	724,000	811,221	(87,221)	687,032
WISE Water Purchases	700,000	327,519	372,481	774,279
Supplies	88,000	126,413	(38,413)	95,181
Repairs and Maintenance	255,000	55,328	199,672	335,250
Utilities	170,000	178,188	(8,188)	187,287
Total Water Operations	<u>1,937,000</u>	<u>1,498,669</u>	<u>438,331</u>	<u>2,079,029</u>
Sewer Operations				
Wastewater Treatment	650,000	659,551	(9,551)	465,736
Repairs and Maintenance	-	3,721	(3,721)	60,955
Total Sewer Operations	<u>650,000</u>	<u>663,272</u>	<u>(13,272)</u>	<u>526,691</u>
Contingency	100,000	-	100,000	-
Total Operating Expenses	<u>3,723,000</u>	<u>3,265,308</u>	<u>457,692</u>	<u>3,674,997</u>
Non-Operating and Capital Outlay				
Capital Outlay	2,055,000	319,766	1,735,234	1,315,263
Investment in Authorities (CCPWA, SMWISE)	2,885,000	828,317	2,056,683	1,739,151
Total Non-Operating and Capital Outlay Expenses	<u>4,940,000</u>	<u>1,148,083</u>	<u>3,791,917</u>	<u>3,054,414</u>
TOTAL EXPENSES	<u>8,663,000</u>	<u>4,413,391</u>	<u>4,249,609</u>	<u>6,729,411</u>
NET CHANGE IN FUNDS AVAILABLE	<u>\$ (4,934,000)</u>	<u>(890,910)</u>	<u>\$ 4,043,090</u>	<u>(1,873,411)</u>
FUNDS AVAILABLE - BEGINNING OF YEAR		<u>37,536,417</u>		<u>39,409,828</u>
FUNDS AVAILABLE - END OF YEAR		<u>\$ 36,645,507</u>		<u>\$ 37,536,417</u>

(Continued)

See the accompanying Independent Auditor's Report.

INVERNESS WATER AND SANITATION DISTRICT

BUDGETARY COMPARISON SCHEDULE - (Non-GAAP BASIS)
WITH RECONCILIATION TO GAAP BASIS

Year Ended December 31, 2021

(With Comparative Actual Totals for the Year Ended December 31, 2020)

	2021			2020
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	ACTUAL
<u>BOND FUND:</u>				
REVENUES				
Property Taxes	\$ 1,548,000	\$ 1,443,057	\$ (104,943)	\$ 1,414,762
Specific Ownership Taxes	135,000	131,136	(3,864)	124,912
Property Tax Equivalent	240,000	268,019	28,019	214,639
CWCB Loan Proceeds	1,078,000	145,742	(932,258)	-
TOTAL REVENUES	<u>3,001,000</u>	<u>1,987,954</u>	<u>(1,013,046)</u>	<u>1,754,313</u>
EXPENDITURES				
County Treasurers Fees	27,000	25,276	1,724	24,274
Debt Service				
Series 2012 - Principal	2,260,000	2,260,000	-	2,210,000
Series 2012 - Interest	88,000	83,327	4,673	214,425
CWCB Loan - Principal	96,000	95,451	549	92,897
CWCB Loan - Interest	129,000	76,149	52,851	-
Contingency	50,000	-	50,000	-
TOTAL EXPENDITURES	<u>2,650,000</u>	<u>2,540,203</u>	<u>109,797</u>	<u>2,541,596</u>
CHANGE IN NET POSITION - BOND FUND, Budgetary Basis	<u>\$ 351,000</u>	<u>(552,249)</u>	<u>\$ (903,249)</u>	<u>(787,283)</u>
BEGINNING FUNDS AVAILABLE - BOND FUND		<u>1,157,697</u>		<u>1,944,980</u>
ENDING FUNDS AVAILABLE - BOND FUND		<u>\$ 605,448</u>		<u>\$ 1,157,697</u>
TOTAL DISTRICT REVENUES (Budgetary Basis)		5,510,435		6,610,313
TOTAL DISTRICT EXPENDITURES (Budgetary Basis)		6,953,594		9,271,007
TOTAL DISTRICT BEGINNING FUNDS AVAILABLE		<u>38,694,114</u>		<u>39,481,397</u>
TOTAL DISTRICT ENDING FUNDS AVAILABLE		<u>\$ 37,250,955</u>		<u>\$ 36,820,703</u>
<u>RECONCILIATION TO GAAP BASIS:</u>				
TOTAL DISTRICT REVENUES (Budgetary Basis)		\$ 5,510,435		\$ 6,610,313
ADJUSTMENTS TO GAAP BASIS				
CWCB Loan Proceeds		<u>(145,742)</u>		<u>(644,393)</u>
TOTAL REVENUES, GAAP Basis		<u>5,364,693</u>		<u>5,965,920</u>
TOTAL DISTRICT EXPENDITURES (Budgetary Basis)		6,953,594		9,271,007
ADJUSTMENTS TO GAAP BASIS				
Capital Outlay		(319,766)		(1,315,263)
Investment in Authorities (CCPWA, SMWISE, ECCV)		(828,317)		(1,739,151)
Depreciation		1,609,478		1,552,981
Principal Payments on Long-term Debt		(2,355,451)		(2,302,897)
Amortization Cost of Refunding		<u>5,746</u>		<u>5,746</u>
TOTAL EXPENDITURES, GAAP Basis		<u>5,065,284</u>		<u>5,472,423</u>
CHANGE IN NET POSITION, GAAP Basis		299,409		493,497
NET POSITION, Beginning, As Restated		<u>42,187,473</u>		<u>41,572,898</u>
NET POSITION, Ending		<u>\$ 42,486,882</u>		<u>\$ 42,066,395</u>

See the accompanying Independent Auditor's Report.

OTHER INFORMATION

INVERNESS WATER AND SANITATION DISTRICT

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
EXCLUSIVE OF COLORADO WATER CONSERVATION BOARD (CWCBC) LOANS, NOTE C AND NOTE D
 December 31, 2021

\$10,000,000 General Obligation Refund Bonds Series 2012					\$431,914 Colorado Water Conservation Board Note B				
Year	Rate	Principal	Interest	Total	Year	Rate	Principal	Interest	Total
2022	2.39%	<u>\$ 1,415,000</u>	<u>\$ 33,819</u>	<u>\$ 1,448,819</u>	2022	2.75%	\$ 17,406	\$ 10,958	\$ 28,364
					2023	2.75%	17,885	10,480	28,365
					2024	2.75%	18,377	9,988	28,365
					2025	2.75%	18,882	9,483	28,365
					2026	2.75%	19,401	8,963	28,364
					2027	2.75%	19,935	8,429	28,364
					2028	2.75%	20,483	7,882	28,365
					2029	2.75%	21,046	7,318	28,364
					2030	2.75%	21,625	6,739	28,364
					2031	2.75%	22,220	6,145	28,365
					2032	2.75%	22,831	5,534	28,365
					2033	2.75%	23,459	4,906	28,365
					2034	2.75%	24,104	4,261	28,365
					2035	2.75%	24,767	3,598	28,365
					2036	2.75%	25,448	2,917	28,365
					2037	2.75%	26,147	2,217	28,364
					2038	2.75%	26,866	1,498	28,364
					2039	2.75%	27,605	759	28,364
							<u>\$ 398,487</u>	<u>\$ 112,075</u>	<u>\$ 510,562</u>
\$1,845,270 Colorado Water Conservation Board Note A									
Year	Rate	Principal	Interest	Total					
2022	2.75%	\$ -	\$ -	\$ -					
2023	2.75%	80,670	40,512	121,182					
2024	2.75%	82,888	38,294	121,182					
2025	2.75%	85,168	36,014	121,182					
2026	2.75%	87,510	33,672	121,182					
2027	2.75%	89,916	31,266	121,182					
2028	2.75%	92,389	28,793	121,182					
2029	2.75%	94,930	26,252	121,182					
2030	2.75%	97,540	23,642	121,182					
2031	2.75%	100,223	20,959	121,182					
2032	2.75%	102,979	18,203	121,182					
2033	2.75%	105,811	15,371	121,182					
2034	2.75%	108,720	12,462	121,182					
2035	2.75%	111,710	9,472	121,182					
2036	2.75%	114,782	6,400	121,182					
2037	2.75%	117,939	3,246	121,185					
		<u>\$ 1,473,175</u>	<u>\$ 344,558</u>	<u>\$ 1,817,733</u>					

NOTE: Colorado Water Conservation Board Notes C & D have not been finalized, therefore they are excluded from this schedule.

INVERNESS WATER AND SANITATION DISTRICT

**SCHEDULE OF ASSESSED VALUATION, MILL LEVY AND
PROPERTY TAXES COLLECTED**
December 31, 2021

Year Ended December 31, (By County)	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mill Levy Debt	Total Property Taxes		Collection Rate
			Levied	Collected	
2015					
Arapahoe County	\$ 171,682,307	6.450	\$ 1,107,351		
Arapahoe County Sewer Only (1)	10,958,186	4.170	45,696		
Arapahoe County Excluded Property (2)	15,029,829	1.030	15,481		
Arapahoe County Excluded Property (2)	2,065,157	3.730	7,703		
Douglas County	90,908,250	6.450	586,358		
Douglas County Excluded Property (2)	1,308,500	5.760	7,536		
Douglas County Excluded Property (2)	531,730	6.450	3,430		
	<u>\$ 292,483,959</u>		<u>\$ 1,773,555</u>	<u>\$ 1,672,065</u>	94.28%
2016					
Arapahoe County	\$ 176,794,739	6.100	\$ 1,078,448		
Arapahoe County Sewer Only (1)	13,787,571	3.950	54,461		
Arapahoe County Excluded Property (2)	21,103,110	0.970	20,470		
Arapahoe County Excluded Property (2)	2,201,769	3.520	7,750		
Arapahoe County Excluded Property (2)	1,059,612	6.100	6,464		
Arapahoe County Excluded Property (2)	868,865	3.948	3,430		
Arapahoe County Excluded Property (2)	1,358,804	6.100	8,289		
Douglas County	102,872,540	6.100	627,522		
Douglas County Excluded Property (2)	1,961,540	5.440	10,671		
Douglas County Excluded Property (2)	1,803,590	6.100	11,002		
	<u>\$ 323,812,140</u>		<u>\$ 1,828,507</u>	<u>\$ 1,859,545</u>	101.70%
2017					
Arapahoe County	\$ 177,887,376	5.230	\$ 930,351		
Arapahoe County Sewer Only (1)	13,676,689	2.410	32,961		
Douglas County	103,973,770	2.230	543,783		
	<u>\$ 295,537,835</u>		<u>\$ 1,507,095</u>	<u>\$ 1,483,250</u>	98.42%
2018					
Arapahoe County	\$ 206,160,905	4.750	\$ 979,264		
Arapahoe County Sewer Only (1)	15,016,751	2.190	32,887		
Douglas County	115,485,070	4.750	548,554		
	<u>\$ 336,662,726</u>		<u>\$ 1,560,705</u>	<u>\$ 1,554,524</u>	99.60%
2019					
Arapahoe County	\$ 208,676,755	4.750	\$ 991,215		
Arapahoe County Sewer Only (1)	13,613,453	2.190	29,813		
Douglas County	110,208,860	4.750	523,492		
	<u>\$ 332,499,068</u>		<u>\$ 1,544,520</u>	<u>\$ 1,516,936</u>	98.21%
2020					
Arapahoe County	\$ 231,054,559	4.500	\$ 1,039,746		
Arapahoe County Sewer Only (1)	15,296,590	2.070	31,664		
Douglas County	107,873,670	4.500	485,432		
	<u>\$ 354,224,819</u>		<u>\$ 1,556,842</u>	<u>\$ 1,414,762</u>	90.87%
2021					
Arapahoe County	\$ 230,972,213	4.500	\$ 1,039,375		
Arapahoe County Sewer Only (1)	13,239,778	2.070	27,406		
Douglas County	107,888,480	4.500	485,498		
	<u>\$ 352,100,471</u>		<u>\$ 1,552,279</u>	<u>\$ 1,443,057</u>	92.96%
2022 (Estimated)					
Arapahoe County	\$ 244,791,174	4.500	\$ 1,101,560		
Douglas County	103,640,490	4.500	466,382		
	<u>\$ 348,431,664</u>		<u>\$ 1,567,942</u>		

Note: Property taxes collected in any one year include collection of delinquent property taxes levied in prior years, and may include abatements related to prior years. Information received from the County Treasurers does not permit identification of specific year of levy.

(1) - A portion of Arapahoe County is excluded from water services.

(2) - Residential property excluded from water and sewer services is subject to the debt service mill levy for debt issued prior to its exclusion.

Source: Arapahoe and Douglas County Assessors and Treasurers.

See the accompanying Independent Auditor's Report.