

Genesee Water and Sanitation District

Financial Statements and Supplementary Information
with Independent Auditor's Report

Years Ended December 31, 2021 and 2020



WIPFLI

Board of Directors
Genesee Water and Sanitation District
Jefferson County, Colorado

Independent Auditor's Report

Opinion

We have audited the accompanying financial statements of the business-type activities of Genesee Water and Sanitation District (the "District"), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Genesee Water and Sanitation District as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Other Matters

The management's discussion and analysis information on pages 1 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Wipfli LLP

Wipfli LLP
Lakewood, Colorado

June 28, 2022

Genesee Water and Sanitation District
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Genesee Water and Sanitation District (the District), we offer readers of the District's basic financial statements this narrative overview and analysis of the financial activities of Genesee Water and Sanitation District for the year ended December 31, 2021.

Financial Highlights

- Net Position decreased \$189,432 from 2020 to 2021
- District Revenues increased by \$230,287 from 2020 to 2021
- District Expenses increased by \$23,167 from 2020 to 2021

Overview of the Financial Statements

The basic financial statements of the District are presented as a special purpose government engaged in business type activities – providing water and sanitation services, through its enterprise.

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

The *Statements of Revenues, Expenses and Changes in Net Position* present information, which reflects how the District's Net Position changed during the past year. All changes in the 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.

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

These financial statements distinguish between functions of the District that will be principally supported by service charges and property taxes. The functions of the District include effective and economical operation of water and sanitation systems within the jurisdictional boundaries of the District.

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the District's budgetary comparisons presented for legal compliance.

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Genesee Water and Sanitation District

MANAGEMENT’S DISCUSSION AND ANALYSIS

Financial Analysis

As noted earlier, Net Position may serve over time as a useful indicator of the District’s financial position. In the case of the District, assets exceeded liabilities and deferred inflows by \$5,883,212 and \$2,821,625 for water and sanitation, respectively.

	NET POSITION			
	Water		Sanitation	
	2021	2020	2021	2020
Assets				
Current assets	\$ 1,376,327	\$ 1,155,290	\$ 278,520	\$ 534,963
Capital assets, net	16,388,188	17,154,740	2,988,493	3,068,929
Total assets	17,764,515	18,310,030	3,267,013	3,603,892
Liabilities				
Current liabilities	875,026	887,040	43,190	166,509
Long-term liabilities	10,166,539	10,764,167	402,198	416,386
Total liabilities	11,041,565	11,651,207	445,388	582,895
Deferred Inflows of Resources	839,738	785,551	-	-
Net Position				
Net invested in capital assets	5,541,237	5,704,005	2,629,531	2,681,658
Restricted				
Governmental reserve	-	-	-	-
Capital replacements	278,787	273,223	239,858	251,377
Loan operating reserve	280,954	294,043	-	-
Emergency reserve	33,454	32,787	28,783	30,165
Unrestricted	(251,220)	(430,786)	(76,547)	57,797
Total Net Position	\$ 5,883,212	\$ 5,873,272	\$ 2,821,625	\$ 3,020,997

The largest portion of the District’s Net Position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Genesee Water and Sanitation District

MANAGEMENT’S DISCUSSION AND ANALYSIS

REVENUE, EXPENSES AND CHANGES IN NET POSITION

	Water		Sanitation	
	2021	2020	2021	2020
REVENUE				
Operating revenue	\$ 1,013,368	\$ 1,016,236	\$ 932,996	\$ 887,495
Nonoperating Revenue	1,300,565	1,104,394	129,166	137,683
Total Revenue	2,313,933	2,120,630	1,062,162	1,025,178
EXPENSES				
Operating/Administrative & General Expenses	1,115,146	1,092,892	959,432	1,005,506
Depreciation	979,243	894,345	288,591	317,564
Nonoperating Expenses	209,604	217,534	13,511	14,519
Total Expenses	2,303,993	2,204,771	1,261,534	1,337,589
Change in Net Positions	9,940	(84,141)	(199,372)	(312,411)
Net Position - Beg of Year	5,873,272	5,957,413	3,020,997	3,333,408
Net Position - End of Year	\$ 5,883,212	\$ 5,873,272	\$ 2,821,625	\$ 3,020,997

District water operating revenue decreased \$2,868 from 2020 to 2021. District sanitation operating revenue increased \$45,501 from 2020 to 2021. Investment earnings decreased by \$3,959 (98%) as a result of the District having less cash on hand during 2021. The District continues to monitor and maximize interest earnings with available funds.

General operations and administrative expenses of the water and sanitation operations, exclusive of depreciation expense, decreased \$23,820 from 2020 to 2021. Legal expense decreased by \$54,806, repairs and maintenance expense decreased by \$59,067 and utilities expense decreased by \$37,891. This was offset by salaries and benefits increasing by \$92,876 from 2020 to 2021.

The District received \$447,176 in Capital Replacement Fees (CRF) fees (\$26 per month, per customer, \$52 per 2-month billing cycle).

The District received \$153,564 of grant revenue in 2021. The District will receive a total of \$1,384,000 of grant revenue over the course of the capacity expansion project, as described in Note 5. The District has received a total of \$153,564 of the grant as of December 31, 2021.

Budgetary Highlights

The District prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of debt issuance, sale of assets and debt repayments, as well as capital outlay in addition to operations and non-operating revenue and contributions. Capital contributions of facilities and depreciation are not reflected on the budget since they do not affect “funds available.” Additionally, the budget includes the separation of the Enterprise and Government functions within the District.

Genesee Water and Sanitation District
MANAGEMENT’S DISCUSSION AND ANALYSIS

Revenue to the Government Fund

Income received from property taxes, specific ownership taxes and investment earnings will be used to pay for long term debt service, which includes interest and principal on bonds and loans, Jefferson County Treasurer property tax collection fees, loan administration fees and bank servicing fees associated with bonds. In past years a transfer from the Government fund to the Enterprise fund was made for associated administrative services provided by the Enterprise on behalf of the Government. However, effective January 1, 2014 it has been determined the Government will directly perform related duties. In May 2008 voters approved an additional 3.0 mills property tax to fund capital replacements beginning in 2009 and ending in 2018. Money received will be restricted funds and as of 2014 is administered through the Government capital replacement program, but in unison with the Enterprise Capital Replacement Program. For more information see the Capital Replacement Fund.

Revenue to the Enterprise Fund

Revenues, primarily from water and sewer service charges (excluding property taxes, specific ownership taxes) are used to pay for most operations and administrative expenses of the District.

Water and sewer service fees were increased on December 26, 2021. Prior to this, the last time water fees were increased was December 26, 2020; December 26, 2019; December 26, 2017 and sewer fees December 26, 2013. The Capital Replacement Fees was increased during 2021. The last time Capital Replacement Water Fees were increased was December 26, 2020; December 26, 2015 and December 26, 2013. The current rates are summarized below:

Schedule of Fees and Charges				
Effective 12/26/21				
Single and Multi-Family dwellings				
Base Charges - 2 Month Period				
		Pior to 12/26/2021	After 12/26/2021	
Water		\$ 59.00	\$ 69.00	
Sewer		\$ 104.00	\$ 122.62	
Capital Replacement Fund				
Water		\$ 37.00	\$ 48.28	
Sewer		\$ 15.00	\$ 23.79	
Consumption Charges				
1,000-5,000	Gallons	\$ 4.50	\$ 4.85	Per 1,000 Gallons
6,000-10,000	Gallons	\$ 5.30	\$ 5.65	Per 1,000 Gallons
11,000-15,000	Gallons	\$ 6.15	\$ 6.50	Per 1,000 Gallons
16,000-20,000	Gallons	\$ 7.05	\$ 7.40	Per 1,000 Gallons
21,000 Plus	Gallons	\$ 8.30	\$ 8.65	Per 1,000 Gallons

Water and Sewer service fees along with associated revenues and operating expenses are reviewed annually.

Genesee Water and Sanitation District
MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Replacement Fund

On May 5, 2008 District voters approved a 3.0 property tax mill levy with a term of 2009 through 2018 to establish a restricted reserve fund for Capital replacements. At the time of review, it was decided to fund the Capital Replacement fund partially through property taxes with the remaining amounts needed by any and all other revenue sources. It was estimated in 2008 3.0 mills would fund approximately one half of the projected capital replacement needs for the next ten years, exclusive of the new water treatment facility project described previously on page 2, long term debt. The fund will help to assure that as District infrastructure ages, most of which is now 30-plus years old, repair and replacement funds will be available to continue to provide high quality water and sewer service. Other related revenue sources include a Capital Replacement Fee (CRF) which was increased from \$37 to \$48.28 effective December 26, 2021 for water while sewer increased from \$15 to \$23.79 bringing the bi-monthly total to \$72.07. This fee is added to each customer's bill to help meet the unfunded portion of the District's capital replacement plan.

Capital Asset and Debt Administration

Capital Assets

The District's net investment in capital assets at December 31, 2021 amounts to \$8,170,768 (net of accumulated depreciation). This investment in capital assets includes water rights, operating system and equipment and vehicles. It should be noted that the actual value of the District's water rights portfolio cannot be accurately quantified as the rights have a perpetual life, and generally become increasingly valuable over time. Management feels the water rights currently held by the District have a greater value than the acquisition price reflected in the financial statements.

Additional information on the District's capital assets can be found in Note 4 of this report.

Long-Term Debt

Refunding of the remaining principal balance of the July 1, 2004 outstanding reservoir bonds ("2004 Series") in the amount of \$2,435,000 was accomplished on December 12, 2014 through a new "2014 Series" general obligation loan agreement with JP Morgan Chase Bank. In addition to the refunding, issuance of \$500,000 in new funds was provided for within the loan for a total "2014 Series" loan amount of \$2,988,000 and includes all costs of issuance. The "2014 Series" loan has a term of 10 years, no provision for early redemption and an interest rate of 2.25% per annum. Issuance of the \$500,000 amount was provided at the time creating cash flow in order to continue with engineering, geotechnical and permitting associated with the replacement of the District's 32-year-old water treatment facility. At a November 4, 2014 election, the District electorate authorized (with an overwhelming 77% in favor) \$10,300,000 in general obligation debt to be used for the full replacement of its aging water treatment facility along with other water system replacements and improvements. Accordingly, a loan in the amount of \$9,790,312 at an interest rate of 2.17% with a 20-year term was put in place with the Colorado Water Resources and Power Development Authority. Unfortunately, bidding results came in higher than expected for the Advanced Water Treatment Facility and in order to complete all water system replacements anticipated to be covered/funded with the \$10,300,000 voter authorization, the District Enterprise implemented another loan in the amount of \$2.5 million with the Colorado Water Resources and Power Development Authority. This loan is a 0% interest, 20-year term and is secured with a revenue pledge from the District. Proceeds from this loan were used to fund shortfalls which developed with the water treatment project and to complete the other water system replacements and improvements. On May 24, 2021 the District entered into a loan agreement in the amount of \$4,242,000 through the Colorado Water Conservation Board (CWCB). The loan proceeds will be used to provide additional raw water storage capacity, provide additional drought protection and increase the operational reliability of the District's system. The loan bears interest at 2.50% for a maximum 40-year term.

Genesee Water and Sanitation District
MANAGEMENT'S DISCUSSION AND ANALYSIS

Requests for Information

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

Director of Administration
2310 Bitterroot Lane
Golden, CO 80401

Genesee Water and Sanitation District

BASIC FINANCIAL STATEMENTS

Genesee Water and Sanitation District
STATEMENTS OF NET POSITION
December 31, 2021 and 2020

ASSETS			Totals	
	Water	Sanitation	2021	2020
Current Assets:				
Cash and investments	\$ 25,305	\$ (154,847)	\$ (129,542)	\$ 7,720
Cash and Investments - restricted				
Capital reserve	278,787	239,858	518,645	524,600
Accounts receivable - service fees	195,755	179,474	375,229	331,352
Property taxes receivable	850,312	-	850,312	791,468
Other current assets	26,168	14,035	40,203	35,113
Total current assets	1,376,327	278,520	1,654,847	1,690,253
Capital assets not being depreciated	485,628	-	485,628	340,671
Capital assets being depreciated, net	15,902,560	2,988,493	18,891,053	19,882,998
Total capital assets	16,388,188	2,988,493	19,376,681	20,223,669
TOTAL ASSETS	\$ 17,764,515	\$ 3,267,013	\$ 21,031,528	\$ 21,913,922
LIABILITIES				
Current liabilities				
Accounts payable	\$ 48,623	\$ 11,837	60,460	\$ 195,082
Other current liabilities	3,041	1,015	4,056	7,735
Current portion of long-term obligations	752,738	29,090	781,828	771,775
Accrued interest payable	70,624	1,248	71,872	71,872
Accrued salaries and benefits	-	-	-	7,085
Total current liabilities	875,026	43,190	918,216	1,053,549
Long-term obligations				
Long-term obligations	10,094,213	329,872	10,424,085	11,066,231
Compensated benefits	72,326	72,326	144,652	114,322
Total long-term liabilities	10,166,539	402,198	10,568,737	11,180,553
TOTAL LIABILITIES	11,041,565	445,388	11,486,953	12,234,102
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax revenue	839,738	-	839,738	785,551
Total deferred inflows of resources	839,738	-	839,738	785,551
NET POSITION				
Net invested in capital assets	5,541,237	2,629,531	8,170,768	8,385,663
Restricted				
Capital replacements	278,787	239,858	518,645	524,600
Loan operating reserve	280,954	-	280,954	294,043
Emergency reserve	33,454	28,783	62,237	62,952
Unrestricted	(251,220)	(76,547)	(327,767)	(372,989)
TOTAL NET POSITION	\$ 5,883,212	\$ 2,821,625	\$ 8,704,837	\$ 8,894,269

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

Genesee Water and Sanitation District
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended December 31, 2021 and 2020

			Totals	
	Water	Sanitation	2021	2020
OPERATING REVENUE				
Service fees	\$ 1,013,368	\$ 932,996	\$ 1,946,364	\$ 1,903,731
OPERATING EXPENSES				
Auto and travel	14,330	14,254	28,584	22,313
Chemicals and supplies	39,157	52,250	91,407	87,017
Depreciation	979,243	288,591	1,267,834	1,211,909
Directors' fees	3,350	3,350	6,700	6,100
Ditch assessments	4,303	-	4,303	4,303
Dues and publications	1,546	12,921	14,467	15,569
Elections	-	-	-	3,150
Insurance	39,726	39,726	79,452	71,912
Legal fees	55,925	(4,132)	51,793	106,599
Miscellaneous	2,261	2,686	4,947	8,661
Office supplies and expenses	41,717	38,142	79,859	50,662
Professional fees	7,676	11,250	18,926	25,006
Repairs and maintenance	128,110	114,484	242,594	301,661
Salaries and benefits	583,392	553,031	1,136,423	1,043,547
Small tools and equipment	14,767	7,225	21,992	18,988
Telephone and communications	15,287	11,578	26,865	25,597
Testing and analysis	5,961	10,055	16,016	19,172
Utilities	157,638	92,612	250,250	288,141
Total operating expenses	<u>2,094,389</u>	<u>1,248,023</u>	<u>3,342,412</u>	<u>3,310,307</u>
(LOSS) FROM OPERATIONS	<u>(1,081,021)</u>	<u>(315,027)</u>	<u>(1,396,048)</u>	<u>(1,406,576)</u>
NONOPERATING REVENUE AND (EXPENSES)				
Property taxes	779,471	-	779,471	782,926
Specific ownership taxes	60,081	-	60,081	59,572
Capital replacements fee	318,179	128,997	447,176	343,604
Grant revenue	153,564	-	153,564	-
Interest income	-	79	79	4,038
Loss on sale of capital assets	(42,853)	-	(42,853)	-
Other revenue	32,123	90	32,213	51,937
Interest expense	(197,930)	(13,511)	(211,441)	(220,311)
Treasurer and debt servicing fees	(11,674)	-	(11,674)	(11,742)
Total nonoperating revenue	<u>1,090,961</u>	<u>115,655</u>	<u>1,206,616</u>	<u>1,010,024</u>
CHANGE IN NET POSITION	9,940	(199,372)	(189,432)	(396,552)
NET POSITION - BEGINNING OF YEAR	<u>5,873,272</u>	<u>3,020,997</u>	<u>8,894,269</u>	<u>9,290,821</u>
NET POSITION - END YEAR	<u>\$ 5,883,212</u>	<u>\$ 2,821,625</u>	<u>\$ 8,704,837</u>	<u>\$ 8,894,269</u>

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

Genesee Water and Sanitation District

STATEMENT OF CASH FLOWS

For the Years Ended December 31, 2021 and 2020

			Totals	
	Water	Sanitation	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 978,823	\$ 913,917	\$ 1,892,740	\$ 1,916,708
Cash payments to employees for services	(583,392)	(553,031)	(1,136,423)	(1,043,646)
Cash payments to suppliers for goods and services	(537,612)	(515,599)	(1,053,211)	(953,021)
Net cash used by operating activities	<u>(142,181)</u>	<u>(154,713)</u>	<u>(296,894)</u>	<u>(79,959)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Net property and specific ownership taxes received	827,878	-	827,878	830,756
Capital replacement fees received	318,179	128,997	447,176	343,604
Grant revenue received	153,564	-	153,564	-
Acquisition of capital assets	(255,543)	(208,155)	(463,698)	(570,561)
Cash received on debt issuance	140,208	-	140,208	-
Principal paid on general obligation debt	(743,992)	(28,309)	(772,301)	(762,183)
Interest paid on general obligation debt	(197,931)	(13,511)	(211,442)	(220,311)
Other revenue	32,123	90	32,213	51,937
Net cash used by capital and related financing activities	<u>274,486</u>	<u>(120,888)</u>	<u>153,598</u>	<u>(326,758)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment earnings received	-	79	79	4,038
Net cash provided by investing activities	<u>-</u>	<u>79</u>	<u>79</u>	<u>4,038</u>
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	132,305	(275,522)	(143,217)	(402,679)
CASH AND INVESTMENTS - BEGINNING OF YEAR	<u>171,787</u>	<u>360,533</u>	<u>532,320</u>	<u>934,999</u>
CASH AND INVESTMENTS - END OF YEAR	<u>\$ 304,092</u>	<u>\$ 85,011</u>	<u>\$ 389,103</u>	<u>\$ 532,320</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES				
Operating (loss)	\$ (1,081,021)	\$ (315,027)	\$ (1,396,048)	\$ (1,406,576)
Adjustments to reconcile operating (loss) to cash flows used by operating activities				
Depreciation	979,243	288,591	1,267,834	1,211,909
(Increase) decrease in:				
Receivables	(29,639)	(18,895)	(48,534)	436
Other current assets (net of insurance receivable)	(4,906)	(184)	(5,090)	2,540
Increase (decrease) in:				
Accounts payable for operations	(16,447)	(118,175)	(134,622)	110,559
Payroll liabilities	(3,697)	(3,388)	(7,085)	453
Compensated benefits	15,165	15,165	30,330	-
Other current liabilities	(879)	(2,800)	(3,679)	720
Net cash used by operating activities	<u>\$ (142,181)</u>	<u>\$ (154,713)</u>	<u>\$ (296,894)</u>	<u>\$ (79,959)</u>

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

Genesee Water and Sanitation District
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

Note 1: Definition of Reporting Entity

Genesee Water and Sanitation District (District), a quasi-municipal corporation and political subdivision of the State of Colorado, is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in Jefferson County, Colorado. The District was established to provide water and sewage treatment services to the properties within its service area.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. Based on this definition, the District has determined that the Genesee Water and Sanitation Building Authority (Corporation), a nonprofit corporation organized and existing under the laws of the State of Colorado, is a component unit of the District and has blended the financial information of the Corporation into the District's financial statements.

The District established an Enterprise of the Genesee Water and Sanitation District (Enterprise) by Resolution of the Board of Directors of the District in 1993. The Enterprise was organized as a "Water Activity Enterprise" within the meaning of Title 37, Article 45.1, Part1, C.R.S. and has been established as and constitutes an enterprise within the meaning of Article X, Section 20 of the Colorado Constitution (see Note 10). The District's Board of Directors serves as the Board of Directors for the Enterprise. The Enterprise is considered a component unit of the District and blended in the District's financial statements. Separate financial statements of the Enterprise are not issued.

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

Note 2: Summary of Significant Accounting Policies

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

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

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

Genesee Water and Sanitation District
NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2021 and 2020

Note 2: Summary of Significant Accounting Policies (Continued)

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

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

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

Budgets – In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The total appropriation can only be modified upon completion of notification and publication requirements. The 2021 budget for the Enterprise Fund reflects a negative ending balance of funds available. This may be a violation of state budget law.

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

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

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

Genesee Water and Sanitation District
NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2021 and 2020

Note 2: Summary of Significant Accounting Policies (Continued)

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

Capital assets – Capital assets include water and sanitation operating systems and equipment and vehicles. Capital assets are defined by the District as those assets with an initial, individual cost of \$1,000 or greater. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation or at the developer's cost.

The District believes it has substantial value in the form of currently unused capital assets, including water rights, water and wastewater treatment plant capacities, and water and sewer main lines (taps) and stations. The cost of water rights includes acquisition cost, legal and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

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

Operating systems	5 to 49 years
Equipment and vehicles	2 to 10 years

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

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

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

Genesee Water and Sanitation District
NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2021 and 2020

Note 2: Summary of Significant Accounting Policies (Continued)

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

Note 3: Cash and Investments

Cash and investments are reflected on the December 31, 2021 and 2020 Statements of Net Position as follows:

	Water	Sanitation	2021	2020
Cash and investment	\$ 25,305	\$ (154,847)	\$ (129,542)	\$ 7,720
Cash and investments - restricted				
Capital reserve	278,787	239,858	518,645	524,600
Total cash and investments	<u>\$ 304,092</u>	<u>\$ 85,011</u>	<u>\$ 389,103</u>	<u>\$ 532,320</u>

The District has negative unrestricted cash of \$154,847 in the Sanitation Fund as a result of funds being restricted for capital reserve requirements. Management plans to monitor spending and increase fees to address this negative cash balance.

Cash and investments as of December 31, 2021 and 2020 consist of the following:

	2021	2020
Deposits with financial institutions	\$ 276,736	\$ 154,254
Investments	112,367	378,066
Total cash and investments	<u>\$ 389,103</u>	<u>\$ 532,320</u>

At December 31, 2021 and 2020, the District's cash deposits had bank balances of \$320,443 and \$180,301, respectively, and carrying balances of \$276,736 and \$154,254 respectively.

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. As of December 31, 2021 and 2020, the federal insurance limits were \$250,000. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Genesee Water and Sanitation District
NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2021 and 2020

Note 3: Cash and investments (Continued)

Custodial credit risk – deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's cash deposit and investment policy adopts state statutes regarding custodial credit risk for deposits. As of December 31, 2021 and 2020, none of the District's bank balances were exposed to custodial credit risk, as amounts were either insured or collateralized.

Investments

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

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

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

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

Fair Value Measurement and Application

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds, money market funds, and COLOTRUST which are recorded at net asset value.

Genesee Water and Sanitation District
NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2021 and 2020

Note 3: Cash and Investments (Continued)

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

<u>Investment</u>	<u>Maturity</u>	<u>2021</u>	<u>2020</u>
Colorado Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	\$ 112,367	\$ 378,066

COLOTRUST

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

Restricted cash and investments

Restricted cash and investments represent funds available as of December 31, 2021 and 2020, as follows:

	<u>2021</u>	<u>2020</u>
Capital reserve	\$ 518,645	\$ 524,600
Restricted cash and investments	\$ 518,645	\$ 524,600

Genesee Water and Sanitation District
NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2021 and 2020

Note 4: Capital Assets

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

	Balance at December 31, 2020	Increases	Decreases	Balance at December 31, 2021
<u>Water</u>				
Capital assets, not being depreciated				
Water rights	\$ 147,563	\$ -	\$ -	\$ 147,563
Construction in progress	193,108	202,700	57,743	338,065
Total capital assets not being depreciated	<u>340,671</u>	<u>202,700</u>	<u>57,743</u>	<u>485,628</u>
Capital assets being depreciated				
Operating system and building	32,358,849	110,587	54,706	32,414,730
Equipment and vehicles	504,622	-	-	504,622
Total capital assets being depreciated	<u>32,863,471</u>	<u>110,587</u>	<u>54,706</u>	<u>32,919,352</u>
Less accumulated depreciation for				
Operating system and building	15,590,351	967,980	11,853	16,546,478
Equipment and vehicles	459,051	11,263	-	470,314
Total accumulated depreciation	<u>16,049,402</u>	<u>979,243</u>	<u>11,853</u>	<u>17,016,792</u>
Total capital assets being depreciated, net	<u>16,814,069</u>	<u>(868,656)</u>	<u>42,853</u>	<u>15,902,560</u>
Capital assets, net	<u>\$ 17,154,740</u>	<u>\$ (665,956)</u>	<u>\$ 100,596</u>	<u>\$ 16,388,188</u>
<u>Sanitation</u>				
Capital assets being depreciated				
Operating system and building	\$ 13,046,915	\$ 201,089	\$ -	\$ 13,248,004
Equipment and vehicles	529,871	7,066	-	536,937
Total capital assets being depreciated	<u>13,576,786</u>	<u>208,155</u>	<u>-</u>	<u>13,784,941</u>
Less accumulated depreciation for				
Operating system and building	10,040,911	278,734	-	10,319,645
Equipment and vehicles	466,946	9,857	-	476,803
Total accumulated depreciation	<u>10,507,857</u>	<u>288,591</u>	<u>-</u>	<u>10,796,448</u>
Total capital assets being depreciated, net	<u>3,068,929</u>	<u>(80,436)</u>	<u>-</u>	<u>2,988,493</u>
Capital assets, net	<u>\$ 3,068,929</u>	<u>\$ (80,436)</u>	<u>\$ -</u>	<u>\$ 2,988,493</u>

Genesee Water and Sanitation District
NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2021 and 2020

Note 4: Capital Assets (Continued)

Capital asset activity for the year ended December 31, 2020 was as follows:

	Balance at December 31, 2019	Increases	Decreases	Balance at December 31, 2020
<u>Water</u>				
Capital assets, not being depreciated				
Water rights	\$ 147,563	\$ -	\$ -	\$ 147,563
Construction in progress	111,726	81,382	-	193,108
Total capital assets not being depreciated	<u>259,289</u>	<u>81,382</u>	<u>-</u>	<u>340,671</u>
Capital assets being depreciated				
Operating system and building	32,284,837	74,012	-	32,358,849
Equipment and vehicles	475,047	29,575	-	504,622
Total capital assets being depreciated	<u>32,759,884</u>	<u>184,969</u>	<u>-</u>	<u>32,863,471</u>
Less accumulated depreciation for				
Operating system and building	14,711,080	879,271	-	15,590,351
Equipment and vehicles	443,977	15,074	-	459,051
Total accumulated depreciation	<u>15,155,057</u>	<u>894,345</u>	<u>-</u>	<u>16,049,402</u>
Total capital assets being depreciated, net	<u>17,604,827</u>	<u>(709,376)</u>	<u>-</u>	<u>16,814,069</u>
Capital assets, net	<u>\$ 17,864,116</u>	<u>\$ (709,376)</u>	<u>\$ -</u>	<u>\$ 17,154,740</u>
<u>Sanitation</u>				
Capital assets being depreciated				
Operating system and building	\$ 12,693,552	\$ 353,363	\$ -	\$ 13,046,915
Equipment and vehicles	497,642	32,229	-	529,871
Total capital assets being depreciated	<u>13,191,194</u>	<u>385,592</u>	<u>-</u>	<u>13,576,786</u>
Less accumulated depreciation for				
Operating system and building	9,734,589	306,322	-	10,040,911
Equipment and vehicles	455,703	11,243	-	466,946
Total accumulated depreciation	<u>10,190,292</u>	<u>317,565</u>	<u>-</u>	<u>10,507,857</u>
Total capital assets being depreciated, net	<u>3,000,902</u>	<u>68,027</u>	<u>-</u>	<u>3,068,929</u>
Capital assets, net	<u>\$ 3,000,902</u>	<u>\$ 68,027</u>	<u>\$ -</u>	<u>\$ 3,068,929</u>

Genesee Water and Sanitation District
NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2021 and 2020

Note 4: Capital Assets (Continued)

Depreciation expense for the years ended December 31, 2021 and 2020 was charged to the following operations:

	2021	2020
Water fund	\$ 979,243	\$ 894,345
Sanitation fund	288,591	317,565
	<u>\$ 1,267,834</u>	<u>\$ 1,211,910</u>

Note 5: Long Term Obligations

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

	Balance at December 31, 2020	Additions	Reductions	Balance at December 31, 2021	Due Within One Year
Series 2014 GO Loan	\$ 1,113,000	\$ -	\$ 269,000	\$ 844,000	\$ 275,000
2015 GO Loan - CWRPDA	8,075,465	-	321,683	7,753,782	323,648
2015 Revenue Loan - CWRPDA	1,875,000	-	125,000	1,750,000	125,000
Capital lease - building	774,541	-	56,618	717,923	58,180
2021 Revenue Loan - CWCB	-	140,208	-	140,208	-
Total long-term obligations	<u>\$ 11,838,006</u>	<u>\$ 140,208</u>	<u>\$ 772,301</u>	<u>\$ 11,205,913</u>	<u>\$ 781,828</u>

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2020:

	Balance at December 31, 2019	Additions	Reductions	Balance at December 31, 2020	Due Within One Year
Series 2014 GO Loan	\$ 1,376,000	\$ -	\$ 263,000	\$ 1,113,000	\$ 269,000
2015 GO Loan - CWRPDA	8,395,034	-	319,569	8,075,465	321,683
2015 Revenue Loan - CWRPDA	2,000,000	-	125,000	1,875,000	125,000
Capital lease - building	829,155	-	54,614	774,541	56,092
Total long-term obligations	<u>\$ 12,600,189</u>	<u>\$ -</u>	<u>\$ 762,183</u>	<u>\$ 11,838,006</u>	<u>\$ 771,775</u>

Loans payable

\$2,988,000 General Obligation Refunding and Improvement Loan, Series 2014

The loan agreement dated December 12, 2014 with a bank, in the original amount of \$2,988,000, has a fixed interest rate of 2.25%. Interest is payable each June 1 and December 1 each year beginning June 1, 2015. Principal payments are due each December 1, beginning December 31, 2015 and maturing December 1, 2024. The loan is secured by and payable solely from pledged revenue, net of any costs of collection, inclusive of the Required Mill Levy, as defined in the loan.

Genesee Water and Sanitation District
NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2021 and 2020

Note 5: Long Term Obligations (Continued)

General Obligation Loan Agreement, \$9,790,312 – Colorado Water Resources and Power Development Authority

The loan agreement dated April 1, 2015 for a total principal amount of \$9,790,312 between the District and Colorado Water Resources and Power Development Authority (CWRPDA), was entered into for the purpose of constructing and equipping a new water treatment plant (the Project), having a total estimated cost of \$12,800,000. The District must expend 85% of the total loan by April 1, 2018. The Project was completed in 2017. The loan bears interest at 2.17% and payments of principal and interest are due February 1 and August 1 each year through 2034. In addition to principal and interest, the District will pay administrative loan servicing fees totaling \$1,395,113 over the term of the loan. Annual payment amounts for principal, interest, and administrative fees vary from \$477,124 to \$776,640 over the term of the loan. Prepayments of amounts owing is allowable, subject to various conditions as set forth in the loan agreement.

Pursuant to the loan agreement, the District is required to maintain an Operation Maintenance Reserve (the reserve) in an amount equal to three months of operating expenses of the District's water system, excluding depreciation, as set forth in the District's annual budget for the current fiscal year, but not greater than \$1,250,000. If the reserve falls below the required amount, the shortfall is payable in 24 equal monthly installments. As of December 31, 2021 and 2020, the required operating reserve was \$278,786 and \$294,043, respectively.

Loan Agreement, \$2,500,000 – Colorado Water Resources and Power Development Authority

The loan agreement dated December 11, 2015 for a total principal amount of \$2,500,000 between the District and Colorado Water Resources and Power Development Authority (CWRPDA), was entered into for the purpose of additional financing of the construction and equipping of the new water treatment plant (the Project). The Project was completed in 2017. The loan bears interest at 0% and payments of principal are due May 1 and November 1 each year through 2035. Annual payment amounts for principal are \$125,000 over the term of the loan. Prepayments of amounts owing is allowable, subject to various conditions as set forth in the loan agreement.

Pursuant to the loan agreement, the District is required to establish rates, fees, and charges that pay the sum of; (a) amounts required to pay operation and maintenance expenses, (b) 110 % of the debt service due on any obligations secured by a lien on pledged revenues and District water system capital improvements, (c) amounts paid during the year into any debt service reserve account, on parity or subordinate to the loan agreement, (d) amounts necessary to pay and discharge all charges and liens or other indebtedness that is payable out of gross revenues.

Genesee Water and Sanitation District
NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2021 and 2020

Note 5: Long Term Obligations (continued)

Loan Agreement, \$4,242,000 – Colorado Water Conservation Board

On May 24, 2021 the District entered into a loan agreement in the amount of \$4,242,000 through the Colorado Water Conservation Board (CWCB). The loan proceeds will be used to provide additional raw water storage capacity, provide additional drought protection and increase the operational reliability of the District’s system. The loan bears interest at 2.50% for a maximum 40-year term, with an anticipated annual loan payment of \$168,985 that will begin one year after the project per above has been completed. The loan is secured by pledged revenues of the District, which include the gross revenue from the enterprise fund, such as service fees and other related fees derived from use of the water system. During 2021, the District received \$140,208 of the loan proceeds. As of December 31, 2021, the project has not been completed.

On June 1, 2021 the District received a grant in the amount of \$1,384,000 for the project and loan described above. These funds shall be used in a manner consistent with the description of the project as described in both the grant award letter and the loan agreement above. During 2021, the District received \$153,564 of the total grant amount.

Capital Leases

The District entered into a Lease Purchase Agreement with the Enterprise on April 1, 2012 for the purpose of financing the construction of a new garage, maintenance, and office facility. The District has issued a Direct Purchase Lease Revenue Bond to a bank, and from the proceeds made a construction loan to the Enterprise, to a maximum of \$1,200,000, as part of the lease agreement. The lease is payable in monthly installments of \$6,971, after all construction loan draws are executed, through December 1, 2027, at which time a final payment of \$391,882 is due to the bank. The lease bears interest at 3.61%. The Enterprise has agreed to use the proceeds from the lease to repay the bond principal and interest to the bank. As of December 31, 2021 and 2020, the District had drawn, and lent to the Enterprise, \$1,200,000. The lease may be prepaid in full with the following prepayment premiums added to the lease balance:

Months 1-12	3%
Months 12-24	2%
Months 25-36	1%
Month 37 to maturity	0%

The District is subject to a debt-service coverage ratio covenant for the capital lease on the building. The District was in violation of this covenant at December 31, 2020. The District is not in violation of this covenant at December 31, 2021.

Genesee Water and Sanitation District
NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2021 and 2020

Note 5: Long Term Obligations (continued)

The future minimum lease obligations and the net present value of the above minimum lease payments as of December 31, 2021 are as follows:

<u>Year Ending December 31,</u>	
2022	\$ 83,651
2023	83,651
2024	83,651
2025	83,651
2026	83,651
2027	409,935
Total minimum lease payments	<u>828,190</u>
Less: amount representing interest	<u>110,267</u>
Present value of minimum lease payments	717,923
Current portion	<u>58,180</u>
Long-term portion, including future draws	<u>\$ 659,743</u>

The amounts in this table are included in the "Debt maturities" table below.

Debt maturities

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

<u>Year Ended</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 781,828	\$ 201,875	\$ 983,703
2023	786,857	192,722	979,579
2024	797,755	183,989	981,744
2025	808,755	174,896	983,651
2026	813,072	167,229	980,301
2027-2031	4,354,924	557,083	4,912,007
2032-2035	2,722,514	101,342	2,823,856
	<u>\$ 11,065,705</u>	<u>\$ 1,579,136</u>	<u>\$ 12,644,841</u>

The outstanding balance of \$140,208 from the 2021 CWCB loan is excluded from the maturity table as payments do not begin until the project is complete.

Debt authorization

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

Genesee Water and Sanitation District
NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2021 and 2020

Note 6: Net Position

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, loans, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2021 and 2020, the District had net investment in capital assets, net of related debt as follows:

	2021	2020
Capital assets, net	\$ 19,376,681	\$ 20,223,669
Current portion of long-term obligations	(781,828)	(771,775)
Long-term obligations	(10,424,085)	(11,066,231)
Net investment in capital assets	\$ 8,170,768	\$ 8,385,663

Restricted assets include Net Position that is restricted for use either externally imposed by creditors, net grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The purposes for the restrictions of Net Position are described in Note 3. As of December 31, 2021 and 2020, the District had restricted Net Position as follows:

	2021	2020
Capital reserve	\$ 518,645	\$ 524,600
Loan reserve	280,954	294,043
Emergency reserve	62,237	62,952
Restricted net position	\$ 861,836	\$ 881,595

As of December 31, 2021 and 2020, the District had unrestricted net position (deficit) of \$(327,767) and \$(372,989), respectively.

Genesee Water and Sanitation District
NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2021 and 2020

Note 7: District Employees' Retirement Plan

The District participates in the Colorado County Officials and Employees Retirement Association Defined Contribution Plan (CCOERA). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees become participants immediately upon employment. Under this plan, ten percent of the employees' compensation is withheld and remitted to the CCOERA along with a matching payment of ten percent from the District. The District's contributions, plus earnings, related to employees of the District in place as of April 28, 2009, are 100% vested. As to employees hired after April 28, 2009, the District's contributions, plus earnings, vest according to the following schedule:

By the end of the 1st year:	0%
By the end of the 2nd year:	25%
By the end of the 3rd year:	50%
By the end of the 4th year:	75%
By the end of the 5th year:	100%

Plan provisions and contribution requirements are established and may be amended by CCOERA and would have to be approved by the District's Board of Directors.

There is no liability for benefits under the plan beyond the District's matching payments. Both the District and the participating employees made the required ten percent contributions for 2021 and 2020, amounting to \$83,119 and \$79,158, respectively.

Note 8: Deferred Compensation Plan

The District has two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The District contributes 2% of eligible employees' salaries to the plan of each employee's choice. One plan is sponsored by CCOERA and the other is sponsored by Nationwide Retirement Solutions. Participation in the plans is optional for all employees. The plans allow the employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergencies. The contributions totaled \$16,613 and \$14,600 for the years ended December 31, 2021 and 2020, respectively.

Genesee Water and Sanitation District
NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2021 and 2020

Note 9: Risk Management

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God. The District maintains commercial insurance for all risks of loss.

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

Note 10: Commitments and Contingencies

On June 12, 2019, the District entered into an agreement to lease equipment and software for centralized monitoring for field sites over long-distance communications networks for the Drinking Water and the Waste Water system operated by the District.

The lessor is responsible for all maintenance and repair on the equipment and software and the equipment and software will be returned to the lessor at the end of the lease term. Payments of \$14,940 were made during the year ended December 31, 2021 and 2020, respectively. The future minimum lease payments are as follows:

Year ended December 31,

2022	\$ 14,940
2023	14,940
2024	14,940
	<u>\$ 44,820</u>

Genesee Water and Sanitation District
NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2021 and 2020

Note 11: Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's Board of Directors has adopted a resolution establishing an enterprise to operate its water and sanitation activities. The District's management believes its water and sanitation operations qualify for this exclusion.

TABOR requires local governments (not including enterprises) to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). The District established an emergency reserve of \$62,237 and \$62,952 as of December 31, 2021 and 2020, respectively.

The District's management believes, after consultation with legal counsel, it is in compliance with the provisions of TABOR. However, TABOR is complex and has been, and will continue to be, subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualification as an enterprise will require further judicial interpretation.

Note 12: Reclassification of Prior Year Items

Capital asset additions from both 2019 and 2020 have been reclassified on the capital asset schedule, which has no effect on net position. On the capital asset schedule, amounts were reclassified from additions to capital assets being depreciated; operating system and building, to additions to capital assets, not being depreciated; construction in progress.

The table below provides the breakdown:

	2019	2020
Capital assets, not being depreciated		
Construction in progress		
Before reclassification	\$ 57,743	\$ 111,726
After reclassification	<u>111,726</u>	<u>193,108</u>
Net change	<u>\$ 53,983</u>	<u>\$ 81,382</u>
Capital assets being depreciated		
Operating system and building		
Before reclassification	\$ 32,338,820	\$ 32,440,231
After reclassification	<u>32,284,837</u>	<u>32,358,849</u>
Net change	<u>\$ (53,983)</u>	<u>\$ (81,382)</u>

Genesee Water and Sanitation District

SUPPLEMENTAL INFORMATION

Genesee Water and Sanitation District
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended December 31, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
ENTERPRISE:			
REVENUE			
Service fees	\$ 1,964,112	\$ 1,940,220	\$ (23,892)
Penalty, lien and disconnection fees	4,800	6,144	1,344
Investment earnings	2,200	79	(2,121)
Miscellaneous and rebates	-	32,213	32,213
Total enterprise revenue	<u>1,971,112</u>	<u>1,978,656</u>	<u>7,544</u>
EXPENDITURES			
Auto and travel	31,000	28,584	2,416
Chemicals and supplies	101,000	91,407	9,593
Contingency and miscellaneous	50,500	4,947	45,553
Director's fees	7,102	6,700	402
Ditch assessments	5,356	4,303	1,053
Dues and publications	16,785	14,467	2,318
Insurance	74,800	79,452	(4,652)
Office supplies and expense	67,535	79,859	(12,324)
Professional fees	62,500	70,719	(8,219)
Rent	83,652	83,652	-
Repairs and maintenance	252,785	158,942	93,843
Salaries and benefits	1,169,556	1,159,994	9,562
Small tools and equipment	19,030	21,992	(2,962)
Telephone and communication	31,170	26,865	4,305
Testing and analysis	24,750	16,016	8,734
Utilities	291,902	250,250	41,652
Total enterprise expenditures	<u>2,289,423</u>	<u>2,098,149</u>	<u>191,274</u>
EXCESS (DEFICIT) OF ENTERPRISE REVENUE OVER (UNDER) ENTERPRISE EXPENDITURES	(318,311)	(119,493)	198,818
FUNDS AVAILABLE - BEGINNING OF YEAR - ENTERPRISE	<u>(38,883)</u>	<u>171,003</u>	<u>209,886</u>
FUNDS AVAILABLE - END OF YEAR - ENTERPRISE	<u>\$ (357,194)</u>	<u>\$ 51,510</u>	<u>\$ 408,704</u>

Genesee Water and Sanitation District
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended December 31, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
ENTERPRISE CAPITAL OUTLAY RESERVE:			
REVENUE			
Capital replacement fee	\$ 447,096	\$ 447,176	\$ 80
Grant revenue	1,442,000	153,564	(1,288,436)
Investment revenue	30	-	(30)
Miscellaneous	-	-	-
Total enterprise capital outlay reserve revenue	<u>1,889,126</u>	<u>600,740</u>	<u>(1,288,386)</u>
EXPENDITURES			
Capital outlay	2,035,200	521,442	1,513,758
Loan principal	125,000	125,000	-
Total enterprise capital outlay reserve expenditures	<u>2,160,200</u>	<u>646,442</u>	<u>1,513,758</u>
EXCESS (DEFICIT) OF ENTERPRISE CAPITAL OUTLAY RESERVE REVENUE OVER (UNDER) CAPITAL OUTLAY RESERVE EXPENDITURES			
	(271,074)	(45,702)	225,372
FUNDS AVAILABLE - BEGINNING OF YEAR			
ENTERPRISE CAPITAL OUTLAY RESERVE	<u>821,107</u>	<u>518,870</u>	<u>(302,237)</u>
FUNDS AVAILABLE - END OF YEAR			
ENTERPRISE CAPITAL OUTLAY RESERVE	<u>\$ 550,033</u>	<u>\$ 473,168</u>	<u>\$ (76,865)</u>

Genesee Water and Sanitation District
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
GENERAL GOVERNMENT:			
REVENUE			
Property Taxes Series 2015 State Revolving Fund Loan CWRPDA	\$ 487,137	\$ 482,366	\$ (4,771)
Property Taxes - Series 2014 GO Refunding and Improvement Loan	298,392	297,105	(1,287)
Specific Ownership taxes	85,000	60,081	(24,919)
Total general government revenue	<u>870,529</u>	<u>839,552</u>	<u>(30,977)</u>
EXPENDITURES			
Principal and interest on notes and capital lease	774,338	775,090	(752)
Loan servicing and fees	11,616	11,674	(58)
General administration	85,000	60,081	24,919
Total general government expenditures	<u>870,954</u>	<u>846,845</u>	<u>24,109</u>
EXCESS (DEFICIT) OF GENERAL GOVERNMENT REVENUE OVER (UNDER) GENERAL GOVERNMENT EXPENDITURES	(425)	(7,293)	(6,868)
FUNDS AVAILABLE - BEGINNING OF YEAR - GENERAL GOVERNMENT	<u>425</u>	<u>(1,772)</u>	<u>(2,197)</u>
FUNDS AVAILABLE (DEFICIT)- END OF YEAR - GENERAL GOVERNMENT	<u>\$ -</u>	<u>\$ (9,065)</u>	<u>\$ (9,065)</u>
BUILDING AUTHORITY:			
REVENUE			
Rental income	\$ 83,652	\$ 83,652	\$ -
Total building authority revenue	<u>83,652</u>	<u>83,652</u>	<u>-</u>
EXPENDITURES			
Loan repayment to District	83,652	83,652	-
Total building authority expenditures	<u>83,652</u>	<u>83,652</u>	<u>-</u>
EXCESS (DEFICIT) OF BUILDING AUTHORITY REVENUE OVER (UNDER) BUILDING AUTHORITY EXPENDITURES	-	-	-
FUNDS AVAILABLE - BEGINNING OF YEAR - BUILDING AUTHORITY	<u>-</u>	<u>-</u>	<u>-</u>
FUNDS AVAILABLE - END OF YEAR - BUILDING AUTHORITY	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL DISTRICT REVENUE		\$ 3,502,600	
Less Interdistrict revenue		83,652	
District revenue	<u>\$ 4,814,419</u>	<u>3,418,948</u>	<u>\$ (1,395,471)</u>
TOTAL DISTRICT EXPENDITURES		3,675,088	
Less Interdistrict expenditures		83,652	
District expenditures	<u>5,404,229</u>	<u>3,591,436</u>	<u>1,812,793</u>
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>782,649</u>	<u>688,101</u>	<u>(94,548)</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 192,839</u>	<u>\$ 515,613</u>	<u>\$ 322,774</u>

Genesee Water and Sanitation District
RECONCILIATION OF ACTUAL (BUDGETARY BASIS) TO STATEMENT
OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2021

REVENUE (BUDGETARY BASIS)	\$	3,418,948
EXPENDITURES (BUDGETARY BASIS)		3,591,436
Add:		
Depreciation		1,267,834
Loss on sale of capital assets		42,853
Less:		
Bond and loan principal		(715,683)
Capital lease principal		(56,618)
Capital outlay		(521,442)
		3,608,380
CHANGE IN NET POSITION PER STATEMENT OF REVENUES		
EXPENSES AND CHANGES IN NET POSITION	\$	(189,432)

Genesee Water and Sanitation District
FIVE-YEAR SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2021

Year Ended December 31,	for Current Year Property Tax Levy	Mills Levied	Property Taxes		Percent Collected to Levied
			Levied	Collected	
2016	\$ 74,411,768	13.706	\$ 1,019,888	\$ 1,018,330	100%
2017	74,050,796	13.405	992,650	985,758	99%
2018	79,248,787	12.918	1,023,735	1,011,750	99%
2019	78,224,605	9.916	775,675	774,192	100%
2020	83,576,875	9.932	784,954	782,926	100%
2021	83,631,570	9.393	785,551	779,471	99%

Estimated for the
year ending

December 31, 2022	\$	89,400,377	9.393	\$	839,738
-------------------	----	------------	-------	----	---------

NOTE:

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.