

**Berkeley Water and Sanitation District
Arvada, Colorado**

**Financial Statements
December 31, 2020**

**Berkeley Water and Sanitation District
Financial Report
December 31, 2020**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors Berkeley Water and Sanitation District

We have audited the accompanying financial statements of Berkeley Water and Sanitation District (the "District"), as of and for the year ended December 31, 2020, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Berkeley Water and Sanitation District as of December 31, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Member: American Institute of Certified Public Accountants

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Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B 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, economical, or historical context. We have applied certain limited procedures to the Management's Discussion and Analysis in Section B 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The individual fund budgetary comparison information in Section E is presented for purposes of additional analysis and is not a required part of the basic financial statements. The individual fund budgetary comparison 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McMahan and Associates, L.L.C.

**McMahan and Associates, L.L.C.
March 22, 2021**

MANAGEMENT'S DISCUSSION AND ANALYSIS

**BERKELEY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020**

We, the financial managers of the Berkeley Water and Sanitation District (the "District"), offer readers of the District's financial statements this narrative summary of the financial activities of the District for the fiscal year ended December 31, 2020.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of two components: 1) financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements. These components are discussed below.

Financial Statements: The financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the District's assets and liabilities (both short-term and long-term), with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Position shows how the government's net position changed during the year presented. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes.)

The Statement of Cash Flows shows the District's sources of cash inflows and outflows during the years presented. Cash flows are categorized among operating, non-capital financing, capital and related financing and investing activities, and unlike items reported in the Statement of Revenues, Expenses, and Changes in Fund Net Position, these amounts are reported on the cash basis of accounting.

The District's financial statements can be found on pages C1 through C3 of this report.

Proprietary Funds: The District maintains a proprietary fund commonly known as an enterprise fund. Enterprise funds are used to report business-type activities. The District uses an enterprise fund to account for its water and sanitation services.

Notes to the Financial Statements: The notes provide a background of the entity, certain required statutes, and accounting policies utilized by the District. They also provide additional information that will aid in the interpretation of the financial statements. The Notes to the Financial Statements can be found in Section D of this report.

Other Information: The Schedule of Revenues and Expenditures - Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis on page E1 provides a detailed comparison of the District's actual revenues and expenditures to budgeted amounts. As the District's budget was adopted in a manner that is not consistent with generally accepted accounting principles ("GAAP"), this schedule is presented on a non-GAAP basis with a reconciliation to GAAP basis.

The business-type activity of the District relates to water and sanitation services. There are currently no governmental-type activities occurring in the District.

**BERKELEY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020**

Financial Analysis of the District:

Berkeley Water and Sanitation District's Net Position

	2020	2019
Assets		
Current assets	2,470,132	1,438,519
Deferred outflows of resources	300,256	302,038
Noncurrent assets	-	245,772
Capital assets, net	4,901,416	1,379,553
 Total assets	 7,671,804	 3,365,882
Liabilities		
Current liabilities	36,080	54,661
Deferred inflows of resources	300,256	302,038
 Total liabilities	 336,336	 356,699
Net position		
Investment in capital assets, net of related debt	4,901,416	1,610,189
Unrestricted	2,370,711	1,361,913
Restricted for emergencies	63,341	37,081
 Total net position	 7,335,468	 3,009,183
 Total liabilities and net position	 7,671,804	 3,365,882

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 by \$7,335,468. The largest portion of the District's net position reflects its investment in capital assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**BERKELEY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020**

Financial Analysis of the District (continued):

Berkeley Water and Sanitation District's Change in Net Position

	<u>2020</u>	<u>2019</u>
Revenue		
Operating revenue	810,742	737,243
Non-operating revenue	<u>343,817</u>	<u>358,541</u>
Total revenue	<u>1,154,559</u>	<u>1,095,784</u>
Expenses		
Sewer treatment/Repairs and maintenance	1,301,546	927,193
Non-operating expenses	5,412	6,686
Loss on Disposal	-	7,166
Depreciation	<u>111,945</u>	<u>115,424</u>
Total expenses	<u>1,418,903</u>	<u>1,056,469</u>
Income from operations	<u>(264,344)</u>	<u>39,315</u>
Tap fees and developer contributions	<u>4,590,629</u>	<u>106,130</u>
Change in net position	<u>4,326,285</u>	<u>145,445</u>
Net position - Beginning of Year	<u>3,009,183</u>	<u>2,863,738</u>
Net position - End of Year	<u>7,335,468</u>	<u>3,009,183</u>

The District experienced an overall increase in net position of \$4,326,285. The increase was primarily due to a \$3,633,809 non-cash capital contribution of a developer sewer main to the District's capital assets, and \$956,820 in tap fees from multiple developments.

**BERKELEY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020**

Budget Variances in the Enterprise Fund

Significant budget variances were as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>	<u>Reason</u>
Revenues:				
Tap fees	10,680	956,820	946,140	Unexpected tap fee revenue from large development project
Expenditures:				
Water and Sewer Service:				
Sewage treatment	586,310	922,714	(336,404)	Due to increase in tap fees and expense
Capital Outlay:				
Capital outlay	830,000	1,571	828,429	Conservative budget

Capital Asset and Debt Administration

Capital Assets. The District recognized \$111,946 in depreciation expense during 2020. Additional information, as well as a detailed classification of the District's net capital assets, can be found in the Notes to the Financial Statements in Section D.

Long-term Debts. The District's had no long-term debt as of December 31, 2020. Additional details can be found in the Notes to the Financial Statements in Section D.

Economic Factors and Next Year's Budget and Rates

Berkeley did not anticipate the number of sewer taps that were sold in 2020 to be so high due to development throughout the District. Berkeley is responsible for paying half of the sewer tap fees to Metro every quarter which increased the amount of expenditures listed under sewer treatment.

Berkeley had also raised the 2020 sewer rates by 3% over 2019 which resulted in an increase in service charges over 2019. The Metro service charge in 2020 was \$581,970 and it is a static charge that is paid every quarter. Berkeley raised sewer rates again in 2021 to cover the increase in the Metro service charge of \$830,379, an increase of \$248,409.

With the high number of sewer tap fees sold, Berkeley also received revenue in the form of System Development Charges (SDCs) and inspection fees. Berkeley did not do the Denver Water capital improvements in 2020 which helped offset the increase in payments to Metro.

The capital improvements for Denver Water will start March 15, 2021. Berkeley budgeted \$1.5M for the capital improvements but received three bids under \$800,000 for the work. An additional \$200,000 has been set aside for the final capital improvement anticipated to be completed by year end 2021.

Berkeley believes that current developers who have submitted and approved plans will continue to purchase sewer taps in 2021. In addition, there is a list of developers in various stages expected to build in 2021. Berkeley will receive revenue from SDCs and inspection fees.

**BERKELEY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020**

The fourth CD, invested for two years with Ally Bank, will come due in March 2021 and will be put back into the Money Market account. Berkeley does not anticipate investing in 2021 due to a very low rate of return.

Berkeley made its final lease payment in March 2020 and has no general obligation debt.

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: Sharon Whitehair, 4455 West 58th Avenue, Arvada, Colorado, 80002.

FINANCIAL STATEMENTS

Berkeley Water and Sanitation District
Statement of Net Position
December 31, 2020
(With Comparative Totals for 2019)

	2020	2019
Assets:		
Current Assets:		
Cash and cash equivalents	2,117,430	603,929
Short-term investments	246,117	738,285
Cash with county treasurer	4,212	2,042
Receivables		
Service	90,956	85,207
Property taxes	300,256	302,038
Interest	1,947	7,478
Prepaid expenses	9,470	1,578
Total Current Assets	2,770,388	1,740,557
Non-current Assets:		
Investments	-	245,772
Land, buildings and improvements	322,796	322,796
Sewer lines	7,788,831	4,155,022
Office furniture and equipment	73,217	73,217
Less: Accumulated depreciation	(3,283,428)	(3,171,482)
Total Non-current Assets	4,901,416	1,625,325
Total Assets	7,671,804	3,365,882
Liabilities:		
Current Liabilities:		
Unearned revenue	5,550	9,686
Due to developers	10,922	11,321
Accrued payroll and related liabilities	19,608	17,928
Lease obligation - current plus accrued interest	-	15,726
Total Current Liabilities	36,080	54,661
Deferred Inflows of Resources:		
Unavailable property tax revenue	300,256	302,038
Total Deferred Inflows of Resources	300,256	302,038
Net Position:		
Net investment in capital assets	4,901,416	1,610,189
Restricted for emergency reserve	63,341	37,081
Unrestricted	2,370,711	1,361,913
Total Net Position	7,335,468	3,009,183

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

Berkeley Water and Sanitation District
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Service charges	810,742	737,243
Total Operating Revenues	<u>810,742</u>	<u>737,243</u>
Operating Expenses:		
Water and sewer operations	1,301,546	927,193
Depreciation	111,945	115,424
Total Operating Expenses	<u>1,413,491</u>	<u>1,042,617</u>
Operating Income (Loss)	<u>(602,749)</u>	<u>(305,374)</u>
Non-operating Revenues (Expenses):		
Property taxes	291,814	285,902
Specific ownership taxes	22,342	23,450
Legal lien fee income	20,400	23,400
Investment income	9,261	25,789
Interest expense	(141)	(1,291)
Treasurer's fees	(5,271)	(5,395)
Loss on disposal of asset	-	(7,166)
Total Non-operating Revenues (Expenses)	<u>338,405</u>	<u>344,689</u>
Income (Loss) Before Capital Contributions	<u>(264,344)</u>	<u>39,315</u>
Capital Contributions:		
Contributions - tap fees	956,820	106,130
Contributions - developers	3,633,809	-
Total Capital Contributions	<u>4,590,629</u>	<u>106,130</u>
Change in Net Position	4,326,285	145,445
Net Position - Beginning of Year	3,009,183	2,863,738
Net Position - End of Year	<u><u>7,335,468</u></u>	<u><u>3,009,183</u></u>

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

Berkeley Water and Sanitation District
Statement of Cash Flows
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020	2019
Cash Flows From Operating Activities:		
Cash received from customers and others	800,857	736,756
Cash payments for goods and services	(1,122,258)	(781,878)
Cash payments to employees - salaries and benefits	(185,899)	(176,410)
Net Cash Provided (Used) by Operating Activities	(507,300)	(221,532)
Cash Flows From Non-Capital Financing Activities:		
Property and specific ownership taxes, net of collection fees	306,716	303,956
Net Cash Provided (Used) by Non-capital Financing Activities	306,716	303,956
Cash Flows From Capital and Related Financing Activities:		
Tap fees collected	956,820	106,130
Lien fees collected	20,400	23,400
Principal paid on lease	(15,726)	(30,442)
Interest paid on lease	(141)	(1,291)
Net Cash Provided (Used) by Capital and Related Financing Activities	961,353	97,797
Cash Flows From Investing Activities:		
Interest income received	17,732	14,254
Purchases of investments	-	(980,000)
Sales of investments	735,000	-
Net Cash Provided (Used) by Investing Activities	752,732	(965,746)
Net Increase (Decrease) in Cash and Cash Equivalents	1,513,501	(785,525)
Cash and Cash Equivalents - Beginning of Year	603,929	1,389,454
Cash and Cash Equivalents - End of Year	2,117,430	603,929
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	(602,749)	(305,374)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	111,945	115,424
(Increase) decrease in accounts receivable	(5,749)	(10,173)
(Increase) decrease in prepaid expenses	(7,892)	7,140
Increase (decrease) in accounts payable	-	(20,335)
Increase (decrease) in unearned revenue	(4,136)	9,686
Increase (decrease) in payroll liabilities	1,680	1,701
Increase (decrease) in developer liabilities	(399)	(19,601)
Total Adjustments	95,449	83,842
Net Cash Provided (Used) by Operating Activities	(507,300)	(221,532)
Non-cash Investing, Capital, and Financing Activities:		
Contribution of capital assets	3,633,809	7,166

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

NOTES TO THE FINANCIAL STATEMENTS

Berkeley Water and Sanitation District
Notes to the Financial Statements
December 31, 2020

I. Summary of Significant Accounting Policies

Berkeley Water and Sanitation District (the "District") was formed by order of the District Court in and for Adams County, Colorado, in February of 1961. The District is a quasi-municipal corporation and political subdivision of the State of Colorado. The District was established to ensure orderly and uniform administration of water and sewer operations within the jurisdictional boundaries of the District.

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the District are discussed below.

A. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either 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. Consideration is also given to other organizations, which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria above, the District is not financially accountable for any other entity nor is the District a component unit of any other government.

B. Fund Accounting

The District uses funds 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. A fund is a separate accounting entity with a self-balancing set of accounts.

The District uses a proprietary fund-type, an enterprise fund, to account for its activities, providing water and wastewater treatment services to taxpayers within the District's boundaries. Enterprise funds are used to account for operations (a) which are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Berkeley Water and Sanitation District
Notes to the Financial Statements
December 31, 2020
(Continued)

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

1. Long-term Economic Focus and Accrual Basis

Proprietary funds use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

2. Financial Statement Presentation

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise funds 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.

D. Financial Statement Accounts and Accounting Policies

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers cash on hand, demand deposits, U.S. government obligations and other highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Investments are stated at fair value. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

2. Receivables

Receivables are reported net of an allowance for uncollectible accounts. Any and all user charges 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 accounts has been made in the financial statements.

Berkeley Water and Sanitation District
Notes to the Financial Statements
December 31, 2020
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts and Accounting Policies (continued)

3. Property Taxes

Property taxes are assessed in one year as a lien on the property, but not collected by governmental units until the subsequent year. In accordance with GAAP, the assessed but uncollected property taxes have been recorded as a receivable and as unavailable property tax revenue.

4. Capital Assets

Capital assets, which include land, water rights, construction in progress, buildings and improvements, transmission systems, vehicles, and equipment, are reported in the financial statements. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair 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 the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Buildings and improvements, water storage tanks, infrastructure, vehicles, and equipment are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Sewer system, water lines	40
Buildings and improvements	40
Fire hydrants	10 - 40
Office equipment	5 - 10

5. Net Position

Net position represents the difference between assets, liabilities, and deferred inflows (outflows) of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets and increased by any unspent proceeds from related borrowings. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

6. Compensated Absences

Earned but unused vacation and sick leave benefits are accrued when incurred in the financial statements. The District had a balance of \$4,580 for accrued compensated absences as of December 31, 2020.

Berkeley Water and Sanitation District
Notes to the Financial Statements
December 31, 2020
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts and Accounting Policies (continued)

7. Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the respective life of the respective debt using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period incurred.

The District had no authorized or unissued debt as of December 31, 2020.

8. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. Property taxes levied in 2020 for collection in 2021 are reported as deferred inflows of resources.

9. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

10. Restricted and Unrestricted Resources

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.

Berkeley Water and Sanitation District
Notes to the Financial Statements
December 31, 2020
(Continued)

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations for the ensuing year pursuant to the Colorado Local Budget Law. The budget is adopted on a non-GAAP basis and is reconciled to GAAP in Section E of this report. Expenditures may not legally exceed appropriations at the fund level and all appropriations lapse at year-end.

As required by Colorado statutes, the District followed the required timetable noted below in preparing, approving, and enacting its budget for 2020.

1. For the 2020 budget year, prior to August 25, 2019, the County Assessor sent to the District an assessed valuation of all taxable property within the District's boundaries. The County Assessor may change the assessed valuation on or before December 10 only once by a single notification to the District.
2. The District submitted, on or before October 15, 2019, a recommended budget that detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
3. Prior to December 15, 2019, after a required publication of "Notice of Proposed Budget" and a public hearing, the District certified to the County Commissioners a levy rate that derived the necessary property taxes as computed in the proposed budget, and the District adopted the proposed budget and an appropriating resolution that legally appropriated expenditures for the upcoming year.
4. After adoption of the budget resolution, the District may make the following changes: a) approve supplemental appropriations to the extent of revenues in excess of estimated revenues in the budget; b) approve emergency appropriations; and c) reduce appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2019 were collected in 2020 and taxes certified in 2020 will be collected in 2021. Taxes are due on January 1 in the year of collection; however, they may be paid in either one installment (no later than April 30) or two equal installments (not later than February 28 and June 15) without interest or penalty. Taxes that are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16.

Berkeley Water and Sanitation District
Notes to the Financial Statements
December 31, 2020
(Continued)

II. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20; commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments.

TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending. For this purpose, the District has set aside \$36,057.

The electorate of the District approved the following ballot question:

Without creating any new tax or increasing any current taxes, shall Berkeley Water and Sanitation District be permitted effective January 1, 1996, and each year thereafter, to retain and spend any revenues in excess of the spending, revenue raising, or other limits in Article X, Section 20 of the Colorado Constitution, utilizing such revenues to maintain and improve the water and sanitation systems of the Berkeley Water and Sanitation District?

The District believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits and qualification as an enterprise, will require judicial interpretation.

III. Detailed Notes on All Funds

A. Deposits and Investments

The District's deposits are entirely covered by the Federal Deposit Insurance Corporation ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures depositors up to \$250,000 for all accounts. Deposit balances over \$250,000 are collateralized as required by PDPA.

Deposits and investments are presented on the December 31, 2020 Statement of Net Position and Statement of Cash Flows as follows:

Type	Standard & Poor's Rating	Carrying Amounts	Maturities	
			Less than one year	1 - 5 years
<i>Deposits:</i>				
Petty cash	Not rated	300	300	-
Checking	Not rated	322,304	322,304	-
Money market	Not rated	1,794,825	1,794,825	-
Certificate of deposits	Not rated	246,117	246,117	-
Total		<u>2,363,547</u>	<u>2,363,547</u>	<u>-</u>

Berkeley Water and Sanitation District
Notes to the Financial Statements
December 31, 2020
(Continued)

III. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Interest Rate Risk. Colorado Revised Statutes limit the District's investment maturities to five years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair values arising from changes in interest rates. As a result of the limited length of maturities, the District has limited its interest rate risk.

Credit Risk. Colorado statutes specify instruments in which local governments may invest, including:

- Obligations of the U.S. and certain U.S. governmental agency securities
- Certain international agency securities
- General obligation and revenue bonds for U.S. local governmental 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

Fair Value of Investments

The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

At December 31, 2020, the District had the following recurring fair value measurements:

Investments	Total	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Money market	1,794,825	-	1,794,825	-
Certificates of deposit	246,117	-	246,117	-
Total	2,040,942	-	2,040,942	-

Berkeley Water and Sanitation District
Notes to the Financial Statements
December 31, 2020
(Continued)

III. Detailed Notes on All Funds (continued)

B. Capital Assets

Capital asset activity for 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Sewer system	4,155,022	3,633,809	-	7,788,831
Buildings and improvements	322,796	-	-	322,796
Office equipment	53,621	-	-	53,621
Vehicles	19,596	-	-	19,596
Total capital assets, being depreciated	<u>4,551,035</u>	<u>3,633,809</u>	<u>-</u>	<u>8,184,844</u>
Less accumulated depreciation for:				
Sewer system	2,981,251	103,876	-	3,085,127
Buildings and improvements	117,014	8,070	-	125,084
Office equipment	53,621	-	-	53,621
Vehicles	19,596	-	-	19,596
Total accumulated depreciation	<u>3,171,482</u>	<u>111,946</u>	<u>-</u>	<u>3,283,428</u>
Total capital assets, being depreciated, net	<u>1,379,553</u>	<u>3,521,863</u>	<u>-</u>	<u>4,901,416</u>
Total capital assets, net	<u><u>1,379,553</u></u>	<u><u>3,521,863</u></u>	<u><u>-</u></u>	<u><u>4,901,416</u></u>

Berkeley Water and Sanitation District
Notes to the Financial Statements
December 31, 2020
(Continued)

III. Detailed Notes on All Funds (continued)

C. Long-Term Liabilities

In March 2005, the District entered into a building lease purchase with a lease term of 15 years, two installments due each year on March 15 and September 15, commencing on September 15, 2005. The lease bears interest at a rate 4.400%, and can be bought out at any time at existing value plus a buy-out fee. The obligation is for the purchase of the new District office building and the purchase of a truck for the District. As of December 31, 2020, the lease was paid in full.

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

	Balance at 12/31/19	Additions	Reductions	Balance at 12/31/20	Due Within One Year
Lease Obligation	15,525	-	15,525	-	-

The net book value of capital assets acquired through a capital lease as of December 31, 2020 is as follows:

Cost	342,392
Less: accumulated depreciation	(144,679)
Net book value	<u>197,713</u>

V. Other Information

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has joined together with other special districts in the State to form the Colorado Special Districts Property and Liability Pool ("the Pool"), a public entity risk pool currently operating as a common risk management and insurance program for member special districts. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials' liability and 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.

Berkeley Water and Sanitation District
Notes to the Financial Statements
December 31, 2020
(Continued)

V. Other Information (continued)

B. Intergovernmental Agreements

1. Metropolitan Wastewater Reclamation District

The District has an agreement with and is a member of Metropolitan Wastewater Reclamation District (Metro) for sewage treatment and disposal. The District pays Metro sewage treatment fees and bills the users for sewer service.

SUPPLEMENTARY INFORMATION

Berkeley Water and Sanitation District
Schedule of Revenues, Expenditures, and Funds Available
Budget (Non-GAAP Basis) and Actual With Reconciliation to GAAP Basis
For the Year Ended December 31, 2020
(With Comparative Actual Amounts for 2019)

	2020			Final Budget Variance Favorable (Unfavorable)	2019
	Original Budget	Final Budget	Actual		Actual
Revenues:					
Sewer service fees	788,543	788,543	799,107	10,564	729,419
Water service fees	-	-	9	9	821
Tap fees	10,680	10,680	956,820	946,140	106,130
Property taxes	302,038	302,038	291,814	(10,224)	285,902
Legal lien fee income		24,900	20,400	(4,500)	23,400
Specific ownership taxes	17,000	17,000	22,342	5,342	23,450
Investment income	2,000	2,000	9,261	7,261	25,789
Miscellaneous	100	100	6,507	6,407	6,804
Inspections and fees	100	100	5,120	5,020	200
Total Revenues	<u>1,120,461</u>	<u>1,145,361</u>	<u>2,111,380</u>	<u>966,019</u>	<u>1,201,915</u>
Expenditures:					
Water and Sewer Service:					
Accounting and auditing	7,500	7,500	7,063	437	8,200
Building and condo expense	10,000	10,000	8,534	1,466	8,995
Director's fees	6,400	6,400	4,300	2,100	4,600
General engineering	20,000	20,000	39,180	(19,180)	54,711
Insurance	28,000	28,000	32,000	(4,000)	35,726
Legal	35,000	35,000	10,539	24,461	38,400
Office supplies and expense	13,000	13,000	10,462	2,538	12,630
Miscellaneous expense	9,000	9,000	7,553	1,447	138
Property & liability, unemployment insurance	10,000	10,000	9,373	627	9,178
Repair and maintenance	65,000	65,000	60,678	4,322	44,698
Salaries and payroll taxes	210,000	210,000	187,579	22,421	178,108
Sewage treatment	586,310	586,310	922,715	(336,405)	529,527
Treasurer's fees	6,800	6,800	5,271	1,529	5,395
Capital Outlay:					
Capital outlay	830,000	830,000	1,571	828,429	2,283
Debt Service:					
Principal, interest, and agent fees	15,868	15,868	15,666	(202)	31,345
Total Expenditures	<u>1,852,878</u>	<u>1,852,878</u>	<u>1,322,484</u>	<u>529,990</u>	<u>963,934</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(732,417)</u>	<u>(707,517)</u>	<u>788,896</u>	<u>1,496,413</u>	<u>237,981</u>
Other Financing Sources (Uses)					
Non-cash contributed capital	-	-	3,633,809	3,633,809	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>3,633,809</u>	<u>3,633,809</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	<u>(732,417)</u>	<u>(707,517)</u>	<u>4,422,705</u>	<u>5,130,222</u>	<u>237,981</u>
Reconciliation to GAAP Basis:					
Capitalized expenses			3,633,809		-
Debt principal payments			15,525		30,054
Depreciation expense			(111,945)		(115,424)
Loss on asset disposal			-		(7,166)
Net GAAP Basis Adjustments			<u>3,537,389</u>		<u>(92,536)</u>
Change in Net Position			<u>4,326,285</u>		<u>145,445</u>

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