

**BERKELEY WATER AND SANITATION DISTRICT
ARVADA, COLORADO**

**FINANCIAL STATEMENTS
December 31, 2022
With Comparative Totals at December 31, 2021**

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Green & Associates LLC

Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Berkeley Water and Sanitation District

Opinions

We have audited the accompanying financial statements of Berkeley Water and Sanitation District as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Berkeley Water and Sanitation District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Berkeley Water and Sanitation District as of December 31, 2022, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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 Berkeley Water and Sanitation 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 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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.

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Berkeley Water and Sanitation District's basic financial statements. The budgetary comparison schedule – Non-GAAP basis, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule – Non-GAAP Basis is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Longmont, Colorado
June, 16 2023

Management's Discussion and Analysis

Berkeley Water & Sanitation District

Management's Discussion and Analysis

Introduction:

The Berkeley Water & Sanitation District's management discussion and analysis is intended to provide you, the reader and user of our financial statements, with (a) an understanding of the financial issues of the District; (b) an overview of the District's financial activities; (c) an explanation of the changes in the District's financial position; (d) an explanatory analysis of the variations of the annual, approved budget; and, (e) an assessment of any future financial or operating issues of the District.

Because this discussion and analysis is intended to focus on the 2022 activities, resulting changes, and currently known facts and conditions, it should be read in conjunction with, and with reference to, the accompanying audited financial statements and related notes to the financial statements beginning on page 7.

Overview of the Financial Statements of the District:

The audited financial statements of the District are:

- Statement of Net Position
- Statement of Revenues, Expenses, and Changes in Net Position
- Statement of Cash Flows
- Notes to Financial Statements

These statements and the Supplementary Information, provide information about the District's financial position as of each December 31, its results of operations and the resulting cash flows for each year ended December 31, and information comparing actual revenues and expenditures with budgeted revenues and expenditures for the year. Except for the budgetary comparison schedule, these are presented with current year and prior year comparison.

The **Statement of Net Position** provides information about what is owned (assets) by the District, what is owed (liabilities) by the District, and what is the District's equity in assets (net position). Over time, the comparison of changes in net position may provide a useful method of evaluating whether the financial position of the District is improving, deteriorating, or maintaining the status quo.

The **Statement of Revenues, Expenses, and Changes in Net Position** provides information about the components – Operating Revenues, Operating Expenses and Non-Operating Revenues and Expenses – of the District's annual operating activities and how those activities affected net position.

The **Statement of Cash Flows** provides an analysis about the sources and uses of District cash during the year and how the operating and investment activities affected the District's cash balances.

The **Notes to Financial Statements** provide additional, required disclosures about the District, its accounting policies and practices, its financial position and operating activities, and other required information. The information included in these notes is essential to a full understanding of the information contained in the financial statements.

The **Budgetary Comparison Schedule of Revenues and Expenditures** provides information comparing budgeted revenue and expenditure activities with the actual revenue and expenditure activities. When applicable, this will include a comparison of the originally approved budget with the final amended budget.

Condensed Comparative Financial Information:

Statement of Net Position

	<u>2022</u>	<u>2021</u>
Current Assets		
Cash and cash equivalents	\$ 1,362,212	\$ 1,830,240
Other current assets	1,187,716	432,931
	<u>2,549,928</u>	<u>2,263,171</u>
Non Current Assets		
Capital assets – net	\$ 4,699,455	\$ 4,864,871
Total Assets	<u>7,249,383</u>	<u>7,128,042</u>
Current Liabilities	<u>51,661</u>	<u>69,894</u>
Total Liabilities	<u>51,661</u>	<u>69,894</u>
Deferred Inflows of Resources	<u>345,702</u>	<u>323,250</u>
Net Position		
Net investment in capital assets	4,699,455	4,864,871
Restricted	10,437	57,758
Unrestricted	2,142,128	1,812,269
Total Net Position	<u>\$ 6,852,020</u>	<u>\$ 3,892,636</u>

Statement of Revenues, Expenses, and Changes in Net Position

	<u>2022</u>	<u>2021</u>
Operating Revenues	\$ 865,354	\$ 848,415
Operating Expenses	1,123,715	2,308,158
Operating Income (Loss)	<u>(258,361)</u>	<u>(1,459,743)</u>
Non Operating Revenues (Expenses)	<u>375,483</u>	<u>859,173</u>
Change in Net Position	117,122	(600,570)
Net Position, Beginning of Year	6,734,898	7,335,468
Net Position, End of Year	<u>\$ 6,852,020</u>	<u>\$ 6,734,898</u>

Statement of Cash Flows

	<u>2022</u>	<u>2021</u>
Cash from (for) Operating Activities	\$ (51,401)	\$ (1,224,938)
Cash from Non Capital Financing Activities	375,239	521,057
Cash from (for) Capital and Related Financing Activities	(42,110)	168,350
Cash from (for) Investing Activities	<u>(749,756)</u>	<u>248,341</u>
Increase (Decrease)	<u>(468,028)</u>	<u>(287,190)</u>
Cash and Cash Equivalents, Beginning of Year	1,830,240	2,117,430
Cash and Cash Equivalents, End of Year	<u>\$ 1,362,212</u>	<u>\$ 1,830,240</u>

This foregoing information is a summary of the financial information contained in the District's financial statements. For more about the information contained in this condensed, comparative financial information, we recommend a close review of the accompanying audited financial statements beginning on page 7.

Analysis of Financial Position and Operating Results:

Net position increased in 2022 by \$117,122 to \$6,852,020 which is the result of the operating loss of \$258,361, less net non-operating revenues of \$375,483.

Unrestricted cash, cash equivalents, and investments of the District at December 31, 2022, totaled \$1,362,212, which represents approximately 19% of the District's total assets.

Capital Assets, net of accumulated depreciation, of the District at December 31, 2022, totaled \$4,699,455.

Operating loss for 2022, was \$258,361 compared to \$1,459,743 in 2021. The change was principally due to costs associated with the Denver Water conversion.

Net non-operating revenues for 2022 were less than in 2021, due to lower connection fees. For more information about these changes in net position and the operating activities, please review the accompanying audited financial statements beginning on page 7.

Analysis of Budgetary Comparison Schedule of Revenues and Expenditures:

Actual revenues in 2022 were \$68,361 higher than the original and final budgeted revenues for the District. This is principally due to higher than budgeted connection fees. The District's actual expenditures in 2022 were \$59,295 less than the original and final budgeted expenditures. This is principally due to lower than budgeted capital outlay. For more information about the budgeted and actual revenues and expenditures, please review the Budgetary Comparison Schedule of Revenues and Expenditures, as listed in the table of contents, in the accompanying audited financial statements.

Capital Asset and Long Term Debt Activity:

The 2022 budget authorized \$250,500 in capital spending. Actual capital spending in 2022 was \$42,110.

The District acquired no new long-term debt.

The District depreciates its capital assets. See Note 1 of Notes to Financial Statements – Summary of Significant Accounting Policies – Assets and Liabilities – Capital Assets and Note 4 of Notes to Financial Statements – Capital Assets.

Facts, Decisions, and Conditions That May Impact Future Financial Condition or Operating Results:

Ageing infrastructure is the only known condition that may impact future financial or operating results. Most of the District's water and wastewater mains were installed 40 to 50 years ago. The District's unrestricted cash reserves will not cover the cost of new mains. The District is utilizing strict controls to ensure that revenues exceed expenditures so that the unrestricted cash reserves will increase over the next several years. The District will also continue to apply for grant money to fund infrastructure projects. The District expects to receive 90 tap fees and 92 system development fees from the project on 56th and Federal as well as additional future growth to help fund capital projects. Property taxes are expected to remain consistent in the upcoming year. For more information contact Berkeley Water and Sanitation District, 4455 West 58th Avenue, Arvada, Colorado.

Basic Financial Statements

Berkeley Water and Sanitation District
Statement of Net Position
December 31, 2022
With Comparative Totals at December 31, 2021

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,362,212	\$ 1,829,686
Cash and cash equivalents - restricted	-	554
Investments	750,000	-
Due from County Treasurer	1,749	5,351
Accounts receivable-service charges	80,624	101,395
Property taxes receivable	345,702	323,250
Prepaid expenses	9,641	2,935
Total Current Assets	2,549,928	2,263,171
Noncurrent Assets		
Capital assets		
Buildings and improvements	322,796	322,796
Sewer lines and equipment	7,999,291	7,957,181
Office furniture and equipment	53,621	53,621
Vehicles	19,596	19,596
Less: Accumulated depreciation	(3,695,849)	(3,488,323)
Net Capital Assets	4,699,455	4,864,871
Total Noncurrent Assets	4,699,455	4,864,871
Total Assets	7,249,383	7,128,042
Liabilities		
Current Liabilities		
Accounts payable	32,647	35,743
Unearned revenue	-	8,737
Due to developers	1,082	3,235
Compensated absences	6,703	6,703
Other accrued liabilities	11,229	15,476
Total Liabilities	51,661	69,894
Deferred Inflows of Resources		
Deferred property taxes	345,702	323,250
Total Deferred Inflows of Resources	345,702	323,250
Net Position		
Net investment in capital assets	4,699,455	4,864,871
Restricted	10,437	57,758
Unrestricted	2,142,128	1,812,269
Total Net Position	\$ 6,852,020	\$ 6,734,898

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, 2022
With Comparative Totals for the Year Ended December 31, 2021

	<u>2022</u>	<u>2021</u>
Operating Revenues		
Service charges	\$ 828,828	\$ 815,749
Delinquent charges	36,159	23,400
Other revenue	367	9,266
Total Operating Revenues	<u>865,354</u>	<u>848,415</u>
Operating Expenses		
Sewer processing charges	387,076	830,882
Water and wastewater system	187,910	926,744
General and administration	95,432	56,882
Wages and employee benefits	245,771	288,755
Depreciation	207,526	204,895
Total Operating Expenses	<u>1,123,715</u>	<u>2,308,158</u>
Operating Loss	<u>(258,361)</u>	<u>(1,459,743)</u>
Nonoperating Revenues (Expenses)		
Property taxes - operations	324,819	309,066
Specific ownership taxes	23,073	22,351
Investment income	244	277
Tap and capital improvement fees	203,690	895,030
Tap fees paid to Metro Wastewater	(171,550)	(362,250)
County treasurer fees	(4,793)	(5,301)
Total Nonoperating Revenues (Expenses)	<u>375,483</u>	<u>859,173</u>
Change in Net Position	117,122	(600,570)
Net Position, beginning of year	<u>6,734,898</u>	<u>7,335,468</u>
Net Position, end of year	<u>\$ 6,852,020</u>	<u>\$ 6,734,898</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, 2022
With Comparative Totals for the Year Ended December 31, 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Cash received from customers	\$ 878,837	\$ 841,163
Cash paid to suppliers	(735,359)	(1,826,801)
Cash paid to employees	(194,879)	(239,300)
Net cash provided (used) by operating activities	<u>(51,401)</u>	<u>(1,224,938)</u>
Cash Flows From Non-Capital Financing Activities		
Property taxes net of treasurer fees	320,026	303,765
Specific ownership taxes	23,073	21,212
Cash received for connection charges, net of payments to Metro Wastewater	32,140	196,080
Net cash provided by non-capital financing activities	<u>375,239</u>	<u>521,057</u>
Cash Flows From Capital And Related Financing Activities		
Acquisitions and construction of capital assets	(42,110)	-
Developer contributions	-	168,350
Net cash (used) by capital and related financing activities	<u>(42,110)</u>	<u>168,350</u>
Cash Flows From Investing Activities		
Investment income received	244	2,224
Purchases of investments	(750,000)	-
Sales of investments	-	246,117
Net cash provided by investing activities	<u>(749,756)</u>	<u>248,341</u>
Net increase (decrease) in cash and cash equivalents	(468,028)	(287,190)
Cash and cash equivalents, beginning of year	<u>1,830,240</u>	<u>2,117,430</u>
Cash and cash equivalents, end of year	<u>\$ 1,362,212</u>	<u>\$ 1,830,240</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Loss	\$ (258,361)	\$ (1,459,743)
Adjustments to reconcile operating loss to cash provided / (used) by operating activities		
Depreciation	207,526	204,895
Changes in assets and liabilities		
Accounts receivable	20,771	(10,439)
Cash at county treasurer	3,602	-
Prepaid expenses	(6,706)	6,535
Accounts payable	(3,096)	35,743
Unearned revenue	(8,737)	3,187
Developer liabilities	(2,153)	(7,687)
Compensated absences	-	-
Other accrued liabilities	(4,247)	2,571
Net Cash Provided (Used) by Operating Activities	<u>\$ (51,401)</u>	<u>\$ (1,224,938)</u>

The accompanying notes are an integral part of these financial statements

Berkeley Water and Sanitation District
Notes to Financial Statements
December 31, 2022
With Comparative Totals at December 31, 2021

Note 1 Summary of Significant Accounting Policies

The Berkeley Water and Sanitation District is a quasi-municipal corporation governed pursuant to provisions of the Colorado Special District Act. The District was established to provide water and sanitation services within its jurisdictional boundaries.

The financial statements of the Berkeley Water and Sanitation District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District follows all pronouncement issued by the Governmental Accounting Standards Board (GASB) which is the authoritative body. The significant accounting policies are described below.

Financial Reporting Entity

In accordance with governmental accounting standards, the Berkeley Water and Sanitation District has considered the possibility of inclusion of additional entities in its financial statements. The definition of the reporting entity is based primarily on financial accountability.

The District is not financially accountable for any other entity, nor is the District a component unit of any other governmental entity; therefore, no other entities are included in the District's financial statements.

Basis of Presentation

Enterprise fund accounting is utilized by the District in accordance with accounting principles generally accepted in the United States of America.

Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recorded when incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital outlay are recognized as increases in capital assets. Retirement of bonds is recorded as a reduction of liabilities.

The District distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and service. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The totals from the year ending December 31, 2021 have been presented for comparative purposes only and do not contain sufficient detail to be presented in accordance with Generally Accepted Accounting Principles (GAAP). These statements should be read in conjunction with the entity's audited financial statements for the year ending December 31, 2021.

Berkeley Water and Sanitation District (Continued)
Notes to Financial Statements
December 31, 2022
With Comparative Totals at December 31, 2021

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Accounting (continued)

The District follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as amended by Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* and Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These statements establishes standards for external financial reporting for all state and local governmental entities which includes a management's discussion and analysis section; a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. It requires the classification of net position into three components: net investment in capital assets; restricted; and unrestricted.

Budgets and Budgetary Accounting

Budgets are adopted on a cash basis except for accrual of current vendor invoices and utility billings. Annual appropriated budgets are adopted for the fund. All annual appropriations lapse at fiscal year-end. The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Budgets are required by state law for all funds. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at year-end.
- Prior to December 31, the budget is adopted by formal resolution.
- Budgets are required to be filed with the State of Colorado within thirty days after the beginning of the fiscal year.
- Expenditures may not legally exceed appropriations at the fund level.
- The District Board must approve revisions that alter the total expenditures of any fund.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted by the District Board or revised by the District Board.

Property Taxes

The County Treasurer collects and remits property taxes to the District monthly. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied for the current year prior to December 31 and are payable in full on April 30 of the subsequent year, or in two installments on February 28 and June 15. Property taxes are recorded as receivables and deferred revenue when levied. As taxes are collected, the receivable and deferral are reduced and income is recognized.

Allowance of Doubtful Accounts

No allowance is made for bad debts in the accompanying financial statements as substantially all revenues of the district originate from charges to the owners of the District, and the District has the ability to place liens on the property.

Revenue Recognition

Revenues are recognized when earned. Revenues are billed monthly for commercial customers and are billed quarterly for residential customers.

Berkeley Water and Sanitation District (Continued)
Notes to Financial Statements
December 31, 2022
With Comparative Totals at December 31, 2021

Note 1 Summary of Significant Accounting Policies (Continued)

Assets and Liabilities

Investments – investments are recorded at fair value, which approximates cost.

Receivables – all receivables are reported at their book value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital assets - assets are stated at cost or estimated cost. The capitalization threshold for fixed assets is \$5,000. Depreciation over the estimated useful lives of the assets is computed using the straight-line method. The estimated useful lives are 40 years for wastewater lines, and 3 to 20 years for operating and office equipment.

Accrued vacation and sick pay - district employees accrue vacation and sick pay benefits based on tenure. The District recognizes the expense as they are incurred. Any vacation time that is not used by the end of the year is accrued as compensated absences.

Net Position

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The District utilizes restricted net position before utilizing unrestricted net position when an expense is incurred for both purposes.
- c. Unrestricted net position – all other net position that does not meet the definition of “restricted” or net investment in capital assets.” These net position are available for future operations or distributions.

Deferred Outflows / Inflows of Resources

The District implemented the provisions of GASB No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position (GASB 63) and the provisions of GASB No. 65 Items Previously Reported as Assets and Liabilities (GASB 65). As a result in addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources and deferred inflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period (deferred outflow) or the acquisition of net position that applies to future periods (deferred inflows).

Cash Equivalents

For purposes of the statement of cash flows and the statement of net position, cash equivalents are defined as investments (including restricted assets) with maturity of three months or less at date of acquisition. The District considers certificates of deposit with maturities of more than three months at date of purchase as investments.

Berkeley Water and Sanitation District (Continued)
Notes to Financial Statements
December 31, 2022
With Comparative Totals at December 31, 2021

Note 1 Summary of Significant Accounting Policies (Continued)

Use of Estimates in the Preparation of Financial Statements

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

Note 2 Cash and Investments

Cash Deposits

As of December 31, 2022, the District's cash deposits had a carrying balance of \$1,362,212 and a corresponding bank balance of \$1,381,914 of which \$253,742 was insured by the Federal Deposit Insurance Corporation, respectively.

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 regulations. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified under 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 equal to 102% of the uninsured deposits.

The Colorado Divisions of Banking 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. The District had \$1,128,172 of assets collateralized under PDPA at December 31, 2022 or 2021, respectively.

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 does not have a deposit policy for custodial credit risk. As of December 31, 2022, none of the District's bank deposits were exposed to custodial credit risk.

Investments

Colorado statutes specify in which investment instruments the units of local government may invest:

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

Berkeley Water and Sanitation District (Continued)
Notes to Financial Statements
December 31, 2022
With Comparative Totals at December 31, 2021

Note 2 Cash and Investments (Continued)

At December 31, 2022, the District had \$750,000 invested in certificates of deposit, which were not rated.

Investment Type	Weighted Average Maturity (Years)	Fair Value	Percent of total investments
U.S. Government Securities	Less than one year	750,000	100%
Total Fair Market Value		<u>\$ 750,000</u>	<u>100%</u>

Note 3 Accounts Receivable

Accounts receivable balance at December 31, 2022 and 2021, was comprised of the following:

	2022
Water and sewer charges	\$ 80,624
Less allowance for doubtful accounts	-
Net Accounts Receivable	<u>\$ 80,624</u>

Note 4 Capital Assets

A summary of changes to capital assets for 2022 and 2021 is as follows:

	Balance at 12/31/2021	Additions	Deletions	Balance at 12/31/2022
Depreciable				
Buildings and improvements	322,796	-	-	322,796
Sewer system and equipment	7,957,181	42,110	-	7,999,291
Office furniture and equipment	53,621	-	-	53,621
Vehicles	19,596	-	-	19,596
Total Depreciable	<u>8,353,194</u>	<u>42,110</u>	<u>-</u>	<u>8,395,304</u>
TOTAL	<u>8,353,194</u>	<u>42,110</u>	<u>-</u>	<u>8,395,304</u>
Less Accumulated Depreciation				
Buildings and improvements	(133,154)	(8,070)	-	(141,224)
Sewer system and equipment	(3,281,952)	(199,456)	-	(3,481,408)
Office furniture and equipment	(53,621)	-	-	(53,621)
Vehicles	(19,596)	-	-	(19,596)
Total Accumulated Depreciation	<u>(3,488,323)</u>	<u>(207,526)</u>	<u>-</u>	<u>(3,695,849)</u>
Net Capital Assets	<u>\$ 4,864,871</u>	<u>\$ (165,416)</u>	<u>\$ -</u>	<u>\$ 4,699,455</u>

Berkeley Water and Sanitation District (Continued)
Notes to Financial Statements
December 31, 2022
With Comparative Totals at December 31, 2021

Note 6 Tax, Spending, and Debt Limitation

Article X, Section 20 of the Colorado Constitution, The Taxpayer's Bill of Rights (TABOR), contains several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR. The District has created a Water and Wastewater statutory enterprise operation in compliance with Colorado law, which exempts certain business-like operations from Article X, Section 20 of the Colorado Constitution. The District has established an emergency reserve of \$10,437 as of December 31, 2022 to comply with Article X, Section 20 of the Colorado Constitution.

Note 7 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 disaster. The District is a participant in the Colorado Special District Association Property and Liability Pool. The Pool was formed by an agreement by member special districts of the Special District Association as a separate and independent governmental and legal entity pursuant to the provisions of Article XIV, Section 18(2) of the Colorado Constitution and Sections 29-1-201 et. seq., 8-44-101(1)(c) and (3), 8-44-204, 24-10-115.5, and 29-13-102, C.R.S, as amended. Membership is restricted to Colorado special districts which are members of the Special District Association.

The purpose of the Pool is to provide defined property, liability, workers' compensation and associated coverages, and claims and risk management services related thereto, for member special districts through a self-insurance pool. The Pool has contracted with other third parties to operate, administer and manage the Pool. In the event aggregated losses incurred by the Pool exceed amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, additional contributions may be required from the Pool members. The District's settled claims have not exceeded its insurance coverage in any of the last three years.

Note 8 Reclassifications and Subsequent Events

Certain items have been reclassified from the previous year to conform with the presentation of the current year's financial statements.

Other Supplementary Information

Berkeley Water and Sanitation District
Budgetary Comparison Schedule - Non GAAP Basis
For the Year Ended December 31, 2022

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Service fees	\$ 820,378	\$ 828,828	\$ 8,450
Property taxes - operations	324,761	324,819	58
Specific ownership taxes	17,000	23,073	6,073
Investment income	500	244	(256)
Connection fees	159,880	203,690	43,810
Delinquent charges	24,000	36,159	12,159
Other income	2,300	367	(1,933)
Total Revenues	<u>1,348,819</u>	<u>1,417,180</u>	<u>\$ 68,361</u>
Expenses			
Sewer processing charges	452,337	387,076	65,261
Water and wastewater system	75,000	187,910	(112,910)
General and administration	79,300	95,432	(16,132)
Wages and employee benefits	330,000	245,771	84,229
Tap fees paid to Metro Wastewater	-	171,550	(171,550)
County treasurer fees	6,800	4,793	2,007
Capital outlay	250,500	42,110	208,390
Total Expenses	<u>1,193,937</u>	<u>1,134,642</u>	<u>59,295</u>
Revenues (under) Expenditures	<u>\$ 154,882</u>	<u>\$ 282,538</u>	<u>\$ 127,656</u>
Reconciliation to statement of revenues, expenditures and changes in net position			
Depreciation expense		(207,526)	
Capital outlay		42,110	
Change in net position		<u>117,122</u>	

See the Independent Auditor's report