

**NORTHWEST LAKEWOOD
SANITATION DISTRICT
Jefferson County, Colorado**

**FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019**

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	I
MANAGEMENT'S DISCUSSION AND ANALYSIS	III
BASIC FINANCIAL STATEMENTS	
Statements of Net Position	1
Statements of Revenues, Expenses and Changes in Net Position	2
Statements of Cash Flows	3
Notes to Financial Statements	4
SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Changes in Funds Available – Budget and Actual (Budgetary Basis) – General Fund	15
Schedule of Revenues, Expenditures and Changes in Funds Available – Budget and Actual (Budgetary Basis) – Enterprise Fund	16
Schedule of Expenditures Compared to Budget (Budgetary Basis) - Enterprise Fund	17
Reconciliation of Budgetary Basis to Statement of Revenues, Expenses and Changes in Net Position	18
OTHER INFORMATION	
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	19



SCHILLING & COMPANY, INC.

Certified Public Accountants

P.O. Box 631579
HIGHLANDS RANCH, CO 80163

PHONE: 720.348.1086
FAX: 720.348.2920

Independent Auditor's Report

Board of Directors
Northwest Lakewood
Sanitation District
Jefferson County, Colorado

Report for the Financial Statements

We have audited the accompanying financial statements of Northwest Lakewood Sanitation District (District) as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 an opinion 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 from 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northwest Lakewood Sanitation District, as of December 31, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of 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 basic financial statements. Such 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 of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
September 20, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

**NORTHWEST LAKEWOOD SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020 and 2019**

As management of the Northwest Lakewood Sanitation District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal years ended December 31, 2020 and 2019.

Financial Highlights

- The assets of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$17,700,025, of this amount; \$6,733,097 represents unrestricted net position that is available to meet the government's ongoing obligations to citizens.
- The District's total net position increased by \$1,751,484.
- The District continued to maintain a capital improvement plan in 2020 which included replacement of certain lines and point repairs.

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 the following: 1) statement of net position, 2) statement of revenues, expenses, and changes in net position, 3) statement of cash flows, and 4) notes to the financial statements. This report also contains other supplemental and other information in addition to the basic financial statements.

Financial Statements: The statement of net position represents information of all the District's assets, and liabilities and deferred inflows of resources, with the difference between them 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 net position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected property taxes).

Since the District follows enterprise fund accounting and reporting requirements, there is a statement of cash flows included as part of the basic financial statements.

The District's basic financial statements can be found on pages 1 through 3 of this report. The notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to financial statements can be found on pages 4 through 14 of this report.

Condensed Statement of Net Position

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current and Other Assets	\$ 8,356,877	\$ 7,746,883	\$ 5,793,680
Capital Assets	10,917,228	9,797,102	9,594,349
Total Assets	<u>19,274,105</u>	<u>17,543,985</u>	<u>15,388,029</u>
Current Liabilities	82,533	117,774	168,553
Total Liabilities	<u>82,533</u>	<u>117,774</u>	<u>168,553</u>
Deferred Inflows of Resources	<u>1,491,547</u>	<u>1,477,670</u>	<u>1,244,987</u>
Net Position:			
Net Investment in capital assets	10,917,228	9,797,102	9,594,349
Restricted	49,700	43,800	53,200
Unrestricted	6,733,097	6,107,639	4,326,940
Total Net Position	<u>\$ 17,700,025</u>	<u>\$ 15,948,541</u>	<u>\$ 13,974,489</u>

At the end of the 2020, 2019 and 2018, the District shows a positive balance in total net position in the amount of \$17,700,025, \$15,948,541 and \$13,974,489, respectively. The positive balance is the amount by which total assets exceed liabilities and deferred inflows of resources. The restriction of net position is for emergencies as mandated by State law. Additional information on this restriction can be found in Note 9 in the Notes to Financial Statements. The District's total net position increased by \$1,751,484 from 2019 to 2020 and \$1,974,052 from 2018 to 2019. Approximately 62% of its total net position are invested in capital assets for 2020. Current and other assets are comprised of cash and cash equivalents and various receivables of the District. Total cash and cash equivalents increased from 2019 to 2020 by \$595,844 or 9.8% as a result of net income for 2020 of \$1,751,484. The District has no long-term debt. The growth in capital assets between 2018 through 2020 can be attributed to slip-lining of portions of the sewer lines and removal and replacement of certain lines owned by the District.

REMAINDER OF PAGE IS INTENTIONALLY BLANK

Condensed Statement of Activities and Changes in Net Position

	2020	2019	2018
Operating Revenue:			
Service Fees	\$ 2,549,530	\$ 2,355,644	\$ 2,026,010
Total Operating Revenue	2,549,530	2,355,644	2,026,010
Expenses			
General and Administrative	242,199	219,454	216,943
Operations	2,203,064	2,042,336	2,189,449
Total Operating Expenses	2,445,263	2,261,790	2,406,392
Gain (loss) from Operations	104,267	93,854	(380,382)
Non-Operating Revenues (Expenses)			
Taxes	1,609,123	1,347,057	1,682,554
Net investment Income	47,343	110,785	76,056
Other	100	-	14,724
County Treasurer's Collection Fees	(22,369)	(18,947)	(23,469)
Sewer connection fees paid to MWRD	(13,020)	(12,830)	(21,100)
Total Non-Operating Revenues(Expenses)	1,621,177	1,426,065	1,728,765
Capital contributions	26,040	454,133	42,950
Change in Net Position	1,751,484	1,974,052	1,391,333
Net Position - Beginning of the Year	15,948,541	13,974,489	12,583,156
Net Position - End of the Year	\$ 17,700,025	\$ 15,948,541	\$ 13,974,489

Revenues

In 2020, property and specific ownership taxes provided 38% of the District's total revenue while service and maintenance fees provided 60% of total revenue. The most significant balance in services fees category is the facilities renovation and service fee which increased by \$141,071 from 2019 to 2020 as a result an increase of \$100 per year in rate per single-family residential equivalent unit and slightly fewer customers billed.

In 2019, property and specific ownership taxes provided 32% of the District's total revenue while service and maintenance fees provided 55% of total revenue. The most significant balance in services fees category is the facilities renovation and service fee which increased by \$403,255 from 2018 to 2019 as a result an increase of \$100 per year in rate per single-family residential equivalent unit taking effect in the 2nd quarter and slightly fewer customers billed.

Expenses

The District's operating expenses increased from 2019 to 2020 by \$183,473. Of this increase, \$126,803 relates to sewer operations. This increase is primarily due to an increase in the treatment charges the District remits to Metro Wastewater Reclamation

District of \$136,344. There are no other significant changes in general and administrative expenses.

The District's operating expenses decreased from 2018 to 2019 by \$144,602. Of this decrease, \$147,113 relates to sewer operations. This decrease is primarily due to an decrease in the treatment charges the District remits to Metro Wastewater Reclamation District of \$195,649. There are no other significant changes in general and administrative expenses.

Capital Assets The District's net investment in capital assets as of December 31, 2020, 2019 and 2018 amounted to \$10,917,228, \$9,797,102 and \$9,594,349 (net of accumulated depreciation). The majority of this net investment in capital assets is in the sewer lines. Over the past few years the District's capital improvement plan has replaced sections of the system resulting in increases in its investment in capital assets. The treatment plant was closed September 3, 2004. Treatment services are now provided by the Metro Wastewater Reclamation District. Additional information on the District's capital assets can be found in Note 4 in the notes to financial statements.

Long-Term Obligations On November 4, 2008, a majority of the District's voters approved an increase in the District's debt up to \$5,000,000 with a repayment of up to \$10,250,000, but without an increase in the District's taxes, for the financing of scheduled and emergency repair, replacement and improvement of the sanitary sewer system. As of December 31, 2020, 2019 and 2018, the District had not issued debt.

Economic Factors and Next Year's Budgets and Rates The 2021 budget as adopted contains no significant changes in service levels provided. The total assessed valuation decreased from 2020 collection year to 2021 collection year by \$154,016. The District continues to budget for sewer maintenance and rehabilitation and construction annually which is offset by the facility renovation and service fees assessed by the District. The District is anticipating capital-related expenses of \$2,100,000 in 2021.

Requests for Information This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District Manager, Northwest Lakewood Sanitation District, 141 Union Boulevard, Suite 150, Lakewood, Colorado 80228-1898.

BASIC FINANCIAL STATEMENTS

**NORTHWEST LAKEWOOD SANITATION DISTRICT
STATEMENTS OF NET POSITION
December 31, 2020 and 2019**

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,704,214	\$ 6,108,370
Due from County Treasurer	9,868	9,174
Accounts receivable	150,798	151,269
Property taxes receivable	1,491,547	1,477,670
Prepaid expenses	450	400
Total current assets	8,356,877	7,746,883
CAPITAL ASSETS		
Assets not being depreciated:		
Land	7,584	7,584
Construction in process	51,637	21,514
	59,221	29,098
Assets being depreciated:		
Sewer lines	15,894,448	14,455,213
	15,894,448	14,455,213
Less accumulated depreciation	(5,036,441)	(4,687,209)
	10,858,007	9,768,004
Total capital assets, net	10,917,228	9,797,102
TOTAL ASSETS	\$ 19,274,105	\$ 17,543,985
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts and contracts payable	\$ 62,496	\$ 98,416
Retainage payable	6,695	3,044
Prepaid customer accounts	10,630	10,630
Expense reimbursement deposits	2,712	5,684
Total current liabilities	82,533	117,774
DEFERRED INFLOWS OF RESOURCES		
Deferred property taxes	1,491,547	1,477,670
Total deferred inflows of resources	1,491,547	1,477,670
NET POSITION		
Net investment in capital assets	10,917,228	9,797,102
Restricted for emergencies	49,700	43,800
Unrestricted	6,733,097	6,107,639
Total net position	17,700,025	15,948,541
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 19,274,105	\$ 17,543,985

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**NORTHWEST LAKEWOOD SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Years Ended December 31, 2020 and 2019**

	2020	2019
OPERATING REVENUE		
Facilities renovation and service fees	\$ 2,225,114	\$ 2,084,043
Service fees	318,051	266,781
Grease trap inspections	6,365	4,820
Total operating revenue	2,549,530	2,355,644
OPERATING EXPENSES		
Sewer operations	1,853,832	1,727,029
General and administrative	242,199	219,454
Depreciation	349,232	315,307
Total operating expenses	2,445,263	2,261,790
NET GAIN (LOSS) FROM OPERATIONS	104,267	93,854
NONOPERATING REVENUES (EXPENSES)		
Property taxes	1,498,472	1,240,959
Specific ownership taxes	110,651	106,098
Net investment income	47,343	110,785
Other income	100	-
County treasurer's collection fees	(22,369)	(18,947)
Sewer connection fee paid to MWRD	(13,020)	(12,830)
Total nonoperating revenues (expenses)	1,621,177	1,426,065
CAPITAL CONTRIBUTIONS		
Sewer connection fee - District	13,020	13,110
Sewer connection fee - MWRD	13,020	12,810
Capital improvements reimbursement - College Park	-	428,213
Total capital contributions	26,040	454,133
CHANGE IN NET POSITION	1,751,484	1,974,052
NET POSITION - BEGINNING OF YEAR	15,948,541	13,974,489
NET POSITION - END OF YEAR	\$ 17,700,025	\$ 15,948,541

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**NORTHWEST LAKEWOOD SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 and 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 2,550,001	\$ 2,499,967
Cash paid to vendors	(2,131,322)	(1,960,803)
Net cash provided (required) by operating activities	418,679	539,164
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes	1,497,778	1,232,533
Specific ownership taxes	110,651	106,098
County treasurer's fees	(22,369)	(18,947)
Miscellaneous	100	-
Net cash provided by noncapital financing activities	1,586,160	1,319,684
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital outlay	(1,469,358)	(518,060)
Sewer connection fees	26,040	25,920
Sewer connections fees paid to MWRD	(13,020)	(12,830)
Capital improvements reimbursement - College Park	-	428,213
Net cash required by capital financing activities	(1,456,338)	(76,757)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	47,343	110,785
Net cash provided by investing activities	47,343	110,785
NET INCREASE IN CASH AND CASH EQUIVALENTS	595,844	1,892,876
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	6,108,370	4,215,494
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 6,704,214	\$ 6,108,370
RECONCILIATION OF OPERATING LOSS TO CASH FLOWS REQUIRED BY OPERATING ACTIVITIES		
Gain (loss) from operations	\$ 104,267	\$ 93,854
Adjustments to reconcile loss from operations to net cash provided (required) by operating activities:		
Depreciation and amortization	349,232	315,307
Effects of changes in operating assets and liabilities:		
Receivables	471	144,323
Prepaid expenses	(50)	36,459
Payables and other liabilities	(35,241)	(50,779)
Net cash provided (required) by operating activities	\$ 418,679	\$ 539,164

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**NORTHWEST LAKEWOOD SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019**

NOTE 1 – DEFINITION OF REPORTING ENTITY

Northwest Lakewood Sanitation District (District), a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Jefferson County, Colorado. The District provides sewer collection service to property within its service area and provides sewer treatment services through an intergovernmental agreement with Metro Wastewater Reclamation District.

The District has no employees and all operations and administrative functions are contracted.

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. The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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

Basis of Accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemptions of bonds and loans are recorded as reductions in liabilities. Sewer connection fees and contributed assets from developers are recorded as capital contributions when received.

**NORTHWEST LAKEWOOD SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019**

Operating Revenues and Expenses

The District distinguishes *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 an enterprise fund's principal ongoing operations. Operating revenues consist of charges to customers for service provided. Operating expenses for enterprise funds include the cost of sales and services, 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.

Restricted resources

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

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 appropriation can only be modified upon completion of notification and publication requirements. For basic financial statement presentation purposes, the District is reported as a single enterprise fund. For budgetary purposes, the District separately budgets for a General Fund and Enterprise Fund.

Property Taxes

Property taxes are levied by the District's 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 30 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.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources 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.

**NORTHWEST LAKEWOOD SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019**

Cash Equivalents

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

Capital Assets

Capital assets are recorded at cost except for those assets which have been contributed which are stated at estimated fair value at the date of contribution. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000.

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.

Depreciation expense has been computed using the straight-line method over the estimated economic useful lives of 50 years for sewer lines.

Sewer Connection Fees and Contributed Lines

Sewer connection fees are recorded as capital contributions when received. Lines contributed to the District by developers are recorded as capital contributions and additions to the systems at estimated fair market value when received.

Facilities Renovation and Service Fee

The District charges a facilities renovation and service fee in the amount of \$100 per quarter per single family equivalent tap in order to defray the costs of system repairs, renovations and if necessary, to defray annual maintenance costs and expenses associated with the system.

Deferred Outflows/Inflows of Resources

In addition to liabilities, the statement of net position and fund balance sheets 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/fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Property tax revenue that is related to a future period is recorded as deferred inflows. These amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

**NORTHWEST LAKEWOOD SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019**

NOTE 3 - CASH AND INVESTMENTS

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool 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 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.

At December 31, 2020, the District's cash deposits had a bank balance of \$1,936,475 and a carrying balance of \$1,915,701. At December 31, 2019, the District's cash deposits had a bank balance of \$1,334,578 and a carrying balance of \$1,322,924.

Investments

The District has not adopted a formal investment policy however, the District follows state statutes regarding investments.

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 and the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Certain reverse repurchase agreements
- . Certain securities lending agreements
- . Certain corporate bonds
- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

**NORTHWEST LAKEWOOD SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019**

The District held the following investments as of December 31, 2020:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Maturity</u>
COLOTRUST	<u>\$ 4,788,513</u>	Less than one year

The District held the following investments as of December 31, 2019:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Maturity</u>
COLOTRUST	<u>\$ 4,785,446</u>	Less than one year

Interest Rate Risk

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.

Credit Risk

The District has invested in the Colorado Local Government Liquid Asset Trust (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 repurchase agreement collateralized by certain obligations of the U.S. government agencies. As of December 31, 2020 and 2019, the District held \$4,788,513 and \$4,785,446, respectively in COLOTRUST Plus+. As of December 31, 2020 and 2019, the fund was rated AAAM by Standard and Poor's.

Cash and investments as of December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Deposits with financial institutions	\$ 1,915,701	\$ 1,322,924
Investments	4,788,513	4,785,446
Total cash and investments	<u>\$ 6,704,214</u>	<u>\$ 6,108,370</u>

**NORTHWEST LAKEWOOD SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019**

Investment Valuation

Investments that may be measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District's investments are not required to be categorized within the fair value hierarchy. These investments are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments. The District held investments in COLOTRUST at yearend for which the investment valuations were determined as follows.

COLOTRUST determines the NAV of the shares of each portfolio as of the close of business of each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of COLOTRUST, are accrued daily. The NAV is calculated at fair value using various inputs in determine value in accordance with FASB guidance. It is the goal of the Trust to maintain a NAV of \$1.00 per share, however changes in interest rates may affect the fair value of the securities held by COLOTRUST and there can be no assurance that the NAV will not vary from \$1.00 per share.

Cash Equivalents

Cash equivalents and investments are reflected for the December 31, 2020 and 2019 statements of net position and statements of cash flows as follows:

	2020	2019
Cash and cash equivalents	<u>\$ 6,704,214</u>	<u>\$ 6,108,370</u>

**NORTHWEST LAKEWOOD SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019**

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2020 follows:

	<u>Balance at December 31, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2020</u>
Capital assets, not being depreciated:				
Land	\$ 7,584	\$ -	\$ -	\$ 7,584
Construction in process	21,514	1,469,358	1,439,235	51,637
Total capital assets not being depreciated	<u>29,098</u>	<u>1,469,358</u>	<u>1,439,235</u>	<u>59,221</u>
Capital assets, being depreciated:				
Sewer lines	14,455,213	1,439,235	-	15,894,448
Total capital assets being depreciated	<u>14,455,213</u>	<u>1,439,235</u>	<u>-</u>	<u>15,894,448</u>
Total accumulated depreciation	<u>(4,687,209)</u>	<u>(349,232)</u>		<u>(5,036,441)</u>
Total capital assets, net	<u>\$ 9,797,102</u>	<u>\$ 2,559,361</u>	<u>\$ 1,439,235</u>	<u>\$ 10,917,228</u>

An analysis of the changes in capital assets for the year ended December 31, 2019 follows:

	<u>Balance at December 31, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2019</u>
Capital assets, not being depreciated:				
Land	\$ 7,584	\$ -	\$ -	\$ 7,584
Construction in process	889,881	518,060	1,386,427	21,514
Total capital assets not being depreciated	<u>897,465</u>	<u>518,060</u>	<u>1,386,427</u>	<u>29,098</u>
Capital assets, being depreciated:				
Sewer lines	13,068,786	1,386,427	-	14,455,213
Total capital assets being depreciated	<u>13,068,786</u>	<u>1,386,427</u>	<u>-</u>	<u>14,455,213</u>
Total accumulated depreciation	<u>(4,371,902)</u>	<u>(315,307)</u>		<u>(4,687,209)</u>
Total capital assets, net	<u>\$ 9,594,349</u>	<u>\$ 1,589,180</u>	<u>\$ 1,386,427</u>	<u>\$ 9,797,102</u>

**NORTHWEST LAKEWOOD SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019**

NOTE 5 – LONG-TERM OBLIGATIONS

Debt Authorization

On November 4, 2008, the District's voters authorized the issuance of debt up to \$5,000,000 with a repayment of up to \$10,250,000, but without an increase in the District's taxes, for the financing of scheduled and emergency repair, replacement and improvement of the sanitary sewer system. As of December 31, 2020, the District had not issued the debt.

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. As of December 31, 2020 and 2019, the District had net investment in capital assets of \$10,917,228 and \$9,797,102, respectively equal to its net capital assets as the District has no outstanding debt.

Restricted assets include net position that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2020 and 2019 of \$49,700 and \$43,800 for TABOR emergency reserves (Note 9).

NOTE 7 – INTERGOVERNMENTAL AGREEMENTS

SEWER SERVICE AGREEMENT

Metropolitan Wastewater Reclamation District

The District has an agreement with Metropolitan Wastewater Reclamation District (Metro) for sewage treatment and disposal. The District is responsible for the maintenance and future construction costs of all sewer lines and retains title to all sewer lines within the District. The standard service agreement with Metro provides for annual charges to be assessed by formula against the District on an estimated basis for sewage treatment. Adjustments to the estimated charge for metered flows and actual costs are billed and payable or credited during the two succeeding years. Metro assesses tap fees against the District for connections to the system.

**NORTHWEST LAKEWOOD SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019**

The composition of the sewage treatment charges for 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Estimate for current year	\$ 1,425,937	\$ 1,435,288
Adjustment of second preceding year estimate to actual	35,172	(51,090)
Preliminary adjustment of preceding year estimate	<u>(40,648)</u>	<u>(100,081)</u>
Total annual charges	<u>\$ 1,420,461</u>	<u>\$ 1,284,117</u>

The 2021 sewer treatment estimate is \$1,462,961. The total annual charge is expected to be \$1,430,976 which includes an unfavorable 2019 final adjustment of \$13,723 and an unfavorable 2020 preliminary adjustment of \$18,262.

College Park Water and Sanitation District

The District has an agreement to provide sewer treatment and transmission services to College Park Water and Sanitation District (College Park). The agreement is cancelable upon mutual agreement from both parties. The District bills College Park for a portion of the annual sewer treatment charges paid to Metropolitan Wastewater Reclamation District. The District also bills College Park for reimbursement of actual maintenance expenses incurred.

During the years ending December 31, 2020 and 2019, the District received fees in connection with the agreement as follows:

	<u>2020</u>	<u>2019</u>
Treatment service	\$ 251,422	\$ 227,289
Capital improvements	-	428,213
	<u>\$ 251,422</u>	<u>\$ 655,502</u>

In accordance with the Agreement, the District calculated actual maintenance expenses incurred related to College Park for the calendar years 2010 – 2012 and determined that the District owed College Park a credit of \$15,036. During the years ended December 31, 2020 and 2019, the District incurred actual maintenance expenses related to College Park in the amount of \$0 and \$0, respectively, which leaves a remaining credit owed to College Park of \$9,466 as of December 31, 2020. The District incurred capital improvement costs of \$546,537 on a shared transmission line. The District billed and received payment from College Park in the amount of \$428,213 for College Park's pro-rata share of the project as of December 31, 2019.

Sewer Service Agreement - Applewood Sanitation District

In September 2003, the District entered into the Restated and Amended Sewer Service Agreement with Applewood Sanitation District (Applewood). Both districts provide sanitary sewer service to certain properties located within the boundaries of the other

**NORTHWEST LAKEWOOD SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019**

district. The District has agreed to continue to serve each Applewood property located within its boundaries and Applewood has agreed to continue to serve each District property within its boundaries. The agreement outlines the charges and billing methodology to be followed by each district so that each district is charged the same rate. During the years ended December 31, 2020 and 2019, the District paid fees to Applewood in the amount of \$2,336 and \$0, respectively. The District received service fees from Applewood in the amount of \$16,822 and \$0 for the years ended December 31, 2020 and 2019, respectively.

Sewer Service Agreement - Westridge Sanitation District

On June 24, 2009, the District approved the Second Restated and Amended Sewer Service Agreement with Westridge Sanitation District (Westridge). Both districts provide sanitary sewer service to certain properties located within the boundaries of the other district. The District has agreed to continue to serve each Westridge property located within its boundaries and Westridge has agreed to continue to serve each District property within its boundaries. The agreement outlines the charges and billing methodology to be followed by each district so that each district is charged the same rate. During the years ended December 31, 2020 and 2019, the District paid fees to Westridge in the amount of \$11,589 and \$11,975, respectively. The District received service fees from Westridge in the amount of \$2,208 and \$1,994 for the years ended December 31, 2020 and 2019, respectively.

NOTE 8 - 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 is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2020. 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. 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.

**NORTHWEST LAKEWOOD SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019**

NOTE 9 - 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 that 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 management believes its operations qualify for this exclusion.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Some of the provisions of TABOR, including the interpretation of how to calculate Fiscal Year Spending limits and qualification as an Enterprise may require judicial interpretation.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

**NORTHWEST LAKEWOOD SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
Year Ended December 31, 2020**

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Property taxes	\$ 1,477,670	\$ 1,498,472	\$ 20,802
Specific ownership taxes	88,660	110,651	21,991
Net investment income	24,000	16,107	(7,893)
Other income	-	100	100
Total Revenues	<u>1,590,330</u>	<u>1,625,330</u>	<u>35,000</u>
EXPENDITURES			
General and administrative:			
Audit and accounting	33,000	36,043	(3,043)
Administration	36,000	49,428	(13,428)
Billing services	31,000	34,366	(3,366)
Directors' fees	6,000	2,400	3,600
Dues and subscriptions	1,250	1,238	12
Election and publications	2,000	1,284	716
Insurance and bonds	40,546	37,840	2,706
Legal	50,000	42,537	7,463
Website maintenance	2,000	1,624	376
Bank charges	125	20	105
Office supplies	4,500	4,887	(387)
County treasurer's fees	22,165	22,369	(204)
Payroll taxes - directors	459	184	275
Miscellaneous	1,000	628	372
Operating expenses:			
Treatment charges	1,420,461	1,169,039	251,422
Engineering	60,000	-	60,000
Utilities	4,000	-	4,000
Contingency and reserves	197,710	-	197,710
Total Expenditures	<u>1,912,216</u>	<u>1,403,887</u>	<u>508,329</u>
NET CHANGE IN FUNDS AVAILABLE	(321,886)	221,443	543,329
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>870,415</u>	<u>1,333,856</u>	<u>463,441</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 548,529</u>	<u>\$ 1,555,299</u>	<u>\$ 1,006,770</u>

**NORTHWEST LAKEWOOD SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
ENTERPRISE FUND
Year Ended December 31, 2020**

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Facilities renovation fee	\$ 2,212,000	\$ 2,225,114	\$ 13,114
Service fees - Commercial	50,000	42,064	(7,936)
Service fees - College Park	251,422	251,422	-
Service fees - Applewood and Westridge	10,350	19,030	8,680
Service fees - Moffat	-	-	-
Sewer connection fee - District	17,180	13,020	(4,160)
Sewer connection fee - Metro	-	13,020	13,020
Transfer service fees	12,000	5,535	(6,465)
Grease trap inspections	12,000	6,365	(5,635)
Capital reimbursement - College Park	-	-	-
Net investment income	60,000	31,236	(28,764)
Miscellaneous	4,000	-	(4,000)
Contingency	190,000	-	(190,000)
Total Revenues	2,818,952	2,606,806	(212,146)
EXPENDITURES (Page 17)	2,561,012	2,196,891	364,121
NET CHANGE IN FUNDS AVAILABLE	257,940	409,915	151,975
FUNDS AVAILABLE - BEGINNING OF YEAR	6,070,313	4,817,583	(1,252,730)
FUNDS AVAILABLE - END OF YEAR	\$ 6,328,253	\$ 5,227,498	\$ (1,100,755)
FUNDS AVAILABLE - GENERAL FUND (PAGE 15)		\$ 1,555,299	
FUNDS AVAILABLE - ENTERPRISE FUND		5,227,498	
		\$ 6,782,797	
Total current assets		\$ 8,356,877	
Total current liabilities and deferred inflows of resources		(1,574,080)	
		\$ 6,782,797	

**NORTHWEST LAKEWOOD SANITATION DISTRICT
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
(BUDGETARY BASIS)
ENTERPRISE FUND
Year Ended December 31, 2020**

	Original Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
ADMINISTRATIVE			
Billing	\$ 20,000	\$ 28,601	\$ (8,601)
Treasurer's fees	450	-	450
Legal	-	710	(710)
Miscellaneous	-	409	(409)
Total administrative	<u>20,450</u>	<u>29,720</u>	<u>(9,270)</u>
OPERATIONS			
Treatment charges - College Park	251,422	251,422	-
Treatment charges - Applewood	9,200	2,336	6,864
Treatment charges - Westridge	18,850	11,589	7,261
Repairs and maintenance	7,000	8,341	(1,341)
Connection fees - MWRD	8,590	13,020	(4,430)
Contract operator services	343,000	308,667	34,333
Miscellaneous	2,500	-	2,500
Total operations	<u>640,562</u>	<u>595,375</u>	<u>45,187</u>
CAPITAL OUTLAY			
Sewer lines	1,500,000	1,469,358	30,642
Non-capitalizable	400,000	102,438	297,562
Total capital outlay	<u>1,900,000</u>	<u>1,571,796</u>	<u>328,204</u>
TOTAL EXPENDITURES	<u><u>\$ 2,561,012</u></u>	<u><u>\$ 2,196,891</u></u>	<u><u>\$ 364,121</u></u>

**NORTHWEST LAKEWOOD SANITATION DISTRICT
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended December 31, 2020**

General Fund revenues - budgetary basis	\$ 1,625,330
Enterprise Fund revenues- budgetary basis	<u>2,606,806</u>
 Revenues per Statements of Revenues, Expenses and Changes in Net Position	 <u>4,232,136</u>
 General Fund expenses - budgetary basis	 1,403,887
Enterprise Fund expenses- budgetary basis	2,196,891
Depreciation	349,232
Capital outlay	<u>(1,469,358)</u>
 Expenses per Statements of Revenues, Expenses and Changes in Net Position	 <u>2,480,652</u>
 Change in net position per Statements of Revenues, Expenses and Changes in Net Position	 <u><u>\$ 1,751,484</u></u>

OTHER INFORMATION

**NORTHWEST LAKEWOOD SANITATION DISTRICT
SUMMARY OF ASSESSED VALUATION , MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2020**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied	Property Taxes		Percentage Collected to Levied
			Levied	Collected	
2006	\$ 159,802,180	7.696	\$ 1,229,838	\$ 1,223,848	99.5%
2007	\$ 158,340,870	7.696	\$ 1,218,591	\$ 1,194,195	98.0%
2008	\$ 168,119,180	7.738 (1)	\$ 1,300,906	\$ 1,299,482	99.9%
2009	\$ 168,793,140	7.802 (2)	\$ 1,316,924	\$ 1,306,088	99.2%
2010	\$ 166,715,070	7.525 (3)	\$ 1,292,042	\$ 1,277,529	98.9%
2011	\$ 164,305,730	7.747 (4)	\$ 1,272,877	\$ 1,266,400	99.5%
2012	\$ 155,701,876	7.780 (5)	\$ 1,211,361	\$ 1,209,327	99.8%
2013	\$ 159,216,244	7.571 (6)	\$ 1,205,426	\$ 1,199,952	99.5%
2014	\$ 165,527,807	7.285 (7)	\$ 1,205,870	\$ 1,197,171	99.3%
2015	\$ 164,757,771	7.703 (8)	\$ 1,267,976	\$ 1,267,961	100.0%
2016	\$ 190,485,375	6.878 (9)	\$ 1,310,158	\$ 1,306,898	99.8%
2017	\$ 204,848,910	6.522 (10)	\$ 1,336,024	\$ 1,285,763	96.2%
2018	\$ 229,357,320	6.825 (11)	\$ 1,565,364	\$ 1,549,810	99.0%
2019	\$ 228,984,259	5.437 (12)	\$ 1,244,987	\$ 1,240,959	99.7%
2020	\$ 246,812,983	5.987 (13)	\$ 1,477,670	\$ 1,498,472	101.4%
Estimated for year ending December 31, 2021	\$ 246,658,967	6.047 (14)	\$ 1,491,547		

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.

- (1) Reflected net of a temporary mill levy rate reduction of .034 mills.
- (2) Reflected net of a temporary mill levy rate reduction of .002 mills.
- (3) Reflected net of a temporary mill levy rate reduction of .225 mills and a refunds and abatements levy of .054.
- (4) Includes a refund and abatement levy of .051 mills.
- (5) Includes a refund and abatement levy of .084 mills.
- (6) Reflected net of a temporary mill levy rate reduction of .143 mills and a refunds and abatements levy of .018.
- (7) Reflected net of a temporary mill levy rate reduction of .449 mills and a refunds and abatements levy of .038.
- (8) Includes a refund and abatement levy of .007 mills.
- (9) Reflected net of a temporary mill levy rate reduction of .856 mills and a refunds and abatements levy of .038.
- (10) Reflected net of a temporary mill levy rate reduction of 1.180 mills and a refunds and abatements levy of .006.
- (11) Reflected net of a temporary mill levy rate reduction of .871 mills
- (12) Reflected net of a temporary mill levy rate reduction of 2.264 mills and a refunds and abatements levy of .005.
- (13) Reflected net of a temporary mill levy rate reduction of 1.813 mills and a refunds and abatements levy of .104.
- (14) Reflected net of a temporary mill levy rate reduction of 1.664 mills and a refunds and abatements levy of .015.