

**HAVANA WATER & SANITATION DISTRICT**  
**Arapahoe County, Colorado**

**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2020**

**HAVANA WATER & SANITATION DISTRICT  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Havana Water and Sanitation District  
Arapahoe County, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Havana Water and Sanitation District (the District) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **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 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 opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the District, as of December 31, 2020, and the respective changes in financial position and where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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**Fiscal Focus Partners, LLC**

## **Other Matters**

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Supplementary Information and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The supplementary information and other information (together, the information) as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the basic financial statements. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Fiscal Focus Partners, LLC*

Greenwood Village, Colorado  
September 19, 2021

## **BASIC FINANCIAL STATEMENTS**

**HAVANA WATER & SANITATION DISTRICT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2020**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 2,069,183	\$ 336,829	\$ 2,406,012
Cash and Investments - Restricted	21,500	-	21,500
Prepaid Expenses	19,972	-	19,972
Receivable - County Treasurer	3,064	-	3,064
Receivable - Sewer Fees	-	25,747	25,747
Receivable - Sewer Fees Certified with County	-	8,056	8,056
Property Taxes Receivable	659,094	-	659,094
Capital Assets, Net	5,804	5,337,044	5,342,848
Total Assets	<u>2,778,617</u>	<u>5,707,676</u>	<u>8,486,293</u>
<b>LIABILITIES</b>			
Accounts Payable	18,792	-	18,792
Prepaid Sewer Service Fees	-	15,055	15,055
Accrued Interest Payable - Note	-	5,154	5,154
Noncurrent Liabilities:			
Due Within One Year	-	251,200	251,200
Due in More Than One Year	-	633,500	633,500
Total Liabilities	<u>18,792</u>	<u>904,909</u>	<u>923,701</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Property Tax Revenue	659,094	-	659,094
Total Deferred Inflows of Resources	<u>659,094</u>	<u>-</u>	<u>659,094</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	5,804	4,452,344	4,458,148
Restricted For:			
Emergency Reserves	21,500	-	21,500
Unrestricted	<u>2,073,427</u>	<u>350,423</u>	<u>2,423,850</u>
Total Net Position	<u>\$ 2,100,731</u>	<u>\$ 4,802,767</u>	<u>\$ 6,903,498</u>

See accompanying Notes to Basic Financial Statements.

**HAVANA WATER & SANITATION DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2020**

	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>FUNCTIONS/PROGRAMS</b>							
Governmental Activities:							
General Government	\$ 474,175	\$ -	\$ -	\$ -	\$ (474,175)	\$ -	\$ (474,175)
Total Governmental Activities	<u>\$ 474,175</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(474,175)</u>	<u>-</u>	<u>(474,175)</u>
Business-Type Activities:							
Wastewater Enterprise	\$ 775,354	\$ 789,795	\$ -	\$ -	-	14,441	14,441
Total Business-Type Activities	<u>\$ 775,354</u>	<u>\$ 789,795</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>14,441</u>	<u>14,441</u>
<b>GENERAL REVENUES</b>							
Property Taxes					621,252	-	621,252
Specific Ownership Taxes					44,388	-	44,388
Interest Income					15,410	3,477	18,887
Lease Income					21,123	-	21,123
Other Income					13,000	5,000	18,000
Transfer (to) from Other Funds					(72,000)	72,000	-
Total General Revenues					<u>643,173</u>	<u>80,477</u>	<u>723,650</u>
<b>CHANGE IN NET POSITION</b>							
Net Position - Beginning of Year					<u>1,931,733</u>	<u>4,707,849</u>	<u>6,639,582</u>
<b>NET POSITION - END OF YEAR</b>							
					<u>\$ 2,100,731</u>	<u>\$ 4,802,767</u>	<u>\$ 6,903,498</u>

See accompanying Notes to Basic Financial Statements.

**HAVANA WATER & SANITATION DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUND  
DECEMBER 31, 2020**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and Investments	\$ 2,069,183
Cash and Investments - Restricted	21,500
Prepaid Expenses	19,972
Receivable - County Treasurer	3,064
Property Taxes Receivable	<u>659,094</u>
 Total Assets	 <u><u>\$ 2,772,813</u></u>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES,  
AND FUND BALANCES**

<b>LIABILITIES</b>	
Accounts Payable	\$ 18,792
Total Liabilities	<u>18,792</u>

<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Property Taxes Revenue	659,094
Total Deferred Inflows of Resources	<u>659,094</u>

<b>FUND BALANCES</b>	
Nonspendable:	
Prepaid Expenses	19,972
Restricted:	
Emergencies (TABOR)	21,500
Assigned:	
Designated for Subsequent Year's Expenditures	698,953
Unassigned:	
General Government	1,354,502
Total Fund Balances	<u><u>2,094,927</u></u>

Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u><u>\$ 2,772,813</u></u>
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Amounts reported for governmental activities in the statement of net position are different because:

Total Fund Balances	\$ 2,094,927
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	<u>5,804</u>
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Net Position of Governmental Activities	<u><u>\$ 2,100,731</u></u>
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See accompanying Notes to Basic Financial Statements.



**HAVANA WATER & SANITATION DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
YEAR ENDED DECEMBER 31, 2020**

	General Fund
<b>REVENUES</b>	
Property Taxes	\$ 621,252
Specific Ownership Taxes	44,388
Interest Income	15,410
Lease Income	21,123
Other Income	13,000
Total Revenues	715,173
<b>EXPENDITURES</b>	
Accounting	19,949
Audit	6,600
County Treasurer's Fees	9,324
Customer Billing	24,557
Directors' Fees	2,900
District Management	44,258
Dues and Subscriptions	960
Election	1,228
Engineering and Consulting	64,000
Insurance and Bonds	19,116
Landscape Maintenance	1,075
Legal	43,662
Management - Solid Waste Disposal Study	724
Miscellaneous/Contingency	6,005
Postage/Printing	3,968
Repair and Maintenance	152,001
Storage Rent	3,613
Utilities	46,099
Engineering - Capital Related	23,432
Total Expenditures	473,471
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	241,702
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfer to Other Funds	(72,000)
Total Other Financing Sources (Uses)	(72,000)
<b>NET CHANGE IN FUND BALANCE</b>	169,702
Fund Balance - Beginning of Year	1,925,225
<b>FUND BALANCE - END OF YEAR</b>	\$ 2,094,927

See accompanying Notes to Basic Financial Statements.

**HAVANA WATER & SANITATION DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2020**

Net Change in Fund Balance - Governmental Fund	\$ 169,702
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.

Depreciation	<u>(704)</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 168,998</u></u>
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**HAVANA WATER & SANITATION DISTRICT  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 626,372	\$ 621,252	\$ (5,120)
Specific Ownership Taxes	37,582	44,388	6,806
Interest Income	16,190	15,410	(780)
Lease Income	21,123	21,123	-
Other Revenue	-	13,000	13,000
Total Revenues	<u>701,267</u>	<u>715,173</u>	<u>13,906</u>
<b>EXPENDITURES</b>			
Accounting	19,950	19,949	1
Audit	6,600	6,600	-
County Treasurer's Fees	9,396	9,324	72
Customer Billing	26,600	24,557	2,043
Directors' Fees	3,000	2,900	100
District Management	40,400	44,258	(3,858)
Dues and Subscriptions	1,000	960	40
Election	2,000	1,228	772
Engineering and Consulting	92,000	64,000	28,000
Insurance and Bonds	19,500	19,116	384
Landscape Maintenance	6,000	1,075	4,925
Legal	30,000	43,662	(13,662)
Management - Solid Waste Disposal Study	-	724	(724)
Miscellaneous/Contingency	11,954	6,005	5,949
Postage/Printing	5,400	3,968	1,432
Repair and Maintenance	180,000	152,001	27,999
Storage Rent	4,200	3,613	587
Utilities	65,000	46,099	18,901
Website	2,000	-	2,000
Engineering - Capital Related	75,000	23,432	51,568
Major Repairs/Capital Improvements	500,000	-	500,000
Total Expenditures	<u>1,100,000</u>	<u>473,471</u>	<u>626,529</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(398,733)	241,702	640,435
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer to Other Funds	(72,000)	(72,000)	-
Total Other Financing Sources (Uses)	<u>(72,000)</u>	<u>(72,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(470,733)	169,702	640,435
Fund Balance - Beginning of Year	<u>1,862,533</u>	<u>1,925,225</u>	<u>62,692</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1,391,800</u>	<u>\$ 2,094,927</u>	<u>\$ 703,127</u>

See accompanying Notes to Basic Financial Statements.

**HAVANA WATER & SANITATION DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
DECEMBER 31, 2020**

	Wastewater System Enterprise Fund
<b>ASSETS</b>	
Cash and Investments	\$ 336,829
Receivable - Sewer Fees	25,747
Receivable - Sewer Fees Certified with County	8,056
Capital Assets, Net	5,337,044
Total Assets	5,707,676
<b>LIABILITIES</b>	
Prepaid Sewer Service Fees	15,055
Accrued Interest Payable - Note	5,154
Noncurrent Liabilities:	
Due in One Year	251,200
Due in More Than One Year	633,500
Total Liabilities	904,909
<b>NET POSITION</b>	
Net Investment in Capital Assets	4,452,344
Unrestricted	350,423
Total Net Position	\$ 4,802,767

See accompanying Notes to Basic Financial Statements.

**HAVANA WATER & SANITATION DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
YEAR ENDED DECEMBER 31, 2020**

	Wastewater System Enterprise Fund
<b>OPERATING REVENUES</b>	
Sewer Fees	\$ 763,951
Sewer Fees - Castlewood Sanitation	25,844
Total Operating Revenues	789,795
<b>OPERATING EXPENSES</b>	
Sewer Treatment	532,520
Depreciation	221,455
Total Operating Expenses	753,975
<b>OPERATING INCOME (LOSS)</b>	35,820
<b>OTHER REVENUES AND EXPENSES</b>	
Development Review Fees	5,000
Interest Income	3,477
Transfer from Other Fund	72,000
Note Interest	(21,379)
Total Other Revenues and Expenses	59,098
<b>NET CHANGE IN NET POSITION</b>	94,918
Net Position - Beginning of Year	4,707,849
<b>NET POSITION - END OF YEAR</b>	\$ 4,802,767

See accompanying Notes to Basic Financial Statements.

**HAVANA WATER & SANITATION DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED DECEMBER 31, 2020**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers	\$ 779,296
Payments to Suppliers	<u>(532,520)</u>
Net Cash Provided by Operating Activities	246,776
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfer from General Fund	<u>72,000</u>
Net Cash Provided by Noncapital Financing Activities	72,000
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Development Review Fees	5,000
Note Interest Paid	(22,977)
Note Principal Paid	<u>(296,400)</u>
Net Cash Used by Capital and Related Financing Activities	(314,377)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Received	<u>3,477</u>
Net Cash Provided by Investing Activities	<u>3,477</u>
 <b>NET INCREASE IN CASH AND INVESTMENTS</b>	
	7,876
Cash and Investments - Beginning of Year	<u>328,953</u>
<b>CASH AND INVESTMENTS - END OF YEAR</b>	<u><u>\$ 336,829</u></u>
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating Income	\$ 35,820
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	221,455
(Increase) Decrease in Assets:	
Accounts Receivable	(15,401)
Increase (Decrease) in Liabilities:	
Prepaid Sewer Service Fees	<u>4,902</u>
Net Cash Provided by Operating Activities	<u><u>\$ 246,776</u></u>

See accompanying Notes to Basic Financial Statements.

**HAVANA WATER & SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

Havana Water & Sanitation District (the District), a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Arapahoe County, Colorado. The District provides sewer services to its residents. Water services are provided by the City and County of Denver.

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 has no employees, and all operations and administrative functions are contracted.

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

**Government-Wide and Fund Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Both statements distinguish between governmental activities, which normally are supported by taxes and intergovernmental revenues, and business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

**HAVANA WATER & SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Government-Wide and Fund Financial Statements (Continued)**

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Depreciation is computed and recorded as an operating expense. Expenditures for property, plant, and equipment are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental fund:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The District reports the following major proprietary fund:

The Wastewater System Enterprise Fund accounts for wastewater operations that are financed and operated in a manner where the intent of the District is that the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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. Operating revenues consist of charges to customers for services 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 nonoperating revenues and expenses or capital contributions.



**HAVANA WATER & SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 and other financing uses 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. The budget includes each fund on its basis of accounting unless otherwise indicated.

**Pooled Cash and Investments**

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility.

**Cash and Cash Equivalents**

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

**Property Taxes**

Property taxes are levied by the District Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set before December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August, and generally, sale 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 inflow of resources in the year they are levied and measurable. The unearned property tax revenue is recorded as revenue in the year they are available or collected.

**Accounts Receivable, Allowance for Doubtful Accounts**

Tap fees and sewer fees constitute a perpetual lien on or against the property served until paid. Such liens may be foreclosed upon as provided by the state of Colorado. Therefore, no provision for uncollectible receivables has been made in the financial statements.

**HAVANA WATER & SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets**

Capital assets, which include distribution and collection systems and machinery and equipment, are reported as assets on the District's financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Distribution and Collection Systems	40 Years
Machinery and Equipment	7 Years
Landscape Improvements	15 Years

**Deferred Inflows of Resources**

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

**Equity**

**Net Position**

For government-wide presentation purposes, when both restricted and unrestricted resources are available for use, it is the District practice to use restricted resources first, then unrestricted resources as they are needed.

**Fund Balance**

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

*Nonspendable Fund Balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

**HAVANA WATER & SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Equity (Continued)**

Fund Balance (Continued)

*Restricted Fund Balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

*Committed Fund Balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

*Assigned Fund Balance* – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

*Unassigned Fund Balance* – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balances is available for use when an expenditure is incurred, it is the District’s practice to use the most restrictive classification first.

**NOTE 3 CASH AND INVESTMENTS**

Cash and investments as of December 31, 2020 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 2,406,012
Cash and Investments - Restricted	21,500
Total Cash and Investments	\$ 2,427,512

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

Deposits with Financial Institutions	\$ 37,916
Investments	2,389,596
Total Cash and Investments	\$ 2,427,512

**Deposits with Financial Institutions**

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

**HAVANA WATER & SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**Deposits with Financial Institutions (Continued)**

The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2020, the District's cash deposits had a bank balance of \$37,915 and a carrying balance of \$37,915.

**Investments**

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

The District generally limits its concentration of investments to those noted with an asterisk (\*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

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

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

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

**HAVANA WATER & SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

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

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government	Weighted-Average	
Liquid Asset Trust (COLOTRUST)	Under 60 Days	<u>\$ 2,389,596</u>

**COLOTRUST**

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

**HAVANA WATER & SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 4 CAPITAL ASSETS**

The following is an analysis of the changes in the District's capital assets for the year ended December 31, 2020:

	Balance at December 31, 2019	Additions	Deletions	Balance at December 31, 2020
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital Assets, Being Depreciated:				
Collection System	\$ 2,025,250	\$ -	\$ -	\$ 2,025,250
Lift Station	4,455,487	-	-	4,455,487
Sewer Force Main	3,492,981	-	-	3,492,981
Total Capital Assets, Being Depreciated	9,973,718	-	-	9,973,718
Less Accumulated Depreciation For:				
Collection System	(1,682,388)	(22,961)	-	(1,705,349)
Lift Station	(1,776,300)	(111,170)	-	(1,887,470)
Sewer Force Main	(956,531)	(87,324)	-	(1,043,855)
Total Accumulated Depreciation	(4,415,219)	(221,455)	-	(4,636,674)
 Total Business-Type Activities Capital Assets, Net	 <u>\$ 5,558,499</u>	 <u>\$ (221,455)</u>	 <u>\$ -</u>	 <u>\$ 5,337,044</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets, Being Depreciated:				
Landscape Improvements	\$ 10,553	\$ -	\$ -	\$ 10,553
Total Capital Assets, Being Depreciated	10,553	-	-	10,553
Less Accumulated Depreciation For:				
Landscape Improvements	(4,045)	(704)	-	(4,749)
Total Accumulated Depreciation	(4,045)	(704)	-	(4,749)
 Total Governmental Activities Capital Assets, Net	 <u>\$ 6,508</u>	 <u>\$ (704)</u>	 <u>\$ -</u>	 <u>\$ 5,804</u>

For the year ended December 31, 2020, depreciation expense was charged to the wastewater operations and governmental activities of the District in the amount of \$221,455 and \$704, respectively.

**HAVANA WATER & SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 5 LONG-TERM OBLIGATIONS**

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

	Balance December 31, 2019	Additions	Retirements	Balance December 31, 2020	Due Within One Year
Revenue Refunding Note					
Series 2017	\$ 1,181,100	\$ -	\$ 296,400	\$ 884,700	\$ 251,200
Total	<u>\$ 1,181,100</u>	<u>\$ -</u>	<u>\$ 296,400</u>	<u>\$ 884,700</u>	<u>\$ 251,200</u>

The details of the District’s long-term obligations are as follows:

On October 2, 2017, the District issued the Wastewater System Enterprise Revenue Refunding Note, Series 2017 (Note) with a principal amount of \$1,761,300. The proceeds of the Note were used to fully redeem Wastewater System Enterprise Revenue Bonds, Series 2007 and pay loan transaction costs.

The Note is a special revenue obligation of the Enterprise payable solely from and secured by an irrevocable and nonexclusive first lien on the net revenue derived by the Enterprise from the ownership, operation, and use of the wastewater system, after payment of the costs of operating and maintaining the wastewater system. The Note is not payable from the proceeds of general property taxes. The Note matures on September 15, 2024, and bears an interest rate of 1.96% per annum to be paid semi-annually every March 15 and September 15.

The Note is subject to redemption prior to maturity, at the option of the Enterprise, on September 15 of each year, in the maximum annual principal amount of \$50,000, at a redemption price equal to the principal amount so redeemed plus accrued interest to the redemption date, without redemption premium. During 2020, the District redeemed \$50,000 prior to maturity.

In connection with the Note, the Enterprise will establish, maintain, enforce and collect rates, fees and charges for services furnished by or the use of the wastewater system to create gross revenue each fiscal year sufficient to pay operating costs and to create a net revenue in an amount equal to not less than 120% of the maximum annual debt service requirements on the Note and any outstanding parity obligations plus an amount required to make up any deficiencies in debt service reserve funds created in respect to any outstanding parity obligations. In 2020, the Enterprise met this coverage requirement.

**HAVANA WATER & SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

The District's long-term obligations will mature as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 251,200	\$ 17,340	\$ 268,540
2022	256,100	12,417	268,517
2023	261,100	7,397	268,497
2024	116,300	2,279	118,579
Total	<u>\$ 884,700</u>	<u>\$ 39,433</u>	<u>\$ 924,133</u>

**NOTE 6 NET POSITION**

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

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

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
Net Investment in Capital Assets:		
Capital Assets, Net	\$ 5,804	\$ 5,337,044
Current Portion of Note Payable	-	(251,200)
Noncurrent Portion of Note Payable	-	(633,500)
Total	<u>\$ 5,804</u>	<u>\$ 4,452,344</u>

The restricted component of net position consists of assets 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 of \$21,500 as of December 31, 2020.

The District's unrestricted net position as of December 31, 2020, totaled \$2,423,850.

**NOTE 7 INTERFUND AND OPERATING TRANSFERS**

In 2020, the Enterprise Fund received a contribution for operational purposes from the General Fund in the amount of \$72,000, which is less than 10% of the Enterprise Fund's 2020 revenues.



**HAVANA WATER & SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 8 COMMITMENTS AND CONTINGENCIES**

**Water Operations**

The District has entered into a total service contract with the Board of Water Commissioners of the City and County of Denver (Denver) and has transferred its ownership and substantially all of its rights in the water system to Denver. Denver is responsible for all maintenance and bills the users directly.

**Sewer Operations**

The District is a “special connector” by agreement with Metro Wastewater Reclamation District (Metro), which provides the treatment of sewage collected within the District. The standard service agreement with Metro provides for annual charges to be assessed by a formula against the District on an estimated basis. 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.

The composition of the charges for 2020 is as follows:

Estimated for Current Year	\$ 483,587
Plus: Increase in 2019 Revised Estimate	25,108
Plus: Increase in 2018 Final Adjustment	23,825
Total Annual Charge	<u>\$ 532,520</u>

The annual charge for 2021 was estimated by Metro at \$471,293, with an estimated net payment of \$444,325.

**NOTE 9 RISK MANAGEMENT**

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

The District is a member of the Colorado Special Districts Property and Liability Pool (the Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials’ liability, boiler and machinery and workers’ compensation coverage to its members. 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 and public officials’ liability. 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.

**HAVANA WATER & SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 10 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.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

On November 8, 1994, a majority of the District's electors authorized the District to collect, retain and spend revenue (including interest earnings) from tap fees it receives each year for capital and debt service purposes without regard to any limitations under TABOR.

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 operates a wastewater activity enterprise (Enterprise) under Title 37, Article 45.1, C.R.S., to perform the functions of and to carry out certain wastewater activities of the District, including but not limited to payment for facilities for the collection and treatment of wastewater and provision of wholesale or retail wastewater services. The Enterprise, as an enterprise under Section 20 of the Colorado Constitution, may receive under 10% of its annual revenue in grants from all Colorado state and local governments combined. The Enterprise is authorized to issue its own revenue bonds. The Enterprise has been created to operate the wastewater collection facilities of the District. Prior to the creation of the Enterprise, all wastewater activities were undertaken directly by the District.

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

## **SUPPLEMENTARY INFORMATION**

**HAVANA WATER & SANITATION DISTRICT  
ENTERPRISE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS AVAILABLE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Sewer Fees	\$ 763,949	\$ 763,951	\$ 2
Interest Income	3,300	3,477	177
Reimbursed Expenditures - Castlewood	25,843	25,844	1
Development Review Fees	-	5,000	5,000
Total Revenues	<u>793,092</u>	<u>798,272</u>	<u>5,180</u>
<b>EXPENDITURES</b>			
Sewer Treatment	532,520	532,520	-
Note Principal	246,400	246,400	-
Note Interest	23,150	21,379	1,771
Note Principal - Prepayment	50,000	50,000	-
Total Expenditures	<u>852,070</u>	<u>850,299</u>	<u>1,771</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from Other Fund	72,000	72,000	-
Total Other Financing Sources (Uses)	<u>72,000</u>	<u>72,000</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES - BUDGET BASIS</b>			
	<u>\$ 13,022</u>	19,973	<u>\$ 6,951</u>
<b>ADJUSTMENTS TO RECONCILE BUDGET BASIS TO GAAP BASIS:</b>			
Depreciation		(221,455)	
Note Principal		<u>296,400</u>	
<b>CHANGE IN NET POSITION</b>			
		94,918	
Net Position - Beginning of Year		<u>4,707,849</u>	
<b>NET POSITION - END OF YEAR</b>		<u>\$ 4,802,767</u>	

## **OTHER INFORMATION**

**HAVANA WATER & SANITATION DISTRICT  
SCHEDULE 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	Total Property Taxes		Percentage Collected to Levied
			Levied	Collected	
2016	\$ 128,233,499	3.816 <sup>(1)</sup>	\$ 489,339	\$ 489,031	99.94%
2017	129,563,995	4.027 <sup>(2)</sup>	521,754	521,693	99.99%
2018	140,554,725	3.962 <sup>(3)</sup>	556,878	556,153	99.87%
2019	142,196,038	4.165 <sup>(4)</sup>	592,246	591,627	99.90%
2020	154,051,034	4.066 <sup>(5)</sup>	626,372	621,252	99.18%
Estimated for the Year Ending December 31, 2021	\$ 155,924,957	4.227	\$ 659,094		

NOTE: Property taxes shown as collected in any one year include collection of delinquent property taxes or abatements of property taxes assessed in prior years. This presentation does not attempt to identify specific years of assessment.

- <sup>(1)</sup> This includes a temporary mill levy reduction of 0.411 mills.
- <sup>(2)</sup> This includes a temporary mill levy reduction of 0.200 mills.
- <sup>(3)</sup> This includes a temporary mill levy reduction of 0.265 mills.
- <sup>(4)</sup> This includes a temporary mill levy reduction of 0.062 mills.
- <sup>(5)</sup> This includes a temporary mill levy reduction of 0.161 mills.