

**LOUVIERS WATER AND SANITATION
DISTRICT**

Douglas County, Colorado

**FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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 Fund Net Position	2
Statements of Cash Flows	3
Notes to the Financial Statements	4
SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Changes in Funds Available – Budget and Actual (Budgetary Basis)	16
Reconciliation of Budgetary Basis to Statement of Revenues, Expenses and Changes in Fund Net Position	18
Schedule of Net Position – Water and Sewer Operations	19
Schedule of Revenues, Expenses and Changes in Net Position – Water and Sewer Operations	20
Schedule of Cash Flows – Water and Sewer Operations	21
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	22
Schedule of Debt Service Requirements to Maturity	23
SINGLE AUDIT INFORMATION	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25
Independent Auditor’s Report on Compliance for Each Major Program; Report on Internal Control Over Compliance Uniform Guidance	27
Schedule of Expenditures of Federal Awards	29
Schedule of Findings and Questioned Costs	30

Green & Associates LLC

Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Louviers Water and Sanitation District

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, of the Louviers Water and Sanitation District, as of and for the year ended December 31, 2019 and 2018, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 business-type activities of the Louviers Water and Sanitation District as of December 31, 2019 and 2018, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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 Louviers Water and Sanitation District's basic financial statements. The supplemental information as listed in the table of contents, and the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information and the *schedule of expenditures of federal awards* are the responsibility of management and were 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 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 supplemental information and the *schedule of expenditures of federal awards* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2020 on our consideration of the Louviers Water and Sanitation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Louviers Water and Sanitation District's internal control over financial reporting and compliance.



Longmont, Colorado
September 9, 2020

**LOUVIERS WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2019 and 2018**

Our discussion and analysis of Louviers Water and Sanitation District's (District) financial performance provides an overview of the District's financial activities for the fiscal years ended December 31, 2019 and 2018. Please read it in conjunction with the District's basic financial statements which begin on page 1.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Required statements for proprietary funds are: 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Fund Net Position, and 3) Statement of Cash Flows. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position are prepared using the economic resource measurement focus and the accrual basis of accounting.

The *Statement of Net Position* presents information on all of the District's assets, liabilities, and deferred inflows of resources, with the difference being reported as net position. This statement provides useful information regarding the financial position of the District. Over time, increases and decreases in net position can serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Nonfinancial factors should also be considered to assess the overall financial position of the District.

The *Statement of Revenues, Expenses and Changes in Fund Net Position* reports the changes that have occurred during the year to the District's net position. 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. Revenues and expenses are reported for some items that will only result in cash flows in the subsequent years.

The *Statement of Cash Flows*, as its name implies, is concerned solely with flows of cash and cash equivalents. Only transactions that affect the District's cash position are reflected in this statement. Transactions are segregated into four sections on the statement: 1) cash flows from operating activities, 2) cash flows from capital financing activities, 3) cash flows from noncapital financing activities, and 4) cash flows from investing activities.

In addition to the basic financial statements and accompanying notes, this report also presents certain *supplemental information*, as listed in the table of contents, which has been included for additional analysis and legal compliance.

FINANCIAL SUMMARY AND ANALYSIS

Net Position

2019

As noted earlier, net position may serve as a useful indicator of the District's financial position. As noted in the table below, the District's assets exceed liabilities and deferred inflows of resources in 2019 by \$1,892,793. Total assets, liabilities and deferred inflows of resources were \$3,742,310, \$1,791,909 and \$57,608, respectively. Current assets increased due to the District receiving \$113,200 of forgiven loan proceeds for design and engineering costs related to the District's sewer system improvement project, recording \$108,142 of receivable from the

**LOUVIERS WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2019 and 2018**

CWRPDA for loan proceeds due for projects costs incurred in 2019, and overall positive operating results in 2019. Capital assets increased as a result of 2019 capital asset additions as offset by 2019 depreciation expense. Current liabilities increased from 2018 due to amounts payable at year end related to the sewer system improvements project. Property taxes receivable and deferred property taxes receivable increased due to a 23% increase in the District's assessed valuation for the taxes levied for collection in 2020. Long-term liabilities increased due to the District entering into a loan agreement with the CWRPDA during 2019, which was offset by the District making the scheduled debt service payments on the outstanding loan and bonds. Additional information on capital assets and long-term debt is located below in the Capital Assets and Debt Administration section.

2018

As noted in the table below, the District's assets exceed liabilities in 2018 by \$1,793,750. Total assets, liabilities and deferred inflows of resources were \$2,568,567, \$727,829 and \$46,988, respectively. Current assets decreased due to District spending cash reserves for design and engineering costs related to the District's sewer system improvement project and the unexpected water well pump replacement during 2018. Capital assets decreased slightly due to 2018 depreciation expense exceeded 2018 capital asset additions. Current liabilities increased from 2017 due to amounts payable at year end related to the sewer system improvements project. Long-term liabilities decreased due to the District making the scheduled debt service payments on the outstanding loan and bonds. Additional information on capital assets and long-term debt is located below in the Capital Assets and Debt Administration section.

	Condensed Statement of Net Position				
	2017	\$ Change	2018	\$ Change	2019
Current assets	\$ 469,861	\$ (52,509)	\$ 417,352	\$ 324,471	\$ 741,823
Capital assets	2,151,312	(97)	2,151,215	849,272	3,000,487
Total Assets	2,621,173	(52,606)	2,568,567	1,173,743	3,742,310
Current liabilities	25,089	3,670	28,759	135,989	164,748
Long-term liabilities	720,387	(21,317)	699,070	928,091	1,627,161
Total Liabilities	745,476	(17,647)	727,829	1,064,080	1,791,909
Deferred property tax revenue	47,122	(134)	46,988	10,620	57,608
Total deferred inflows of resources	47,122	(134)	46,988	10,620	57,608
Investment in capital assets	1,418,133	20,012	1,438,145	(110,809)	1,327,336
Restricted for:					
Debt service	33,306	1,566	34,872	-	34,872
Operations and maintenance reserve	23,073	(152)	22,921	18,568	41,489
Emergencies	595	85	680	(6)	674
Unrestricted	353,468	(56,336)	297,132	191,290	488,422
Total Net Position	\$ 1,828,575	\$ (34,825)	\$ 1,793,750	\$ 99,043	\$ 1,892,793

**LOUVIERS WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2019 and 2018**

Changes in Net Position

2019

As noted in the table below, the District's net position increased by \$99,043. Operating revenue decreased by \$9,764, due primarily to lower water usage during 2019 than compared to 2018. The District did increase water and sewer rates by 3% effective January 1, 2019. Nonoperating revenue remained consistent with 2018. Capital grants and contributions increased by \$113,200 due to receiving a forgiven loan from the CWRPDA during 2019. Overall operating expenses decreased by \$21,994, from 2018. This was due to less repairs and maintenance costs incurred in 2019 than 2018. Nonoperating expenses decreased due primarily to a loss on disposal of capital assets of \$13,334 incurred in 2018 due to the unexpected replacement of the pump and motor at the north well, and no capital asset disposals in 2019.

2018

As noted in the table below, the District's net position decreased by \$34,825. Operating revenue increased by \$7,022, due primarily to 3.0% rate increases by the District effective January 1, 2018. Nonoperating revenue increased due to the District receiving \$10,186 more in property taxes due to higher assessed valuations and mill levies for 2018 collection when compared to 2017. Overall operating expenses were \$6,050, slightly more than 2017. Nonoperating expenses increased due to loan issuance costs paid in the amount of \$8,187 and a loss on disposal of capital assets of \$13,334 due to the unexpected replacement of the pump and motor at the north well. During 2017 the District received capital contributions consisting of tap fees in the amount of \$9,800 for a new home being constructed within the District's boundaries, however no tap fees were received in 2018.

Condensed Statement of Revenues, Expenses and Changes in Fund Net Position

	2017	\$ Change	2018	\$ Change	2019
Operating revenue	\$ 211,087	\$ 7,022	\$ 218,109	\$ (9,764)	\$ 208,345
Nonoperating revenue	46,681	15,645	62,326	410	62,736
Total revenues	<u>257,768</u>	<u>22,667</u>	<u>280,435</u>	<u>(9,354)</u>	<u>271,081</u>
Operating expenses	261,759	6,050	267,809	(21,994)	245,815
Nonoperating expenses	26,113	21,338	47,451	(8,028)	39,423
Total expenses	<u>287,872</u>	<u>27,388</u>	<u>315,260</u>	<u>(30,022)</u>	<u>285,238</u>
Income before capital contributions	<u>(30,104)</u>	<u>(4,721)</u>	<u>(34,825)</u>	<u>20,668</u>	<u>(14,157)</u>
Capital contributions	<u>9,800</u>	<u>(9,800)</u>	<u>-</u>	<u>113,200</u>	<u>113,200</u>
Change in net position	(20,304)	(14,521)	(34,825)	133,868	99,043
Net Position - Beginning of Year	<u>1,848,879</u>	<u>(20,304)</u>	<u>1,828,575</u>	<u>(34,825)</u>	<u>1,793,750</u>
Net Position - End of Year	<u>\$ 1,828,575</u>	<u>\$ (34,825)</u>	<u>\$ 1,793,750</u>	<u>\$ 99,043</u>	<u>\$ 1,892,793</u>

BUDGETARY HIGHLIGHTS

The District's budget was not amended for the year ended December 31, 2019. For 2019, actual revenues were \$29,492 less than budgeted primarily due to the District anticipated receiving grant/loan proceeds of \$10,000, however the amount received was \$113,200. This

**LOUVIERS WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2019 and 2018**

positive variance was offset by an \$118,984 unfavorable variance as anticipated loan proceeds were more than actual receipts and an unfavorable water services revenue variance of \$12,328 due to lower than anticipated water usage. Expenditures were under budget by \$201,770. This was due to wastewater system improvements were anticipated at \$1,110,000, however actual capital outlay for 2019 was \$980,357, or a \$129,643 positive variance. Other positive variances were noted in water and sewer main breaks which were under budget by \$13,686 and \$10,000, respectively. Additionally, the District had anticipated that loan principal payments on the 2019 CWRPDA loan would begin in the fall of 2019, however the first payment was not due until May 2020. Therefore loan principal expenditures were \$35,419 under budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The changes in the District's investment in capital assets are as follows:

	Capital Assets Summary				
	2017	\$ Change	2018	\$ Change	2019
Land	\$ 75,303	\$ -	\$ 75,303	\$ -	\$ 75,303
Construction in Progress	-	119,662	119,662	980,357	1,100,019
Total capital assets, not being depreciated	75,303	119,662	194,965	980,357	1,175,322
Water system and facilities, net	1,422,180	(99,070)	1,323,110	(110,422)	1,212,688
Wastewater system and facilities, net	653,829	(20,689)	633,140	(20,663)	612,477
Total capital assets being depreciated, net	2,076,009	(119,759)	1,956,250	(131,085)	1,825,165
Total capital assets, net	\$ 2,151,312	\$ (97)	\$ 2,151,215	\$ 849,272	\$ 3,000,487

2019

During 2019, the District incurred design and engineering costs as well as construction costs of \$980,357 for wastewater system improvements. These have been capitalized as construction in progress at December 31, 2019. Phase 2 of the project has still yet to be completed, and is anticipated to start in late 2020 or early 2021.

2018

During 2018, the District incurred design and engineering costs of \$119,662 for wastewater system improvements. These have been capitalized as construction in progress at December 31, 2018. The District anticipated completing the project in late 2019, however it was still ongoing as of December 31, 2019. Also, during 2018 the District's pump and motor at the north well failed and was replaced at a cost of \$25,555. The District recognized a \$13,334 loss on the disposal of the replaced pump and motor.

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

**LOUVIERS WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2019 and 2018**

Long-Term Obligations

The changes in the District's long-term obligations are as follows:

	Long-term Debt Summary				
	<u>2017</u>	<u>Retirements</u>	<u>2018</u>	<u>Retirements</u>	<u>2019</u>
General obligation bond, Series 2009	\$ 614,476	\$ (8,481)	\$ 605,995	\$ (11,150)	\$ 594,845
2012 CWRPDA Loan	118,703	(11,628)	107,075	(9,785)	97,290
2019 CWRPDA Loan	-	-	-	981,016	981,016
Total long-term debt	<u>\$ 733,179</u>	<u>\$ (20,109)</u>	<u>\$ 713,070</u>	<u>\$ 960,081</u>	<u>\$ 1,673,151</u>

2019

During 2019, the District made the scheduled debt service payments on the outstanding bond and made an additional principal payment on the loan. Additionally, the District entered into a Loan Agreement with the Colorado Water Resources and Power Development Authority (CWRPDA) in the amount of \$1,100,000. The loan proceeds were used for collection system improvements, replacement, and/or relocation of lines as noted above in the Capital Assets section.

2018

During 2018, the District made the scheduled debt service payments on the outstanding bond and made an additional principal payment on the loan.

Additional information on the District's long-term obligations can be found in Note 5 of this report.

ECONOMIC FACTORS NEXT YEAR'S BUDGET AND RATES

In adopting the District's budget for 2020, the District continued to levy property tax of 10.000 mills on the properties within the District's boundaries for operations and 10.795 mills to pay a portion of the debt service on the District's outstanding long-term debt, resulting in a total mill levy of 20.795 mills. The District's total assessed valuation on the property within the District's boundaries decreased slightly to \$2,270,290 for the 2020 levied taxes. For 2020, the District increased the water base, sewer base, operations & improvements-water, and operations & improvement-sewer rates by 3%. Additionally the bottom three tiers of water usage rates were increased by 3% and the top 2 tiers were increased by 10%. Construction water rates were also increased by 10%. The District's 2020 budget also anticipates incurring \$500,000 of expenditures related to radium issues in the water distribution system which are anticipated to be funded by grants/loans/loan forgiveness and \$400,000 of sewer system improvements, which are anticipated to be funded from loan proceeds. The 2019 budget anticipates total revenue of \$1,258,907 and total expenditures of \$1,250,242. The ending funds available is expected to end the year at \$151,154.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of Louviers Water and Sanitation District's finances for all those with an interest in the government's finances. Questions

**LOUVIERS WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2019 and 2018**

concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's Accountant, Neil Schilling, CPA, Schilling & Company, Inc., P.O. Box 632060 Highlands Ranch, CO 80163 or by phone at (720) 348-1086.

BASIC FINANCIAL STATEMENTS

LOUVIERS WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
December 31, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents - Unrestricted	\$ 492,120	\$ 287,730
Cash and cash equivalents - Restricted	34,872	34,872
Due from county treasurer	425	477
Accounts receivable:		
Customers	42,208	41,059
CWRPDA	108,142	-
Property taxes receivable	57,608	46,988
Prepaid expenses	6,448	6,226
Total current assets	741,823	417,352
CAPITAL ASSETS		
Capital assets, not being depreciated	1,175,322	194,965
Capital assets, being depreciated	2,648,761	2,648,761
	3,824,083	2,843,726
Less accumulated depreciation and amortization	(823,596)	(692,511)
Total capital assets	3,000,487	2,151,215
TOTAL ASSETS	\$ 3,742,310	\$ 2,568,567
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 113,582	\$ 10,650
Accrued interest payable	5,176	4,109
Current portion of long-term debt	45,990	14,000
Total current liabilities	164,748	28,759
LONG-TERM LIABILITIES		
Long-term portion of long-term debt	1,627,161	699,070
Total long-term liabilities	1,627,161	699,070
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue	57,608	46,988
Total deferred inflows of resources	57,608	46,988
NET POSITION		
Net investment in capital assets	1,327,336	1,438,145
Restricted for:		
Debt service	34,872	34,872
Operation and maintenance reserve	41,489	22,921
Emergencies	674	680
Unrestricted	488,422	297,132
Total net position	1,892,793	1,793,750
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 3,742,310	\$ 2,568,567

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

**LOUVIERS WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
Years Ended December 31, 2019 and 2018**

	2019	2018
OPERATING REVENUE		
Water service charges	\$ 89,912	\$ 118,646
Sewer service charges	116,441	93,935
Late fees and other charges	1,992	5,528
Total operating revenue	208,345	218,109
 OPERATING EXPENSES		
Water and sewer operations	64,655	81,832
Administration expense	50,075	53,997
Depreciation	131,085	131,980
Total operating expenses	245,815	267,809
 OPERATING LOSS	(37,470)	(49,700)
 NONOPERATING REVENUE (EXPENSE)		
Property taxes	46,708	47,122
Specific ownership taxes	4,685	4,984
Cell tower lease income	5,184	5,184
Net investment income	6,159	5,036
County treasurer fees	(702)	(708)
Interest expense	(24,790)	(25,222)
Loss on disposal of capital assets	-	(13,334)
Loan issuance costs	(13,931)	(8,187)
Total nonoperating revenue (expense)	23,313	14,875
 LOSS BEFORE CAPITAL CONTRIBUTIONS	(14,157)	(34,825)
 CAPITAL CONTRIBUTIONS		
CWRPDA design and engineering grant	113,200	-
Total capital contributions	113,200	-
 CHANGE IN NET POSITION	99,043	(34,825)
NET POSITION - BEGINNING OF YEAR	1,793,750	1,828,575
NET POSITION - END OF YEAR	\$ 1,892,793	\$ 1,793,750

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

LOUVIERS WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 207,196	\$ 223,229
Payments to vendors	(115,642)	(134,628)
Net cash provided by operating activities	91,554	88,601
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cell tower lease income received	5,184	5,184
Property taxes	46,006	46,414
Specific ownership taxes	4,737	4,778
Net cash provided by capital financing activities	55,927	56,376
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchases of capital assets	(876,735)	(141,165)
Interest paid	(23,723)	(26,391)
Loan and bond principal paid	(20,935)	(20,109)
Loan issuance costs paid	(13,931)	(8,187)
CWRPDA loan proceeds received	872,874	-
CWRPDA design and engineering grant received	113,200	-
Net cash provided (required) by capital financing activities	50,750	(195,852)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	6,159	5,036
Net cash provided by investing activities	6,159	5,036
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	204,390	(45,839)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	322,602	368,441
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 526,992	\$ 322,602
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Net income (loss) from operations	\$ (37,470)	\$ (49,700)
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	131,085	131,980
Effects of changes in operating assets and liabilities:		
Accounts receivable	(1,149)	5,709
Prepaid expenses	(222)	1,033
Accounts payable	(690)	168
Deposits	-	(589)
Net cash provided by operating activities	\$ 91,554	\$ 88,601

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

**LOUVIERS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019 and 2018**

NOTE 1 – DEFINITION OF REPORTING ENTITY

Louviers Water and Sanitation District (District), was created on November 20, 2008, as a quasi-municipal corporation and political subdivision of the State of Colorado, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Douglas County, Colorado. The District purpose is to provide public water and sanitary sewer services to the citizens of the District. The District is governed by an elected Board of Directors.

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 and Louviers Mutual Service Company (LMSC), a Colorado nonprofit organization, entered into a Dissolution and Transfer Agreement dated May 28, 2009, providing, among other things, for the assignment and transfer by LMSC to the District, of all tangible and intangible assets of LMSC, owned by LMSC at the time of dissolution. Effective October 30, 2009 the District entered into a Bill of Sale and Assignment and Assumption Agreement with LMSC to assign and transfer all tangible and intangible assets owned by LMSC to the District and for the District to assume all liabilities of LMSC.

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 similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

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 redemption of bonds and loans is recorded as a reduction in liabilities. Tap fees and contributed assets from developers are recorded as capital contributions when received.

LOUVIERS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019 and 2018

Operating Revenues and Expenses

The District distinguishes *operating* revenues and expenses from *nonoperating* 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 nonoperating revenues and expenses or capital contributions.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements.

Property Taxes

Property taxes are levied by the District Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 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 revenue in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

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. 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, exceeding \$5,000, are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation and

LOUVIERS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019 and 2018

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

Water system and facilities	5-20 years
Wastewater system and facilities	5-40 years

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Tap Fees and Contributed Capital Assets

Tap fees are recorded as capital contributions when received. Capital assets contributed to the District are recorded as capital contributions and additions to the systems at estimated fair market value when received.

Restricted Resources

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

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, 2019, the District had cash deposits with a bank and carrying balance of \$381,179. At December 31, 2018, the District had cash deposits with a bank balance of \$48,073 and a carrying balance of \$47,888.

**LOUVIERS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019 and 2018**

Investments

Credit Risk

The District has not adopted a formal investment policy, however, the District follows Colorado State Statutes which 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

Interest Rate Risk

Colorado Revised Statutes limit investment maturities to three 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 requirement.

Concentration of Credit Risk

The District does not have a policy that addresses limitations on the amount that can be invested in any one issuer however, the District invests primarily in local government investment pools, which are not subject to concentration of credit risk.

As of and for the years ending December 31, 2019 and 2018, the District held the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Carrying Value</u>	
		<u>2019</u>	<u>2018</u>
Colostrust Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 145,813</u>	<u>\$ 274,714</u>

COLOTRUST

At December 31, 2019 and 2018, 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. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both

**LOUVIERS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019 and 2018**

portfolios may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies and instrumentalities, and repurchase agreements collateralized with certain U.S. government agencies or instrumentalities. COLOTRUST PLUS+ may also invest in the highest rated commercial paper. Both the COLOTRUST PRIME and COLOTRUST PLUS+ portfolios are rated AAAM by Standard and Poor's.

Investment Valuation

The District's 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 Deposits and Investments are reflected in the Statement of Net Position at December 31, 2019 and 2018 as follows:

	2019	2018
Cash and Cash Equivalents - Unrestricted	\$ 492,120	\$ 287,730
Cash and Cash Equivalents - Restricted	34,872	34,872
	\$ 526,992	\$ 322,602

The cash and cash equivalents – restricted is restricted for the payment of debt service on the District's General Obligation Bond, Series 2009.

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LOUVIERS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 4 - CAPITAL ASSETS

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

	Balance at December 31, 2018	Additions	Disposals/ Retirements	Balance at December 31, 2019
Capital assets, not being depreciated:				
Land	\$ 75,303	\$ -	\$ -	\$ 75,303
Construction in progress	119,662	980,357	-	1,100,019
Total capital assets, not being depreciated	<u>194,965</u>	<u>980,357</u>	<u>-</u>	<u>1,175,322</u>
Capital assets, being depreciated:				
Water system and facilities	1,818,829	-	-	1,818,829
Wastewater system and facilities	829,932	-	-	829,932
Total capital assets being depreciated	<u>2,648,761</u>	<u>-</u>	<u>-</u>	<u>2,648,761</u>
Less accumulated depreciation for:				
Water system and facilities	(495,719)	(110,422)	-	(606,141)
Wastewater system and facilities	(196,792)	(20,663)	-	(217,455)
Total accumulated depreciation	<u>(692,511)</u>	<u>(131,085)</u>	<u>-</u>	<u>(823,596)</u>
Total capital assets being depreciated, net	<u>1,956,250</u>	<u>(131,085)</u>	<u>-</u>	<u>1,825,165</u>
Total capital assets, net	<u><u>\$ 2,151,215</u></u>	<u><u>\$ 849,272</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,000,487</u></u>

An analysis of the changes in capital assets for the year ended December 31, 2018 follows:

	Balance at December 31, 2017	Additions	Disposals/ Retirements	Balance at December 31, 2018
Capital assets, not being depreciated:				
Land	\$ 75,303	\$ -	\$ -	\$ 75,303
Construction in progress	-	119,662	-	119,662
Total capital assets, not being depreciated	<u>75,303</u>	<u>119,662</u>	<u>-</u>	<u>194,965</u>
Capital assets, being depreciated:				
Water system and facilities	1,813,274	25,555	(20,000)	1,818,829
Wastewater system and facilities	829,932	-	-	829,932
Total capital assets being depreciated	<u>2,643,206</u>	<u>25,555</u>	<u>(20,000)</u>	<u>2,648,761</u>
Less accumulated depreciation for:				
Water system and facilities	(391,094)	(111,291)	6,666	(495,719)
Wastewater system and facilities	(176,103)	(20,689)	-	(196,792)
Total accumulated depreciation	<u>(567,197)</u>	<u>(131,980)</u>	<u>6,666</u>	<u>(692,511)</u>
Total capital assets being depreciated, net	<u>2,076,009</u>	<u>(106,425)</u>	<u>(13,334)</u>	<u>1,956,250</u>
Total capital assets, net	<u><u>\$ 2,151,312</u></u>	<u><u>\$ 13,237</u></u>	<u><u>\$ (13,334)</u></u>	<u><u>\$ 2,151,215</u></u>

**LOUVIERS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019 and 2018**

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, 2019:

	<u>Balance at December 31, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at December 31, 2019</u>	<u>Due Within One Year</u>
General Obligation Bond, Series 2009	\$ 605,995	\$ -	\$ 11,150	\$ 594,845	\$ 8,866
2012 CWRPDA Loan	107,075	-	9,785	97,290	4,140
2019 CWRPDA Loan	-	981,016	-	981,016	32,984
	<u>\$ 713,070</u>	<u>\$ 981,016</u>	<u>\$ 20,935</u>	<u>\$ 1,673,151</u>	<u>\$ 45,990</u>

The following is an analysis of the changes in the District’s long-term obligations for the year ended December 31, 2018:

	<u>Balance at December 31, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at December 31, 2018</u>	<u>Due Within One Year</u>
General Obligation Bond, Series 2009	\$ 614,476	\$ -	\$ 8,481	\$ 605,995	\$ 9,630
CWRPDA Loan	118,703	-	11,628	107,075	4,370
	<u>\$ 733,179</u>	<u>\$ -</u>	<u>\$ 20,109</u>	<u>\$ 713,070</u>	<u>\$ 14,000</u>

General Obligation Bond, Series 2009

On November 4, 2009, the District issued a \$680,000 of General Obligation Bond dated November 4, 2009. The bond was issued to the United States of America Rural Utilities Service which is administered by the United States Department of Agriculture, Office of Rural Development. The bond bears interest at 4.125% and requires \$17,436 semiannual payments of principal and interest on May 4 and November 4, commencing on May 4, 2010 with the final payment due on November 4, 2049. The bond is subject to redemption prior to maturity as a whole or any portion thereof, on any date, upon the payment of par and accrued interest, without redemption premium. The proceeds of the bond were used to retire the outstanding balance of the Rural Community Assistance Corporation loan. The District is required to fund a debt service reserve in the amount of \$3,487 annually, until the balance in the debt service reserve account is \$34,872. During 2018 and 2017 the District paid interest on this bond in the amount of \$26,391 and \$25,358, respectively.

2012 Colorado Water Resources and Power Development Authority Loan

The District has entered into a Loan Agreement of a net \$139,650 (\$1,139,650 loan commitment with \$1,000,000 loan principal forgiveness at loan closing) with the Colorado Water Resources and Power Development Authority (CWRPDA) dated October 19, 2012. The net loan bears an interest rate of 0%. The loan requires semi-annual principal only payments on May 1 and November 1 which began on November 1, 2013 and continuing through May 1,

LOUVIERS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019 and 2018

2043. The loan was entered into to fund capital improvements consisting of drilling a new well for redundancy, new disinfection system at the water treatment plant, replacing distribution lines, and chlorine contact piping.

Security for the loan is provided by a pledge of the net revenue of the District, excluding certain revenues as defined in the loan agreement. Additionally the District has covenanted to establish and collect such rates, fees and charges, together with other available revenues will be at least sufficient to pay the sum of: a) operation and maintenance expenses, b) 110% of the debt services on the loan, c) the amount, if any, to be paid into any debt service reserve account in connection with any obligations secured by a lien on the net revenue which lien is on a parity with the lien of this loan agreement on the net revenue, d) a sum equal to the debt service on any obligations secured by a lien on the net revenue which lien is subordinate to the lien of this loan agreement on the net revenue, and e) amounts necessary to pay and discharge all charges and liens or other indebtedness not described above and payable out of the gross revenue of the District. The District is also required to maintain an operation and maintenance reserve equal to three months of operation and maintenances expenses, excluding depreciation, of the water system.

2019 Colorado Water Resources and Power Development Authority Loan

The District has entered into a Loan Agreement with the Colorado Water Resources and Power Development Authority in the amount of \$1,100,000 dated May 7, 2019. The loan proceeds are to be used for collection system improvements, replacement, and/or relocation of lines. The loan term is for 30 years at an interest rate of 0.00%. However, at the discretion of the CWRPDA, and if such funds are available and the District is deemed eligible, the loan may be forgiven in an amount of up to 100% of the principal amount of the loan. The loan requires semi-annual principal payments on May 1 and November 1 of each year, beginning on May 1, 2020 and continuing through November 1, 2049. During 2019 the District expended and recognized \$981,016 of loan proceeds. Subsequent to yearend, the District expended and recognized an additional \$8,503 of loan proceeds. It was determined that the District would not need the entire \$1,100,000 of loan authorization and requested that \$110,481 of loan authorization be rescinded. Effective March 24, 2020 the CWRPDA rescinded the requested amount, leaving a loan balance of \$989,519.

Security for the loan is provided by a pledge of the net revenue of the District, excluding certain revenues as defined in the loan agreement. Additionally the District has covenanted to establish and collect such rates, fees and charges, together with other available revenues will be at least sufficient to pay the sum of: a) operation and maintenance expenses, b) 110% of the debt services on the loan, c) the amount, if any, to be paid into any debt service reserve account in connection with any obligations secured by a lien on the net revenue which lien is on a parity with the lien of this loan agreement on the net revenue, d) a sum equal to the debt service on any obligations secured by a lien on the net revenue which lien is subordinate to the lien of this loan agreement on the net revenue, and e) amounts necessary to pay and discharge all charges and liens or other indebtedness not described above and payable out of the gross revenue of the District. The District is also required to maintain an operation and maintenance reserve equal to three months of operation and maintenances expenses, excluding depreciation, of the water system.

**LOUVIERS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019 and 2018**

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

Years Ending December 31,	Principal	Interest	Total
2020	\$ 45,990	\$ 26,006	\$ 71,996
2021	47,938	24,058	71,996
2022	48,388	23,608	71,996
2023	48,858	23,138	71,996
2024	49,283	22,713	71,996
2025-2029	254,739	105,241	359,980
2030-2034	270,398	89,582	359,980
2035-2039	289,606	70,374	359,980
2040-2044	306,934	46,836	353,770
2045-2049	311,017	17,902	328,919
	<u>\$ 1,673,151</u>	<u>\$ 449,458</u>	<u>\$ 2,122,609</u>

As of December 31, 2019 and 2018 the District had authorized but unissued indebtedness of \$680,000 and \$760,000 for water system improvements and refunding outstanding debt, respectively.

2019 Water Pollution Control Revolving Fund Design and Engineering Loan Agreement

On May 7, 2019 the District entered into a Water Pollution Control Revolving Fund Design and Engineering Loan Agreement with the Colorado Water Resources and Power Development Authority (CWRPDA) in the amount of \$113,200. The loan proceeds were used for collection system improvements, replacement, and/or relocation of lines. At loan closing on May 7, 2019 the CWRPDA forgave 100% of the principal amount of the loan. The loan proceeds were used for the design and engineering costs for the collection system improvements, replacement, and or/or relocation of lines project. On May 15, 2019 the District submitted eligible sewer system improvement design and engineering invoices for reimbursement under the loan and received the reimbursement of \$113,200 on May 20, 2019.

NOTE 6 - NET POSITION

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

The net investment in capital assets, consists of capital assets, net of accumulated depreciation and if applicable 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, 2019 and 2018 the District had invested in capital assets of \$1,327,336 and \$1,438,145, respectively.

Restricted net position includes net amounts that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by

**LOUVIERS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019 and 2018**

law through constitutional provisions or enabling legislation. The District had net position at December 31, 2019 and 2018 restricted for the following purposes:

	<u>2019</u>	<u>2018</u>
Restricted for:		
Debt service (Note 5)	\$ 34,872	\$ 34,872
Operation and maintenance reserve (Note 5)	41,489	22,921
Emergencies (Note 8)	674	680
	<u>\$ 77,035</u>	<u>\$ 58,473</u>

NOTE 7 - 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, 2019. 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 property, liability, public officials' liability, boiler and machinery 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.

NOTE 8 - 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.

On November 4, 2008 a majority of the District's voters approved the following ballot questions:

Shall Louviers Water and Sanitation District taxes be increased \$25,000 in fiscal year 2009 and by whatever tax revenues are generated in each fiscal year thereafter by an ad valorem property tax mill levy not to exceed ten (10.000) mills, or by such lesser amount as necessary to pay the District's administration and operations and maintenance expenses and shall the proceeds of such taxes and any investment income thereon be collected, retained and spent by the District in fiscal year 2010 and in each fiscal year thereafter for as long as the District continues in existence, such authorization to constitute a voter-approved revenue change which may be collected, retained and spent by the District without regard to any spending, revenue-raising, or other limitation contained in Article X, Section 20 of the Colorado Constitution, the limits imposed on

**LOUVIERS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019 and 2018**

increases in property taxation by Section 29-1-301, C.R.S. in any year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

Shall Louviers Water and Sanitation District be authorized to collect, retain, and spend the full amount of all taxes, tax increment revenues, system development fees, park fees, facility fees, service charges, inspection charges, administrative charges, grants or any other fee, rate, toll, penalty, or charge authorized by law or contract to be imposed, collected or received by the District during 2008 and each fiscal year thereafter, such amounts to constitute a voter-approved revenue change and be collected, retained and spent by the District without regard to any spending, revenue-raising, or other limitation contained in Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in property taxation by Section 29-1-301, C.R.S. in any subsequent year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, and without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

On November 6, 2018 a majority of the District's voters approved the following ballot question:

Shall Louviers Water and Sanitation District debt be increased up to \$1.5 million, with a maximum repayment cost of up to \$2 million, but with no increase in taxes, such debt to consist of a loan agreement, bond, note or other multiple fiscal year financial obligation entered into with a state authority or other entity, or combination thereof, for the purpose of paying, reimbursing, or financing all or any part of the costs of the replacement and or relocation of sewer lines and other sewer collection system improvements, with such debt, which will be paid from the revenues, fees and charges derived from the operation of the District's sewer facilities or properties, to bear interest at a maximum net effective interest rate not to exceed 3.5% per annum and be issued at such time and in such manner and containing such terms, not inconsistent herewith, as the Board of Directors may determine?

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 is of the opinion that its water and sewer operations, and all activities related thereto are carried on as an Enterprise within the meaning of TABOR and the Enterprise Act, C.R.S. 37-45.;1-01, et seq. The District's annual budget and financial statements are deemed by the District to be the annual budget and financial statements of the Enterprise.

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.

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

LOUVIERS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019 and 2018

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 many of the provisions, including the calculation of fiscal year spending limits, growth factors, and qualification as an Enterprise, may require judicial interpretation.

NOTE 9 – CONTINGENCY

Potential BNSF Railroad Land Condemnation

The District has received notification from Douglas County, Colorado (County) that the BNSF Railroad is proposing condemnation of a 138 acre parcel of land owned by the County. The District has a license agreement with the County to use 20 acres of this 138 acres parcel of land for the District's land application site for its sewer treatment operations. The District has incurred debt and constructed significant capital facilities related to the land application site. The County has communicated certain concerns regarding the proposed condemnation to the BNSF Railroad. The potential impact of the proposed condemnation on the District's operations cannot be determined with certainty at this time. However, if the condemnation goes forward and is successful, the District will have to obtain an alternate site for land application purposes or find some other method for disposing of its treated sludge, the cost of which could be significant. The District has not received any further written communication regarding this matter since receiving the initial notification from Douglas County.

Excessive Radium Levels

During 2018, 2019 and continuing in 2020, the District's drinking water exceeded the maximum contaminate level for Combined Radium of 5 pCi/L as set by the United States Environmental Protection Agency. Radium is a naturally occurring element common in Colorado and many of the ground water supplies along the Front Range detect some levels of radium in the water. The District is evaluating several treatment options and is in discussion with various entities regarding providing renewable water to the District. The engineering estimates for the cost of these options range from approximately \$900,000 to about \$6,500,000. The District is exploring possible grant and loan funding to assist the District with addressing the elevated Combined Radium levels. The resolution of this matter may take up to 3-4 years. This District has received strong support from Douglas County, several funding agencies, and neighboring water providers in exploring solutions to this issue. At this time, the financial impact on the District cannot be determined because of the multiplicity and uncertainty of the various factors that may be involved.

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

SUPPLEMENTAL INFORMATION

LOUVIERS WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2019

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Water service charges	\$ 102,240	\$ 89,912	\$ (12,328)
Sewer service charges	115,720	116,441	721
Late fees and other charges	4,800	1,992	(2,808)
Property taxes	46,988	46,708	(280)
Specific ownership taxes	4,857	4,685	(172)
Cell tower lease	5,184	5,184	-
Net investment income	5,000	6,159	1,159
CWRPDA design & engineering grant proceeds	10,000	113,200	103,200
CWRPDA loan proceeds	1,100,000	981,016	(118,984)
Total Revenues	1,394,789	1,365,297	(29,492)
EXPENDITURES			
Administration:			
Accounting and bookkeeping	13,500	12,806	694
Audit	4,800	4,800	-
Directors fees and taxes	6,400	5,920	480
Bank charges	300	296	4
Computer software/support	1,450	1,250	200
Consultants	3,000	10,182	(7,182)
Election	1,000	-	1,000
Insurance	8,400	6,904	1,496
Legal fees	1,400	1,695	(295)
Miscellaneous	100	100	-
Office supplies/expenditures	1,550	1,824	(274)
Postage	800	805	(5)
Memberships, dues and subscriptions	2,800	2,583	217
Utilities	1,950	910	1,040
County treasurer fees	704	702	2
Operations:			
Chemicals	2,600	1,638	962
Operations	19,000	16,382	2,618
Meter reading	2,000	1,980	20
Repairs and maintenance:			
Repairs and maintenance - infrastructure	-	5,978	(5,978)
Fire hydrants	-	1,300	(1,300)
Water valves/meter replacement	2,400	1,482	918
Tank evaluation and maintenance	4,000	2,381	1,619
Water main breaks	20,000	6,314	13,686
Sewer main breaks	10,000	-	10,000
Miscellaneous repairs and maintenance	4,500	914	3,586

(continued)

LOUVIERS WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2019

(continued)

	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
Utility locates	2,500	2,072	428
Testing - water and sewer	11,500	8,259	3,241
Utilities - infrastructure	13,200	11,715	1,485
Water meters	-	207	(207)
SCADA monitoring	1,800	1,750	50
Mowing and weed control	2,200	1,553	647
Permits	700	630	70
Miscellaneous	1,400	100	1,300
Capital outlay:			
Wastewater system improvements	1,110,000	980,357	129,643
Debt service:			
Bond and loan principal	56,354	20,935	35,419
Bond interest	24,907	24,790	117
Loan issuance costs	-	13,931	(13,931)
Contingency	20,000	-	20,000
Total expenditures	1,357,215	1,155,445	201,770
REVENUES OVER (UNDER) EXPENDITURES	37,574	209,852	172,278
FUNDS AVAILABLE - BEGINNING OF YEAR	471,195	355,605	(115,590)
FUNDS AVAILABLE - END OF YEAR	\$ 508,769	\$ 565,457	\$ 56,688
Funds available is computed as follows:			
Current assets		\$ 741,823	
Current liabilities		(164,748)	
Deferred inflows of resources		(57,608)	
Current portion of long-term debt		45,990	
		\$ 565,457	

**LOUVIERS WATER AND SANITATION DISTRICT
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Year Ended December 31, 2019**

Revenue (budgetary basis)	\$ 1,365,297
CWRPDA loan proceeds	(981,016)
Revenues per Statement of Revenues, Expenses and Changes in Fund Net Position	384,281
 Expenditures (budgetary basis)	 1,155,445
Depreciation	131,085
Capital outlay	(980,357)
Bond and loan principal	(20,935)
Expenses per Statement of Revenues, Expenses and Changes in Fund Net Position	285,238
 Change in net position per Statement of Revenues, Expenses and Changes in Fund Net Position	 \$ 99,043

LOUVIERS WATER AND SANITATION DISTRICT
SCHEDULE OF NET POSITION - WATER AND SEWER OPERATIONS
December 31, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents - Unrestricted	\$ 349,327	\$ 142,793	\$ 492,120
Cash and cash equivalents - Restricted	-	34,872	34,872
Due from county treasurer	212	213	425
Accounts receivable:			
Customers	18,865	23,343	42,208
CWRPDA	-	108,142	108,142
Property taxes receivable	28,722	28,886	57,608
Prepaid expenses	3,224	3,224	6,448
Total current assets	<u>400,350</u>	<u>341,473</u>	<u>741,823</u>
CAPITAL ASSETS			
Capital assets, not being depreciated:			
Land	16,438	58,865	75,303
Construction in progress	-	1,100,019	1,100,019
Capital assets, being depreciated:			
System and facilities	<u>1,818,829</u>	<u>829,932</u>	<u>2,648,761</u>
	1,835,267	1,988,816	3,824,083
Less accumulated depreciation and amortization	<u>(606,141)</u>	<u>(217,455)</u>	<u>(823,596)</u>
Total capital assets	<u>1,229,126</u>	<u>1,771,361</u>	<u>3,000,487</u>
TOTAL ASSETS	<u>\$ 1,629,476</u>	<u>\$ 2,112,834</u>	<u>\$ 3,742,310</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	\$ 3,332	\$ 110,250	\$ 113,582
Accrued interest payable	-	5,176	5,176
Current portion of long-term debt	<u>4,140</u>	<u>41,850</u>	<u>45,990</u>
Total current liabilities	<u>7,472</u>	<u>157,276</u>	<u>164,748</u>
LONG-TERM LIABILITIES			
Long-term portion of long-term debt	<u>93,150</u>	<u>1,534,011</u>	<u>1,627,161</u>
Total long-term liabilities	<u>93,150</u>	<u>1,534,011</u>	<u>1,627,161</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	<u>28,722</u>	<u>28,886</u>	<u>57,608</u>
Total deferred inflows of resources	<u>28,722</u>	<u>28,886</u>	<u>57,608</u>
NET POSITION			
Net investment in capital assets	1,131,836	195,500	1,327,336
Restricted for:			
Debt service	-	34,872	34,872
Operation and maintenance reserve	24,313	17,176	41,489
Emergencies	404	270	674
Unrestricted	<u>343,579</u>	<u>144,843</u>	<u>488,422</u>
Total net position	<u>1,500,132</u>	<u>392,661</u>	<u>1,892,793</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 1,629,476</u>	<u>\$ 2,112,834</u>	<u>\$ 3,742,310</u>

LOUVIERS WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - WATER AND SEWER OPERATIONS
Year Ended December 31, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUE			
Service charges	\$ 89,912	\$ 116,441	\$ 206,353
Late fees and other charges	996	996	1,992
Total operating revenue	<u>90,908</u>	<u>117,437</u>	<u>208,345</u>
OPERATING EXPENSES			
Operations expense:			
Chemicals	875	763	1,638
Operations	8,582	7,800	16,382
Meter reading	1,980	-	1,980
Repairs and maintenance:			
Repairs and maintenance - infrastructure	2,223	3,755	5,978
Fire hydrants	1,300	-	1,300
Water valves/meter replacement	1,482	-	1,482
Tank evaluation and maintenance	2,381	-	2,381
Water/sewer main breaks	6,314	-	6,314
Miscellaneous repairs and maintenance	711	203	914
Utility locates	1,036	1,036	2,072
Testing - water and sewer	2,088	6,171	8,259
Utilities - infrastructure	9,329	2,386	11,715
Water meters	207	-	207
SCADA monitoring	1,750	-	1,750
Mowing and weed control	726	827	1,553
Permits	75	555	630
Miscellaneous	-	100	100
Administration expense:			
Accounting and billing	6,024	6,782	12,806
Audit	2,400	2,400	4,800
Directors fees and taxes	2,960	2,960	5,920
Bank charges	178	118	296
Computer software/support	625	625	1,250
Consultants	8,702	1,480	10,182
Insurance	3,452	3,452	6,904
Legal fees	669	1,026	1,695
Miscellaneous	100	-	100
Office supplies/expenses	912	912	1,824
Postage	443	362	805
Memberships, dues and subscriptions	2,379	204	2,583
Utilities	455	455	910
Depreciation	110,422	20,663	131,085
Total operating expenses	<u>180,780</u>	<u>65,035</u>	<u>245,815</u>
OPERATING INCOME (LOSS)	<u>(89,872)</u>	<u>52,402</u>	<u>(37,470)</u>
NONOPERATING REVENUE (EXPENSE)			
Property taxes	23,288	23,420	46,708
Specific ownership taxes	2,336	2,349	4,685
Cell tower lease income	2,592	2,592	5,184
Net investment income	3,689	2,470	6,159
County treasurer fees	(350)	(352)	(702)
Interest expense	-	(24,790)	(24,790)
Loan issuance costs	-	(13,931)	(13,931)
Total nonoperating revenue (expense)	<u>31,555</u>	<u>(8,242)</u>	<u>23,313</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>(58,317)</u>	<u>44,160</u>	<u>(14,157)</u>
CAPITAL CONTRIBUTIONS			
CWRPDA design and engineering grant	-	113,200	113,200
Total capital contributions	<u>-</u>	<u>113,200</u>	<u>113,200</u>
CHANGE IN NET POSITION	<u>(58,317)</u>	<u>157,360</u>	<u>99,043</u>
NET POSITION - BEGINNING OF YEAR	<u>1,558,449</u>	<u>235,301</u>	<u>1,793,750</u>
NET POSITION - END OF YEAR	<u>\$ 1,500,132</u>	<u>\$ 392,661</u>	<u>\$ 1,892,793</u>

LOUVIERS WATER AND SANITATION DISTRICT
SCHEDULE OF CASH FLOWS - WATER AND SEWER OPERATIONS
Year Ended December 31, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 94,481	\$ 112,715	\$ 207,196
Payments to vendors	<u>(71,381)</u>	<u>(44,261)</u>	<u>(115,642)</u>
Net cash provided by operating activities	<u>23,100</u>	<u>68,454</u>	<u>91,554</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cell tower lease income received	2,592	2,592	5,184
Property taxes	22,938	23,068	46,006
Specific ownership taxes	2,362	2,375	4,737
Net cash provided by capital financing activities	<u>27,892</u>	<u>28,035</u>	<u>55,927</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Purchases of capital assets	-	(876,735)	(876,735)
Interest paid	-	(23,723)	(23,723)
Loan and bond principal paid	(9,785)	(11,150)	(20,935)
Loan issuance costs paid	-	(13,931)	(13,931)
CWRPDA loan proceeds received	-	872,874	872,874
CWRPDA design and engineering grant received	-	113,200	113,200
Net cash provided (required) by capital financing activities	<u>(9,785)</u>	<u>60,535</u>	<u>50,750</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	3,689	2,470	6,159
Net cash provided by investing activities	<u>3,689</u>	<u>2,470</u>	<u>6,159</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	44,896	159,494	204,390
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>304,431</u>	<u>18,171</u>	<u>322,602</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 349,327</u>	<u>\$ 177,665</u>	<u>\$ 526,992</u>
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES			
Net income (loss) from operations	\$ (89,872)	\$ 52,402	\$ (37,470)
Adjustments to reconcile income from operations to net cash provided by operating activities:			
Depreciation	110,422	20,663	131,085
Effects of changes in operating assets and liabilities:			
Accounts receivable	3,573	(4,722)	(1,149)
Prepaid expenses	(111)	(111)	(222)
Accounts payable	(912)	222	(690)
Net cash provided by operating activities	<u>\$ 23,100</u>	<u>\$ 68,454</u>	<u>\$ 91,554</u>

**LOUVIERS WATER AND SANITATION DISTRICT
SUMMARY OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
Year Ended December 31, 2018**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Tax Levy</u>	<u>Mills Levied</u>	<u>Total Property Taxes</u>		<u>Percent Collected to Levied</u>
			<u>Levied</u>	<u>Collected Currently</u>	
2011	\$ 2,031,490	10.000	\$ 20,315	\$ 20,315	100.0%
2012	\$ 1,615,070	10.000	\$ 16,151	\$ 16,151	100.0%
2013	\$ 1,609,720	12.873	\$ 20,722	\$ 20,722	100.0%
2014	\$ 1,564,960	14.873	\$ 23,276	\$ 23,276	100.0%
2015	\$ 1,608,050	16.322	\$ 26,246	\$ 26,288	100.2%
2016	\$ 1,965,360	16.795	\$ 33,009	\$ 33,009	100.0%
2017	\$ 1,965,160	18.795	\$ 36,936	\$ 36,936	100.0%
2018	\$ 2,266,040	20.795	\$ 47,122	\$ 47,122	100.0%
2019	\$ 2,259,580	20.795	\$ 46,988	\$ 46,708	99.4%
Estimated for the year ending December 31, 2020	\$ 2,770,290	20.795	\$ 57,608		

NOTES:

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

LOUVIERS WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2019

Year Ending December 31,	General Obligation Bond Series 2009 Principal and 4.125% Interest Due May 4 and November 4			2012 Colorado Water Resources and Power Development Authority Loan Principal and 0.000% Interest Due May 1 and November 1		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 8,866	\$ 26,006	\$ 34,872	\$ 4,140	\$ -	\$ 4,140
2021	10,814	24,058	34,872	4,140	-	4,140
2022	11,264	23,608	34,872	4,140	-	4,140
2023	11,734	23,138	34,872	4,140	-	4,140
2024	12,159	22,713	34,872	4,140	-	4,140
2025	12,730	22,142	34,872	4,140	-	4,140
2026	13,260	21,612	34,872	4,140	-	4,140
2027	13,813	21,059	34,872	4,140	-	4,140
2028	14,330	20,542	34,872	4,140	-	4,140
2029	14,986	19,886	34,872	4,140	-	4,140
2030	15,610	19,262	34,872	4,140	-	4,140
2031	16,261	18,611	34,872	4,140	-	4,140
2032	16,888	17,984	34,872	4,140	-	4,140
2033	17,642	17,230	34,872	4,140	-	4,140
2034	18,377	16,495	34,872	4,140	-	4,140
2035	19,143	15,729	34,872	4,140	-	4,140
2036	19,899	14,973	34,872	4,140	-	4,140
2037	20,770	14,102	34,872	4,140	-	4,140
2038	21,636	13,236	34,872	4,140	-	4,140
2039	22,538	12,334	34,872	4,140	-	4,140
2040	23,444	11,428	34,872	4,140	-	4,140
2041	24,454	10,418	34,872	4,140	-	4,140
2042	25,473	9,399	34,872	4,140	-	4,140
2043	26,534	8,338	34,872	2,070	-	2,070
2044	27,619	7,253	34,872	-	-	-
2045	28,791	6,081	34,872	-	-	-
2046	29,991	4,881	34,872	-	-	-
2047	31,241	3,631	34,872	-	-	-
2048	32,536	2,336	34,872	-	-	-
2049	32,042	973	33,015	-	-	-
	<u>\$ 594,845</u>	<u>\$ 449,458</u>	<u>\$ 1,044,303</u>	<u>\$ 97,290</u>	<u>\$ -</u>	<u>\$ 97,290</u>

**2019 Colorado Water Resources and
Power Development Authority Loan
Principal and 0.000% Interest Due
May 1 and November 1**

			Total		
Principal	Interest	Total	Principal	Interest	Total
\$ 32,984	\$ -	\$ 32,984	\$ 45,990	\$ 26,006	\$ 71,996
32,984	-	32,984	47,938	24,058	71,996
32,984	-	32,984	48,388	23,608	71,996
32,984	-	32,984	48,858	23,138	71,996
32,984	-	32,984	49,283	22,713	71,996
32,984	-	32,984	49,854	22,142	71,996
32,984	-	32,984	50,384	21,612	71,996
32,984	-	32,984	50,937	21,059	71,996
32,984	-	32,984	51,454	20,542	71,996
32,984	-	32,984	52,110	19,886	71,996
32,984	-	32,984	52,734	19,262	71,996
32,984	-	32,984	53,385	18,611	71,996
32,984	-	32,984	54,012	17,984	71,996
32,984	-	32,984	54,766	17,230	71,996
32,984	-	32,984	55,501	16,495	71,996
32,984	-	32,984	56,267	15,729	71,996
32,984	-	32,984	57,023	14,973	71,996
32,984	-	32,984	57,894	14,102	71,996
32,984	-	32,984	58,760	13,236	71,996
32,984	-	32,984	59,662	12,334	71,996
32,984	-	32,984	60,568	11,428	71,996
32,984	-	32,984	61,578	10,418	71,996
32,984	-	32,984	62,597	9,399	71,996
32,984	-	32,984	61,588	8,338	69,926
32,984	-	32,984	60,603	7,253	67,856
32,984	-	32,984	61,775	6,081	67,856
32,984	-	32,984	62,975	4,881	67,856
32,984	-	32,984	64,225	3,631	67,856
32,984	-	32,984	65,520	2,336	67,856
24,480	-	24,480	56,522	973	57,495
\$ 981,016	\$ -	\$ 981,016	\$ 1,673,151	\$ 449,458	\$ 2,122,609

SINGLE AUDIT INFORMATION

Green & Associates LLC

Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors

Louviers Water and Sanitation District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Louviers Water and Sanitation District's basic financial statements, and have issued our report thereon dated September 9, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Louviers Water and Sanitation District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Louviers Water and Sanitation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Louviers Water and Sanitation District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louviers Water and Sanitation District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "G. & Associates LLC". The signature is written in black ink and is positioned above the typed address and date.

Longmont, Colorado
September 9, 2020

Green & Associates LLC

Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE UNIFORM GUIDANCE

To the Board of Directors
Louviere Water and Sanitation District

Report on Compliance for Each Major Federal Program

We have audited Louviere Water and Sanitation District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Louviere Water and Sanitation District's major federal programs for the year ended December 31, 2019. Louviere Water and Sanitation District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Louviere Water and Sanitation District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Louviere Water and Sanitation District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Louviere Water and Sanitation District's compliance.

Opinion on Each Major Federal Program

In our opinion, Louviere Water and Sanitation District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of Louviers Water and Sanitation District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Louviers Water and Sanitation District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Louviers Water and Sanitation District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. This report is intended solely for the information and use of management, the Board of Directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Longmont, Colorado
September 9, 2020

**LOUVIERS WATER AND SANITATION DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Federal Award Expenditures
Capitalization Grants for Clean Water State Revolving Funds	66.458	<u>\$ 786,487</u>
Total Clean Water State Revolving Fund Cluster		<u>786,487</u>
Total expenditures of Federal awards		<u><u>\$ 786,487</u></u>

The federal awards above were passed through the Colorado Water Resources and Power Development Authority to the District. There were no federal awards passed through to subrecipients in the current year.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

General

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Louviers Water and Sanitation District. All federal financial assistance received by the reporting entity directly from federal agencies, as well as federal financial assistance passed through other government agencies, is included on the schedule.

Basis of presentation

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Federal financial assistance provided to sub recipients is treated as an expenditure when it is paid to the sub recipient.

Louviers Water and Sanitation District used the de minimis indirect cost rate of 10%.

**Louviers Water and Sanitation District
Schedule of Findings and Questioned Costs
December 31, 2019**

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material Weakness identified? Yes No
- Significant deficiency identified that are not considered to be material weakness? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material Weakness identified? Yes No
- Significant deficiency identified that are not considered to be material weakness? Yes None reported

Type of auditors' report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? Yes No

Identification of major programs:

Capitalization Grants for Clean Water State Revolving Loan Funds CFDA # 66.458

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk audited? Yes No

Current Year Findings:

None

Prior Year Findings:

None