

# **Leadville Sanitation District**

(Leadville, Colorado)

## **FINANCIAL STATEMENTS**

Fiscal Years Ended

December 31, 2018 and 2017

**LEADVILLE SANITATION DISTRICT**  
LEADVILLE, COLORADO  
**FINANCIAL STATEMENTS**

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Kenneth L. Olsen, CPA

## Independent Auditor's Report

Board of Directors  
Leadville Sanitation District  
Leadville, Colorado

We have audited the accompanying financial statements of the business-type activities of Leadville Sanitation District (the District) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which 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 District'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 statements of net position of the District as of and for the years ended December 31, 2018 and 2017, and the respective changes in financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***  
***Required supplementary Information***

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The schedule listed in the table of contents as other supplementary information in section D is presented for purposes of additional analysis and is not a required part of the financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 taken as a whole.



Kenneth L. Olsen, CPA, PC  
Leadville, CO 80461  
September 24, 2019

## **Management's Discussion and Analysis**

As management of the Leadville Sanitation District, we offer readers of the Leadville Sanitation District's financial statements this narrative overview and analysis of the financial activities of the Leadville Sanitation District for the fiscal year ended December 31, 2018.

### **Financial Highlights**

The assets of the Leadville Sanitation District exceeded its liabilities at the close of the most recent fiscal year by \$7,834,548 (net position). Of this amount, \$3,701,688 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

Total assets for the Leadville Sanitation District are \$8,138,854 Of this amount \$4,157,629 are capital assets.

Total liabilities for the Leadville Sanitation District are \$174,421 Of this amount, \$40,502 are long term liabilities.

### **Overview of the Financial Statements**

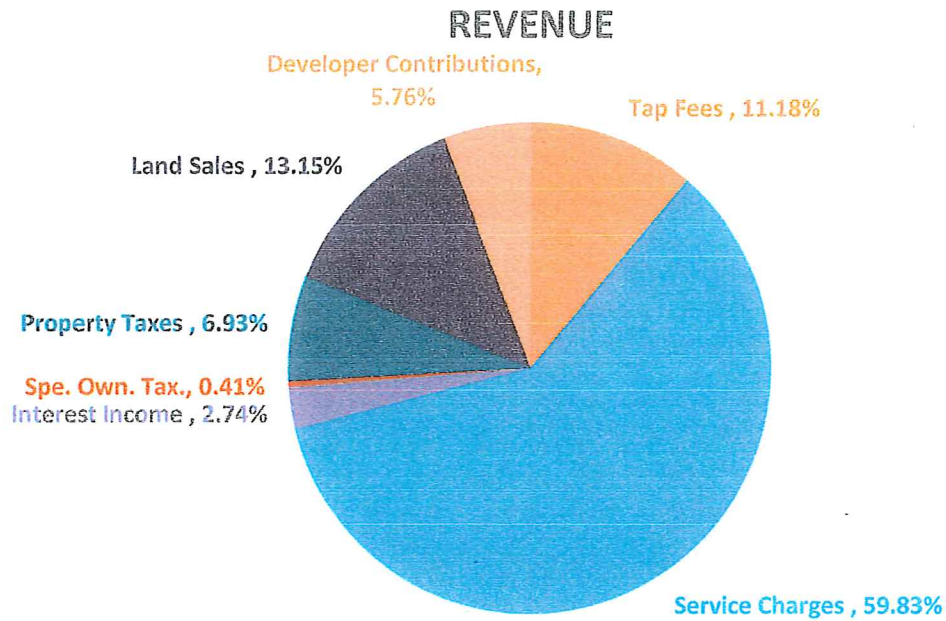
This discussion and analysis are intended to serve as an introduction to the Leadville Sanitation District's basic financial statements. The Leadville Sanitation District's basic financial statements comprise two components: 1) financial statements, and 2) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### **Financial Statements**

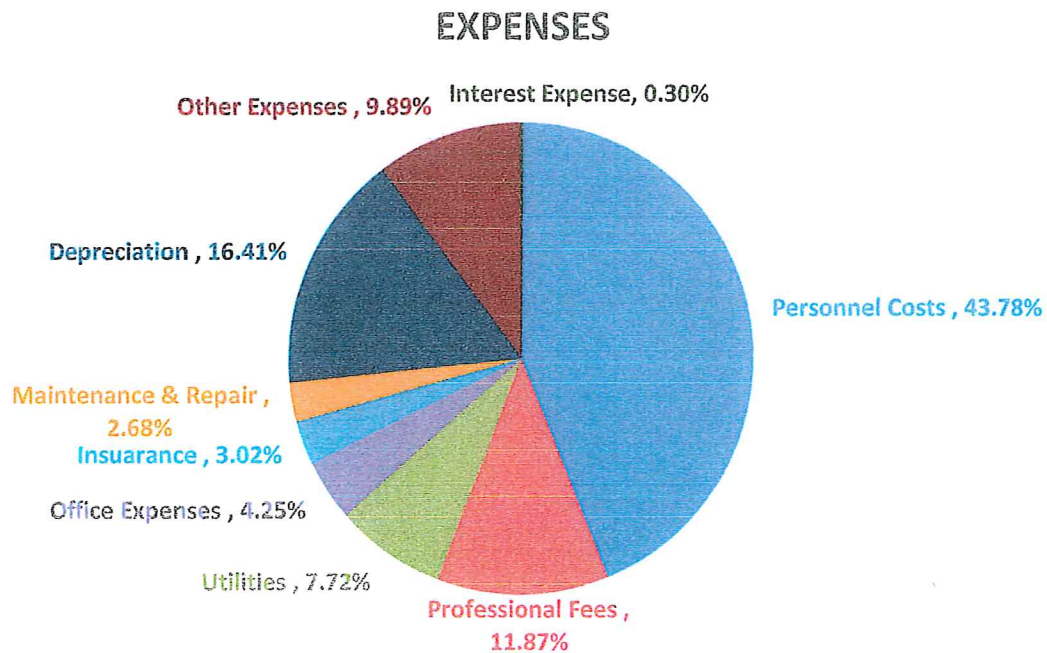
The financial statements are designed to provide readers with a broad overview of the Leadville Sanitation District's finances, in a manner similar to the private-sector business.

The statement of net position presents information on all of the Leadville Sanitation District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Leadville Sanitation District is improving or deteriorating.

The major revenue sources for the Leadville Sanitation District were service charges-59.83%, property taxes-6.93%, specific ownership taxes-.41%, interest income-2.74%, tap fees-11.18%, Developer Contributions 5.76% and Land Sales 13.15%. Total revenue for the year was \$1,770,495.



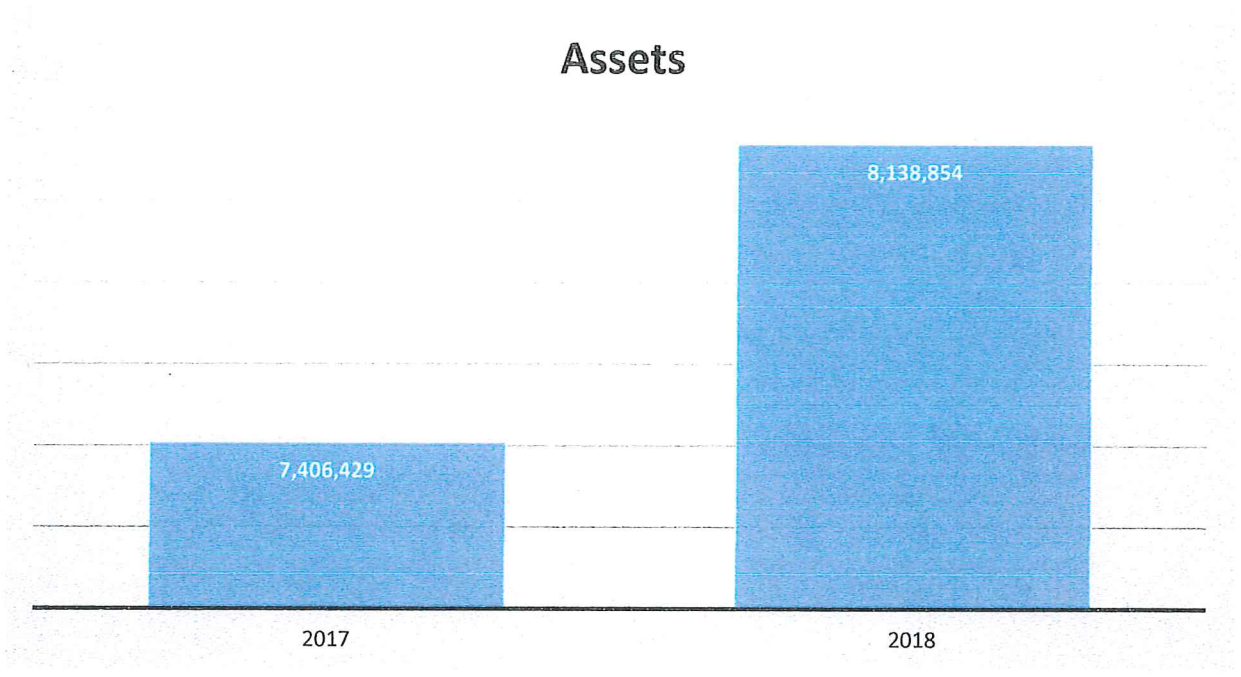
The major expenses for the Leadville Sanitation District were personnel costs-43.78%, professional fees-11.87%, utilities-7.72%, office expenses-2.76%, insurance-3.02%, maintenance and repair-4.25%, depreciation-16.41%, interest expense .30% and other expenses-9.89% Total expenses including depreciation for the year were \$1,072,318.



Revenues exceeded expenses by \$698,177 for the Leadville Sanitation District in 2018.

**Overall analysis**

There was an increase in total assets for the Leadville Sanitation District in the amount of \$732,425. between fiscal year 2017 and 2018.



Due to the increase in assets and the ability to reserve money for plant and line replacement, management of the Leadville Sanitation District feels that the financial position of the District is improving.

**Requests for information**

This financial report is designed to provide a general overview of the Leadville Sanitation District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Leadville Sanitation District, PO Box 253, Leadville, CO. 80461.

**LEADVILLE SANITATION DISTRICT**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2018 AND 2017**

	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
Cash & Cash Equivalents-Unrestricted	\$ 3,313,987	\$ 2,681,869
Cash & Cash Equivalents-Restricted	31,000	21,000
Investments -Unrestricted	220,782	275,939
Accounts Receivable - User Charges		
Less allowance for uncollectible charges	121,173	88,254
Note Receivable - Current Portion	18,054	18,054
Tap Fees Receivable	48,843	16,977
Interest Receivable	5	5
Prepaid Expenses	46,260	40,648
Property Taxes Receivable net of allowance for uncollectibles	129,885	126,950
Other Receivables	0	0
Total Current Assets	3,929,989	3,269,696
Long-Term Assets		
Note Receivable less current maturities	51,236	63,844
Capital Assets		
Sewage Treatment Plant & Equipment	5,223,303	5,201,003
Sewage Collection System	2,738,671	2,500,247
Less Accumulated Depreciation	(3,825,697)	(3,649,713)
Land	21,352	21,352
Total Capital Assets	4,157,629	4,072,889
<b>TOTAL ASSETS</b>	<b>8,138,854</b>	<b>7,406,429</b>
<b>LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>		
Accounts Payable & Accrued Liabilities	55,602	49,227
Developer Deposits	62,118	22,398
Current Maturities of Note Payable	15,267	14,539
Interest Payable	932	1,175
Total Current Liabilities	133,919	87,339
Long-Term Liabilities		
Note Payable, Less Current Maturities	40,502	55,769
<b>TOTAL LIABILITIES</b>	<b>174,421</b>	<b>143,108</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable property tax revenue	129,885	126,950
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>129,885</b>	<b>126,950</b>
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	4,101,860	4,002,581
Restricted for Tabor emergency reserve	31,000	21,000
Unrestricted	3,701,688	3,112,790
<b>TOTAL NET POSITION</b>	<b>\$ 7,834,548</b>	<b>\$ 7,136,371</b>

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

**LEADVILLE SANITATION DISTRICT**  
**STATEMENT OF REVENUE, EXPENSES, & CHANGES IN NET POSITION**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<b>2018</b>	<b>2017</b>
Operating Revenue		
Charges for Services	\$ 1,059,388	\$ 927,162
Operating Expenses		
Collection & Treatment		
Salaries & Labor Costs	240,564	221,903
Employee Benefits	83,453	81,072
Insurance	32,388	27,303
Repairs & Maintenance	45,521	31,734
Utilities	82,770	83,630
Other	99,846	83,785
Depreciation	168,012	153,453
	752,554	682,880
Administration		
Salaries & Labor Costs	107,995	101,994
Employee Benefits	37,459	37,282
Bad Debt Expense (Recovery)	1,733	151
Office	29,587	25,639
Professional Fees	127,274	27,196
Other	4,472	3,085
Depreciation	7,972	8,152
	316,492	203,499
Total Operating Expenses	1,069,046	886,379
Operating Income (Loss)	(9,658)	40,783
Non-operating Revenue (Expense)		
Property Taxes		
Net of county collection fees of \$ 4803 & \$3821 for 2018 & 2017, respectively	122,629	121,833
Specific Ownership Taxes	7,362	7,111
Land Sales	232,754	150,839
Interest Income	48,488	23,557
Interest Expense	(3,272)	(3,976)
Total Non-operating Revenue	407,961	299,364
Income Before Capital Contributions	398,303	340,147
<b>CAPITAL CONTRIBUTIONS</b>		
Developer Contributions	102,000	0
Tap Fees	197,874	45,925
Total Capital Contributions	299,874	45,925
<b>CHANGE IN NET POSITION</b>	698,177	386,072
<b>NET POSITION AT BEGINNING OF YEAR</b>	7,136,371	6,750,299
<b>NET POSITION AT END OF YEAR</b>	\$ 7,834,548	\$ 7,136,371

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

**LEADVILLE SANITATION DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>CASH FLOWS: OPERATING ACTIVITIES</b>		
Cash received from customers and others	\$ 1,028,202	\$ 925,544
Cash payments for goods and services	(384,537)	(237,767)
Cash payments to employees and for benefits	(469,775)	(440,141)
Net Cash Provided by Operating Activities	173,890	247,636
<b>CASH FLOWS: NON-CAPITAL FINANCING ACTIVITIES</b>		
Property tax collections, net of collection fees	122,629	121,833
Specific ownership tax collections	7,362	7,111
Net Cash Provided by Non-capital Financing Activities	129,991	128,944
<b>CASH FLOWS: CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>		
Tap Fees and Grants Received	166,008	28,948
Collection of Notes Receivable	12,608	13,711
Cash received from sale of land	232,754	150,839
Cash paid for principal on debt	(14,539)	(13,847)
Cash paid for interest on debt	(3,515)	(4,207)
Cash paid for capital acquisitions	(158,724)	(310,444)
Loss on disposal of assets	0	0
Net Cash (Used) by Capital & Related Financing Activities	234,592	(135,000)
<b>CASH FLOWS: FROM INVESTING ACTIVITIES</b>		
Interest income received	48,488	23,556
Net Cash Provided by Investing Activities	48,488	23,556
Net Increase in Cash & Cash Equivalents	586,961	265,136
CASH & CASH EQUIVALENTS: <i>Beginning of Year</i>	2,978,808	2,713,672
CASH & CASH EQUIVALENTS: <i>End of Year</i>	\$ 3,565,769	\$ 2,978,808
<b>Represented by Statement of Net Position captions:</b>		
Cash and cash equivalents-Unrestricted	3,313,987	2,681,869
Investments-Unrestricted	220,782	275,939
Cash and cash equivalents-Restricted	31,000	21,000
<b>Cash and Cash Equivalents-End of Year</b>	<b>3,565,769</b>	<b>2,978,808</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ (9,658)	\$ 40,783
Adjustments		
Depreciation	175,984	161,605
(Increase) decrease in receivables	(32,919)	2,597
(Increase) decrease in prepaid expenses	(5,612)	2,310
Increase (decrease) in accounts payable & accrued liabilities	46,095	40,341
<b>Total Adjustments</b>	<b>183,548</b>	<b>206,853</b>
<b>NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 173,890</b>	<b>\$ 247,636</b>
<b>Noncash Investing, Capital and Financing Activities</b>		
Capital Assets Contributed to the District	\$ 102,000	\$ -

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

**LEADVILLE SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FISCAL YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE A**    **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The District's significant accounting policies are described below.

**REPORTING ENTITY**

The District is a Statutory, Single-Purpose, Special District governed by a five-member Board of Directors that are elected by the qualified voters in the District. It is a quasi-municipal corporation and a political subdivision of the State of Colorado with all powers thereof, which includes the power to levy taxes against property within the District. The Board is accountable only to the voters and has no authority or influence over any other governmental entity. Likewise, the District is not financially dependent upon nor directly influenced by any other level of government. These financial statements reflect the operation of the District only.

The District is a special-purpose government engaged only in business-type activities. As such, enterprise fund financial statements are presented.

**BASIS OF ACCOUNTING**

Proprietary funds, which include enterprise funds, are accounted for on a flow of economic resources measurement focus using the accrual basis of accounting. Therefore, all assets, deferred outflow of resources, deferred inflow of resources, and liabilities associated with the operation of this fund are included on the statement of net position.

Revenue and expenses are recorded in the accounting period in which they are earned or incurred and they become measureable. Net position is segregated into amounts invested in capital assets, restricted, and unrestricted. Proprietary fund-type operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in total net position. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

**LEADVILLE SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE A    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES    (Continued)

BUDGETS & BUDGETARY ACCOUNTING

An annual budget and appropriation resolution is adopted by the Board of Directors (the Board) in accordance with state statutes. The budget is prepared on a basis consistent with GAAP except that capital asset additions and principal payments are budgeted as expenditures and debt proceeds are budgeted as revenues.

The budget process timeline is as follows:

1. No later than October 15, the District staff submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at regular Board meetings to obtain customers' comments.
3. Prior to December 31, the budget is legally adopted by the Board.
4. Unused appropriations lapse at the end of each year.

The total appropriated expenditures for the District were \$ 1,287,490

STATEMENT OF CASH FLOWS

For purposes of the statement of cash flows, the District considers demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents.

PREPAID ITEMS

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items.

PROPERTY TAXES RECEIVABLE

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2017 were collected in 2018 and taxes certified in 2018 will be collected in 2019. Taxes to be collected are due on January 1<sup>st</sup> in the year of collection; however, they may be paid in either one installment (no later than April 30<sup>th</sup>) or two equal installments (not later than February 28<sup>th</sup> and June 15<sup>th</sup>) without interest or penalty. Taxes which are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16<sup>th</sup>.

**LEADVILLE SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE A**    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES    (Continued)

CAPITAL ASSETS

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. Capital outlay for projects is capitalized as projects are constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Disposal plant, collection lines, and equipment on hand at December 31, 1967, have been stated at estimated historical cost at date of acquisition. All additions since that date have been stated at the actual cost to the District.

Treatment plants, distribution systems, equipment, and vehicles are depreciated using the straight-line method over the following estimated useful lives:

	Years
Sewage Treatment Plant	20 – 40
Equipment	3 – 10
Vehicles	5 – 10
Line, Mains & Manholes	40 - 100

NET POSITION

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

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

COMPENSATED ABSENCES

The District accrues accumulated unpaid vacation, personal and compensatory leave when earned by the employee. The District has a policy which allows employees to accumulate unused vacation, personal and compensatory leave, up to a certain maximum number of hours. The accumulated vacation, personal and compensatory leave, is recorded as an accrued liability and current salary expense when incurred in the propriety fund financial statements. In the event of termination, an employee is reimbursed for the accumulated hours up to the maximum amounts. The District accrued \$ 26,882 in compensated absences as of December 31, 2018 and \$ 27,377 as of December 31, 2017. Earned but unused vacation benefits are accrued when incurred in the financial statements.

**LEADVILLE SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE A**    **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**    (Continued)

**CONTRIBUTED CAPITAL**

Construction contribution by developers is recognized when the District assumes the responsibility for the system that was donated by the developer. Prior to 2001, contributions in aid of construction, principally grants from governmental agencies and system tap fees, were credited directly to contributed capital. With the implementation of GASB 33, these contributions are recorded as a component of net income. Depreciation on assets acquired through contributions of such assets or capital grants prior to 2001 is charged against contributed capital rather than retained earnings. In June, 2018 the District accepted a sewer line extension and recognized \$102,000 as income and capital assets.

**POST-RETIREMENT BENEFITS**

At December 31, 2018 & 2017, the District has no post-retirement benefit plans.

**DEFERRED INFLOWS OF RESOURCES**

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities and deferred inflow of resources at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**RISK MANAGEMENT**

The District has secured commercial insurance to cover any general liability or Workers' Compensation claims subject to \$1,000- \$2,500 and \$500 deductibles per claim respectively. No claims have been settled that exceeded insurance limits in the past three fiscal years.

**BAD DEBTS**

Bad debts are recognized by the allowance method.

**LEADVILLE SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE A**    **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**    (Continued)

**REVENUES & EXPENSES**

Revenues and expenses are distinguished between operating and non-operating items. Operating revenues generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are fees for wastewater collection and treatment services.

Operating expenses include the costs associated with the wastewater collection services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

**NOTE B**    **CASH, DEPOSITS, INVESTMENTS, & RESTRICTED CASH**

At December 31, 2018 and 2017, the carrying amount of the District's deposits (cash, interest-bearing savings accounts, and money market accounts) totaled \$3,565,769 and \$2,978,808 respectively, and the bank balances totaled \$3,610,842 and \$3,001,335 respectively, all bank balances were covered by federal depository insurance, or pledged collateral held by the financial institution in the District's name. The District's investments consisted of local investment pools and certificates of deposit at fiscal year-end.

The District's investments are stated at fair value, with certain exceptions described below. The District categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72, which provides a framework for measuring fair value and establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Certain investment types are not required to be measured at fair value; these include money market funds and certain investment pools which are measured at amortized cost, and other investment pools which are measured at the net asset value (NAV) determined by the pool, which approximates fair value. These instruments are exempt from categorization within the fair value hierarchy.

**LEADVILLE SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE B**    CASH, DEPOSITS, INVESTMENTS, & RESTRICTED CASH    (Continued)

At December 31, the District had the following cash and cash equivalents and investments:

	2018	2017
Investments measured at fair value		
Certificates of deposit	220,782	276,037
Investments measured at amortized cost		
External investments pools COLOTRUST	1,451,510	1,421,651
Investments measured at net asset value		
External investment pool CSAFE	558,329	546,306
Cash deposits	1,335,147	734,814
	\$ 3,565,768	\$ 2,978,808

The certificates of deposit are classified in Level 2 of the fair value hierarchy and are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to the benchmark quoted prices.

Cash deposits and investments are classified in the accompanying financial statements as follows:

	2018	2017
Cash and cash equivalents	\$ 3,313,987	\$ 2,681,869
Restricted Cash	\$ 31,000	\$ 21,000
Investments	220,782	275,939
Total	\$ 3,565,769	\$ 2,978,808

**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 regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The institution is allowed to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the 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.

The District follows state statutes for investments. None of the District's deposits were exposed to custodial credit risk.

**LEADVILLE SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS** (CONTINUED)  
**FISCAL YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE B**    CASH, DEPOSITS, INVESTMENTS, & RESTRICTED CASH    (Continued)

INVESTMENTS

The District is authorized by Colorado statutes to invest in the following:

- Bonds and other interest-bearing obligations of the United States government agency securities
- Certain international agency securities
- General obligation and revenue bonds of local government entities in Colorado
- Banker's acceptances of certain banks
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts, with certain exceptions
- Commercial paper

LOCAL GOVERNMENT INVESTMENT POOLS

The District has invested in the Colorado Government Liquid Asset Trust (COLOTRUST) and in the Colorado Surplus Asset Fund Trust (CSAFE).

COLOTRUST is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables. This investment is valued using Level 2 inputs. Separate financial statements can be obtained by going to [www.colotrust.com](http://www.colotrust.com).

The District investment in CSAFE is considered to be a 2a7-like investments and is valued using the net asset value (NAV) per share of the investments. The 2a7-like investments do not have any unfunded commitments, redemption restrictions or redemption notice proceeds. Separate financial statements can be obtained by going to [www.csafe.org](http://www.csafe.org).

The 2a7-like investments conform to Colorado Statutes CRS 24-75-601 et. Seq. and therefore invests primarily in securities of the United States Treasury, United States Agencies, Primary Dealer Repurchase Agreements, highly rated commercial paper, highly rated corporate bonds, Colorado depositories collateralized at 102% of market value according to the guidelines of the Public Deposit Protection Act. At December 31, 2018 and December 31, 2017, the District held investments of \$ 558,329 and \$ 546,306 in C-Safe and \$ 1,451,510 and \$ 1,421,651 in COLOTRUST respectively.

**LEADVILLE SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE B**    **CASH, DEPOSITS, INVESTMENTS, & RESTRICTED CASH**    (Continued)

**INTEREST RATE RISK**

The interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. The District's only investments are in local government investment pools and Certificates of Deposit.

**CREDIT RISK**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. As of December 31, 2017, the District's investments in COLOTRUST and CSAFE were rated AAAM by Standard & Poor's.

**CONCENTRATION OF CREDIT RISK**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District places no limit on the amount the District may invest in any one issuer. The District's investments are concentrated in local government investment pools.

**NOTE C**    **NOTE RECEIVABLE**

The District has provided public notice of its 2018 assessment in the aggregate amount of \$ 18,054 (\$14,853 principal, \$3,201 interest) against certain lots located within the Silverhills Subdivision of Lake County, Colorado. The assessment arises from an agreement entered into between the District and the Silverhills Sanitation District (subsequently approved by the Lake County, Colorado, District Court) for the repayment of loans made to the District and the construction costs overruns required for the acquisition of easements and the construction of a sanitary sewer line from the Silverhills Subdivision to a sewer collection main owned and maintained by the District.

The total future assessment as of December 31, 2018 is \$ 66,089, which represents \$ 51,236 in loan commitments. The assessment related to the loan funds will be collected in bi-monthly installments plus interest at 5% through December, 2022.

**NOTE D**    **LONG-TERM DEBT**

Long-term debt at December 31, 2017, consists of a 5% note payable with an original face amount of \$ 125,000, due in annual principal and interest installments of \$ 10,030 through maturity in September, 2021; and a second note payable with an original face amount of \$ 100,000, due in annual principal and interest installments of \$ 8,024 through maturity in September, 2022. Both loans are payable to the State of Colorado, Department of Local Affairs.

**LEADVILLE SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE D**    LONG-TERM DEBT    (Continued)

Future principal Maturities and Interest payment for the notes are as follows:

Year Ending December 31	Principal	Interest	Total
2019	15,267	2,789	18,056
2020	16,030	1,956	17,986
2021	16,830	1,224	18,054
2022	7,642	382	8,024
	<u>\$ 55,769</u>	<u>\$ 6,351</u>	<u>\$ 62,120</u>

Long-term debt activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Additions\Adj	Reductions	Ending Balance	Amounts Due within one year
Sewer Debt	70,308		(14,539)	55,769	15,267

**NOTE E**    CAPITAL ASSETS

	December 31,	
	2018	2017
Capital Assets Beginning Balance	7,722,602	7,433,474
Acquisitions	260,724	310,444
Sales and other dispositions	0	(21,316)
Capital Assets Ending Balance	<u>7,983,326</u>	<u>7,722,602</u>
Accumulated depreciation Beginning Balance	(3,649,713)	(3,509,424)
Additions	(175,984)	(161,605)
Sales and other dispositions	0	21,316
Accumulated Depreciation Ending Balance	<u>(3,825,697)</u>	<u>(3,649,713)</u>
Reductions/Adjustments		
Subtotal	<u>4,157,629</u>	<u>4,072,889</u>
Less Capital Related Debt		
Current portion of capital related long-term debt	15,267	14,539
Long-term portion of capital related long-term debt	40,502	55,769
Subtotal	<u>55,769</u>	<u>70,308</u>
Reductions/Adjustments	0	0
Total Net Assets invested in Capital Assets, Net of Related Debt	<u>\$ 4,101,860</u>	<u>\$ 4,002,581</u>

**LEADVILLE SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE F**    **CONTRIBUTED CAPITAL**

Changes in contributions in aid of construction during the years ended December 31, 2018 & 2017 are as follows:

	<b>2018</b>	<b>2017</b>
Balance: January 1	559,711	603,987
Depreciation during the year on assets acquired through contributions or capital grants	(44,276)	(44,276)
Balance: December 31	\$ 515,435	\$ 559,711

**NOTE G**    **BUDGET**

For the year ended December 31, 2018, budgeted estimated revenue and appropriations compared to actual cash receipts and expenditures on non-GAAP, modified cash budgetary basis (Note A) are as follows:

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Modified Cash Basis Receipts	1,287,490	1,685,907	398,417
Modified Cash Basis Expenditures	(1,287,490)	(1,074,401)	213,089
Excess of Cash Receipts Over Expenditures	\$ -	\$ 611,506	\$ 611,506

Reconciliation of Budgetary basis to GAAP financial statements for the year ended December 31, 2018 is as follows:

Excess of Modified Cash Receipts over Expenditures	\$ 611,506
Unappropriated Fund Balance	
Depreciation Expense	(175,984)
Capital Expenses	158,724
Donated Capital assets	102,000
Debt Service Payments	14,539
Assessment Payments Received and Adjustments	(12,608)
NET INCOME - GAAP Basis	\$ 698,177

**LEADVILLE SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE H     CONSTITUTIONAL AMENDMENT

In November 1992, the Colorado Constitution was amended to add various revenue and expenditure limits and impose new requirements on the District. For example, prior voter approval is necessary to increase the District's real property tax revenue or spending from one year to the next in excess of the rate of inflation plus a growth factor based on the net percentage change in the actual value of all real property within the District.

Any new tax, tax rate increase, mill levy increase, or extension of an expiring tax which causes a net tax revenue gain, requires voter approval. New long-term financial obligations also require voter approval. The Colorado Constitution also requires that any revenue collected, kept, or spent in violation of these provision must be refunded, with interest.

This amendment requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases.

The District believes it is in compliance with the provisions of this amendment, including the establishment of an emergency reserve within net position as required by the amendment.

NOTE I     GRANTS

In August 2009, the District was awarded a grant from the State of Colorado Department of Local Affairs Energy and Mineral Impact Assistance Program for \$728,500. These funds, along with District funds of \$878,500 were utilized on a project to replace approximately 12,750 feet of interceptor sewer lines in the northeast sector of the District. The project was completed and all funds received and expended in April 2015.

NOTE J     SIMPLE IRA

The District offers a retirement plan in which all regularly employed, full-time, permanent employees may participate after one year of service. The District will match up to 3% of the qualifying employee salary contributions as determined by the Board of Directors. All contributions vest immediately. The District has no contingent liability for such items as past service costs. The contributions were \$9,981 and \$9,200 for 2018 and 2017 respectively.

NOTE K     SUBSEQUENT EVENTS

Management of the District has evaluated subsequent events through September 24, 2019 the date the financial statements were available to be issued. There were no material subsequent events that require recognition.

# LEADVILLE SANITATION DISTRICT

## OTHER SUPPLEMENTARY INFORMATION

FISCAL YEARS ENDED DECEMBER 31, 2018 AND 2017

# **Kenneth L. Olsen, CPA, PC**

CERTIFIED PUBLIC ACCOUNTANT

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Member of American Institute  
Of Certified Public Accountants

Kenneth L. Olsen, CPA

## **Independent Auditor's Report on Other Supplementary Information**

Board of Directors  
Leadville Sanitation District  
PO Box 253  
Leadville, Colorado 80461

Our audit of Leadville Sanitation District financial statements as of and for the year ended December 31, 2018, which are presented in the preceding section of this report, was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole.

The accompanying other supplementary information, Schedule of Revenue & Expenditures-Budget and Actual, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Kenneth L. Olsen, CPA, PC  
Leadville, CO 80461  
September 24, 2019

**LEADVILLE SANITATION DISTRICT**  
**SCHEDULE OF REVENUE & EXPENDITURES –BUDGET AND ACTUAL**  
**(BUDGETARY BASIS)**  
**FISCAL YEAR ENDED DECEMBER 31, 2018**

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
User & Past Due Fees collected by District	999,867	1,024,392	24,525
Other Fees for Services	17,225	10,313	(6,912)
Property Tax	127,781	127,432	(349)
Specific Ownership Taxes	5,500	7,362	1,862
Tap Fees	40,052	197,874	157,822
Interest Received	12,010	44,744	32,734
Assessments	18,055	16,352	(1,703)
Miscellaneous	15,000	24,684	9,684
Unappropriated Fund Balance	52,000	0	(52,000)
Land Sales	0	232,754	232,754
<b>Total Revenue</b>	<b>\$ 1,287,490</b>	<b>\$ 1,685,907</b>	<b>\$ 398,417</b>
<b>EXPENDITURES</b>			
Personnel Costs	354,613	338,578	16,035
Contract Services	36,000	122,157	(86,157)
Utilities	121,600	91,600	30,000
Office Expenses	51,070	54,916	(3,846)
Insurance	181,078	170,868	10,210
Debt Service	18,055	17,811	244
Plant Operations	488,100	119,747	368,353
Plant & Line Reserves	36,974	158,724	(121,750)
<b>Total Expenditures</b>	<b>\$ 1,287,490</b>	<b>\$ 1,074,401</b>	<b>\$ 213,089</b>
<b>Excess of Modified Cash Receipts over Expenditures</b>		<b>\$ 611,506</b>	

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