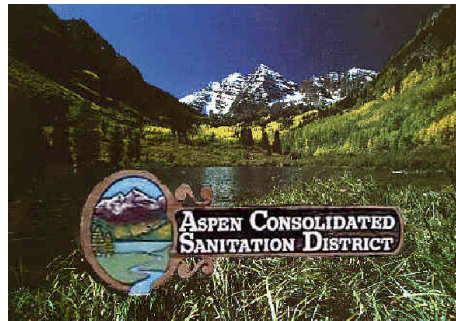


**Aspen Consolidated Sanitation District
Aspen, Colorado**

**Financial Statements
December 31, 2019 and 2018**



**Aspen Consolidated Sanitation District
Financial Statements
December 31, 2019 and 2018**

Table of Contents

| | Page |
|---|-------------|
| INDEPENDENT AUDITOR'S REPORT | A1 – A2 |
| Management's Discussion and Analysis | B1 – B5 |
| Financial Statements: | |
| Statement of Net Position | C1 |
| Statement of Revenues, Expenses and Changes in Fund Net Position | C2 |
| Statement of Cash Flows | C3 |
| Notes to the Financial Statements | D1 – D13 |
| Supplementary Information: | |
| Schedule of Revenues and Expenditures - Budget (Non-GAAP Basis) and Actual With Reconciliation to GAAP Basis | E1 |
| Schedule of Administrative Expenditures - Budget and Actual | E2 |
| Schedule of Collection System Expenditures - Budget and Actual | E3 |
| Schedule of Treatment Plant Expenditures - Budget and Actual | E4 |



MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

CHAPEL SQUARE, BLDG C
245 CHAPEL PLACE, SUITE 300
P.O. Box 5850, AVON, CO 81620

WEB SITE: WWW.MCMAHANCPA.COM
MAIN OFFICE: (970) 845-8800
FACSIMILE: (970) 845-8108
E-MAIL: MCMAHAN@MCMAHANCPA.COM

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Aspen Consolidated Sanitation District
Aspen, Colorado**

Report on the Financial Statements

We have audited the accompanying financial statements of the Aspen Consolidated Sanitation District (the "District"), as of and for the years ended December 31, 2019 and 2018, as listed in the table of contents, and the related notes to the financial statements.

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 of 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 financial position of Aspen Consolidated Sanitation District as of December 31, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Member: American Institute of Certified Public Accountants

PAUL J. BACKES, CPA, CGMA
MICHAEL N. JENKINS, CA, CPA, CGMA
DANIEL R. CUDAHY, CPA, CGMA

AVON: (970) 845-8800
ASPEN: (970) 544-3996
FRISCO: (970) 668-3481

INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Aspen Consolidated Sanitation District
Aspen, Colorado

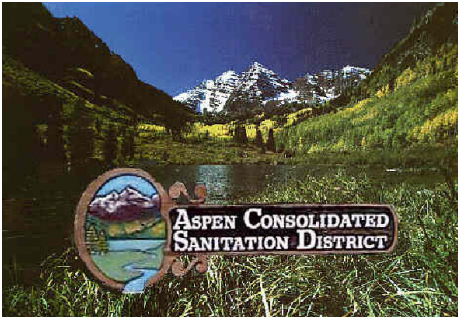
Other Matters

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 an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The budgetary comparisons listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary comparisons are the responsibility of management and were 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McMahan and Associates, L.L.C.
McMahan and Associates, L.L.C.
April 6, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS



Aspen Consolidated Sanitation District Management's Discussion and Analysis December 31, 2019 and 2018

We, the financial managers of Aspen Consolidated Sanitation District (the "District"), offer readers of the District's financial statements this narrative summary of the financial activities of the District for the fiscal years ended December 31, 2019 and 2018.

Financial Highlights

- The District had net income of \$1,326,352 in 2019 as compared to a net income of \$722,785 in 2018. District assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$37,068,242 in 2019, while assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$35,741,890 in 2018.
- The District received significant contributions relating to development within the District. The District received line improvement fees, developer fees, plant capacity fees and initial fees totaling \$2,276,518 in 2019 and \$1,558,379 in 2018.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of two components: 1) financial statements; and 2) notes to the financial statements. These components are discussed below.

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

The Statement of Net Position presents information on all the District's assets, liabilities and deferred inflows/outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Fund Net Position shows how the District's net position changed during the years presented. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The Statement of Cash Flows shows the District's sources of cash inflows and outflows for the years presented. Cash flows are categorized among operating, non-capital financing, capital and related financing and investing activities and unlike items reported in the Statement of Revenues, Expenses and Changes in Fund Net Position, these amounts are reported on the cash basis of accounting.

The business-type activity of the District relates to water resource recovery services. There are currently no governmental-type activities occurring at the District.

The District's financial statements can be found in Section C of this report.

Proprietary Funds: The District maintains a proprietary fund commonly known as an enterprise fund. Enterprise funds are used to report business-type activities. The District uses an enterprise fund to account for its sanitation services.

Overview of the Financial Statements (continued)

Notes to the Financial Statements: The notes provide a background of the entity, certain required statutes and accounting policies utilized by the District. They also provide additional information that will aid in the interpretation of the financial statements. The Notes to the Financial Statements can be found in Section D of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also conveys certain supplementary information. The Schedule of Revenues and Expenditures - Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis provides a detailed comparison of the District's actual revenues and expenditures to budgeted amounts. As the District's budget was adopted in a manner that is not consistent with Generally Accepted Accounting Principles ("GAAP"), this statement is presented on a non-GAAP basis with reconciliation to GAAP basis. Supplementary information can be found in Section E of this report.

Financial Analysis of the District:

The following table shows the District's assets, liabilities and net position at the end of 2019 and 2018:

| | <u>2019</u> | <u>2018</u> |
|---------------------------------------|----------------------|----------------------|
| Assets: | | |
| Current assets | \$ 10,220,134 | \$ 7,658,900 |
| Leased Assets | 46,105 | - |
| Capital assets | 31,658,793 | 33,533,178 |
| Total Assets | <u>41,925,032</u> | <u>41,192,078</u> |
| | | |
| Deferred Outflows of Resources | <u>1,440</u> | <u>1,929</u> |
| | | |
| Liabilities: | | |
| Other liabilities | 872,883 | 888,172 |
| Long - term liabilities | 3,760,192 | 4,336,664 |
| Total Liabilities | <u>4,633,075</u> | <u>5,224,836</u> |
| | | |
| Deferred Inflows of Resources | <u>225,155</u> | <u>227,281</u> |
| | | |
| Net Position: | | |
| Net invested in capital assets | 27,500,515 | 28,791,524 |
| Unrestricted | 9,567,727 | 6,950,366 |
| Total Net Position | <u>\$ 37,068,242</u> | <u>\$ 35,741,890</u> |

In 2019, the District's total net position increased by \$1,326,352. The District has a significant portion of its net position invested in capital assets. The capital assets are used to provide services to the District's customers.

Overview of the Financial Statements (continued)

Financial Analysis of the District (continued):

The following table summarizes information relating to the District's Statement of Revenues, Expenses and Changes in Net Position:

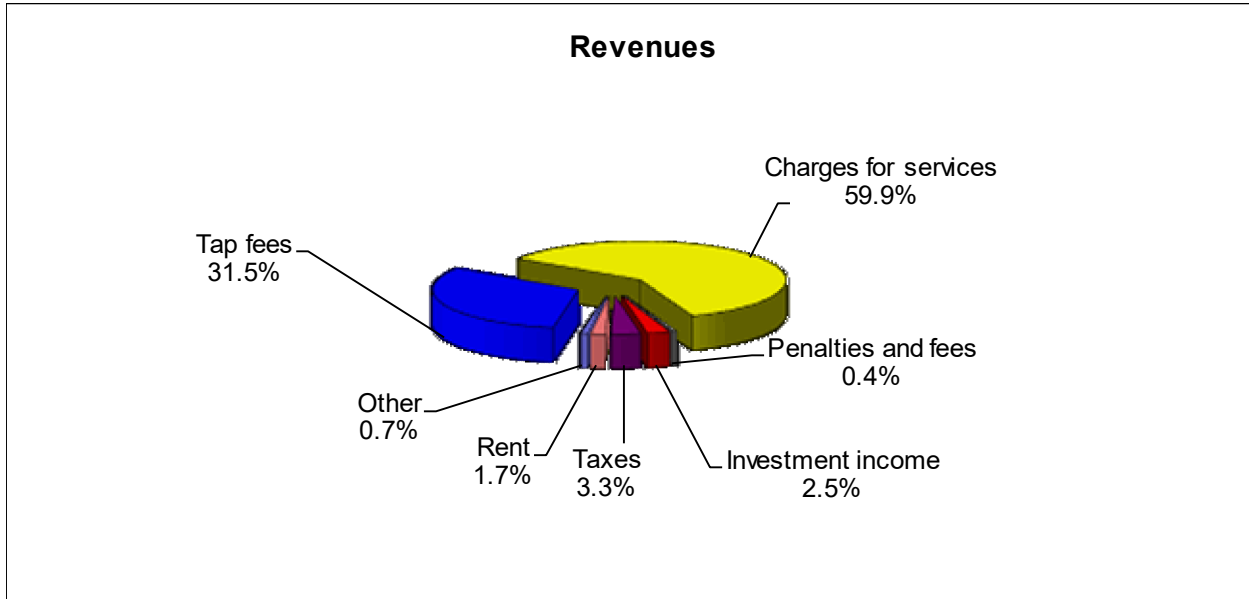
| | <u>2019</u> | <u>2018</u> |
|---|----------------------|----------------------|
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 4,353,156 | \$ 4,140,916 |
| General revenues: | | |
| Property taxes | 226,849 | 228,429 |
| Specific ownership taxes | 7,979 | 8,356 |
| Investment income | 182,132 | 134,450 |
| Rent income | 120,049 | 114,556 |
| Gain (loss) on sale of asset | 26,070 | (5,881) |
| Miscellaneous | 26,955 | 67,952 |
| Capital asset contributions | | |
| Tap fees | 2,276,518 | 1,558,379 |
| Total Revenues | <u>7,219,708</u> | <u>6,247,157</u> |
| Expenses: | | |
| Administration | 619,151 | 577,578 |
| Collection system | 669,277 | 634,836 |
| Treatment plant | 1,744,746 | 1,581,545 |
| Depreciation | 2,726,309 | 2,586,036 |
| Interest expense | 122,298 | 132,853 |
| Treasurer's fees | 11,575 | 11,524 |
| Total Expenses | <u>5,893,356</u> | <u>5,524,372</u> |
| Change in Net Position | 1,326,352 | 722,785 |
| Net Position - Beginning of Year | <u>35,741,890</u> | <u>35,019,105</u> |
| Net Position - End of Year | <u>\$ 37,068,242</u> | <u>\$ 35,741,890</u> |

The District's total 2019 revenues increased from the prior year due to several reasons. Primarily, the increase in charges for services related to new customers and a rate increase, and the significant increase in tap fees due to development in 2018.

Overview of the Financial Statements (continued)

Financial Analysis of the District (continued):

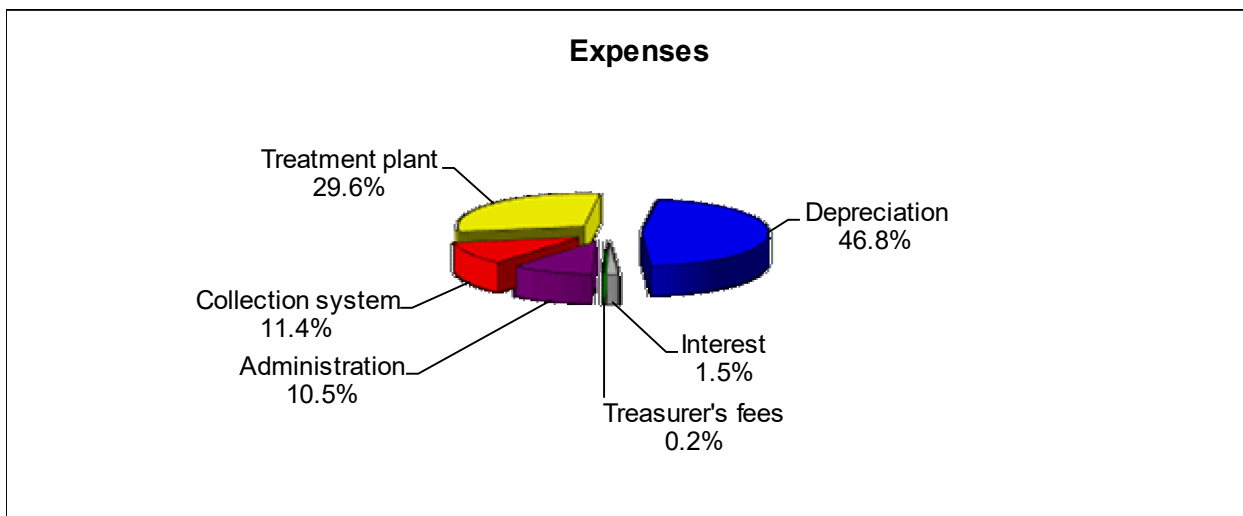
The following chart summarizes the District's revenue sources during 2019:



Total expenses increased, mainly due to an increase in depreciation expense. 2019 expenses were higher by \$368,984 as compared to 2018 expenses.

As in the previous years, the aggregate of administration, sewage collection and treatment plant costs comprised the highest percentage of the District's costs for the year ended December 31, 2019. All costs, in total and expressed as a percentage of total costs, remained relatively consistent between years.

The following chart summarizes the District's expenses, by natural classification, during 2019:



Budget Variances in the Enterprise Fund

The District's budget was not amended for the 2019 fiscal year; the actual expenditures for the District were lower than budgeted amounts by \$3,585,195.

Significant budget variances were as follows:

| <u>Account</u> | <u>Budget</u> | <u>Actual Amount</u> | <u>Variance Positive (Negative)</u> | <u>Reason</u> |
|-----------------------------|---------------|----------------------|-------------------------------------|---|
| <u>Revenues:</u> | | | | |
| Charges for services | \$4,260,000 | 4,321,766 | 61,766 | Conservative budgeting, as well as additional income from new customers and a rate increase |
| Investment income | 60,000 | 182,132 | 122,132 | Favorable 2019 interest rates |
| Tap fees | 800,000 | 2,276,519 | 1,476,519 | Conservative budgeting and additional new projects |
| <u>Expenditures:</u> | | | | |
| Administration | 658,349 | 619,151 | 39,198 | Conservative budgeting and spending |
| Treatment plant | 1,852,687 | 1,744,747 | 107,940 | Conservative budgeting and spending |
| Capital outlay | 3,920,000 | 931,893 | 2,988,107 | Conservative budgeting and did not complete all projects |
| Contingency | 450,000 | - | 450,000 | Contingency was not needed |

Capital Asset and Debt Administration

Capital Assets: The District's net capital assets decreased by \$1,874,385 in 2019 as compared to an decrease of \$350,744 in 2018. The increase is primarily due to the treatment improvement and collection system projects. A detailed classification of the District's capital assets can be found in the Notes to Financial Statements in Section D of this report.

Long-term Debts: The outstanding principal on the District's bonds as of the fiscal year end was \$4,159,718 with \$565,000 of principal payment coming due during the next fiscal year. Additional information can be found in Section D of this report.

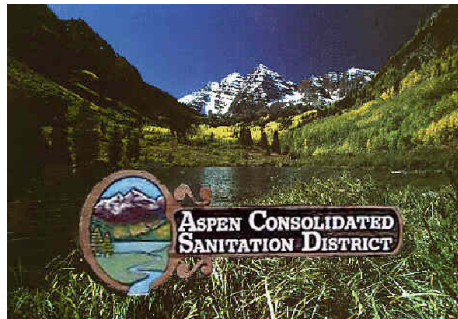
Next Year's Budget and Rates

The District's net position at the end of 2019 was \$37,068,242 as compared to \$35,741,890 in 2018. The District's 2020 budget anticipates a two percent (%) increase in charges for services to reflect rate increases, a three percent (%) increase in operating revenue and a seven percent (%) increase in operating expenses. Furthermore, the budget projects \$5,400,000 in capital projects during 2020.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Aspen Consolidated Sanitation District, 565 N. Mill Street, Aspen, Colorado 81611.

FINANCIAL STATEMENTS



Aspen Consolidated Sanitation District
Statement of Net Position
December 31, 2019 and 2018

| | 2019 | 2018 |
|--|-------------------|-------------------|
| Assets: | | |
| Current Assets: | | |
| Cash and cash equivalents - Unrestricted | 9,047,584 | 6,277,891 |
| Cash and cash equivalents - Restricted | 406,000 | 461,000 |
| Investments | 441,295 | 438,657 |
| Receivables, net: | | |
| Property taxes | 225,155 | 227,281 |
| Service receivables | 73,331 | 101,098 |
| Other governments | 601 | 1,633 |
| Other | 2,418 | 40,725 |
| Prepaid expenses | - | 77,915 |
| Inventory | 23,750 | 32,700 |
| Total Current Assets | 10,220,134 | 7,658,900 |
| Non-current Assets: | | |
| Leased assets: | | |
| Leased assets | 50,096 | - |
| Accumulated amortization | (3,991) | - |
| Leased assets, net of amortization | 46,105 | - |
| Capital assets: | | |
| Capital assets | 75,800,900 | 75,068,951 |
| Less: Accumulated depreciation | (44,142,107) | (41,535,773) |
| Capital assets, net of depreciation | 31,658,793 | 33,533,178 |
| Total Non-current Assets | 31,704,898 | 33,533,178 |
| Total Assets | 41,925,032 | 41,192,078 |
| Deferred Outflows of Resources | | |
| Deferred charge on refunding | 1,440 | 1,929 |
| Total Deferred Outflows of Resources | 1,440 | 1,929 |
| Liabilities: | | |
| Current Liabilities: | | |
| Accounts payable: | | |
| Trade | 112,829 | 161,554 |
| Retainage | 19,682 | 19,682 |
| Other payroll liabilities | 3,000 | - |
| Other unearned revenue | 118,982 | 117,056 |
| Lease payable - current portion | 15,738 | - |
| Revenue bonds payable - due within one year | 565,000 | 550,000 |
| Interest payable | 18,653 | 20,631 |
| Deposits | 18,999 | 19,249 |
| Total Current Liabilities | 872,883 | 888,172 |
| Non-current Liabilities: | | |
| Accrued compensated absences - due in more than one year | 135,009 | 143,081 |
| Lease payable - long term | 30,465 | - |
| Revenue bonds payable - due in more than one year | 3,594,718 | 4,193,583 |
| Total Non-current Liabilities | 3,760,192 | 4,336,664 |
| Total Liabilities | 4,633,075 | 5,224,836 |
| Deferred Inflows of Resources | | |
| Unavailable property tax revenue | 225,155 | 227,281 |
| Total Deferred Inflows of Resources | 225,155 | 227,281 |
| Net Position: | | |
| Net invested in capital assets | 27,500,515 | 28,791,524 |
| Unrestricted | 9,567,727 | 6,950,366 |
| Total Net Position | 37,068,242 | 35,741,890 |

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

Aspen Consolidated Sanitation District
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Years Ended December 31, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|--|--------------------------|--------------------------|
| Operating Revenues: | | |
| Charges for services | 4,321,766 | 4,119,130 |
| Penalties and interest | 31,390 | 21,786 |
| | <u>4,353,156</u> | <u>4,140,916</u> |
| Operating Expenses: | | |
| Administration | 619,151 | 577,578 |
| Collection system | 669,277 | 634,836 |
| Treatment plant | 1,744,746 | 1,581,545 |
| Depreciation and amortization | 2,726,309 | 2,586,036 |
| | <u>5,759,483</u> | <u>5,379,995</u> |
| Operating (Loss) | <u>(1,406,327)</u> | <u>(1,239,079)</u> |
| Non-operating Revenues (Expenses): | | |
| Property taxes | 226,849 | 228,429 |
| Specific ownership taxes | 7,979 | 8,356 |
| Investment income | 182,132 | 134,450 |
| Rent income | 120,049 | 114,556 |
| Gain on sale of asset | 26,070 | (5,881) |
| Interest expense | (122,298) | (132,853) |
| Treasurer's fees | (11,575) | (11,524) |
| Miscellaneous | 26,955 | 67,952 |
| | <u>456,161</u> | <u>403,485</u> |
| (Loss) Before Capital Contributions | <u>(950,166)</u> | <u>(835,594)</u> |
| Capital Contributions: | | |
| Line improvement fee | 484,200 | 311,242 |
| Developer | 13,170 | 9,005 |
| Plant capacity fee | 1,649,886 | 1,235,732 |
| Initial fee | 129,262 | 2,400 |
| | <u>2,276,518</u> | <u>1,558,379</u> |
| Change in Net Position | 1,326,352 | 722,785 |
| Net Position - Beginning of Year | <u>35,741,890</u> | <u>35,019,105</u> |
| Net Position - End of Year | <u><u>37,068,242</u></u> | <u><u>35,741,890</u></u> |

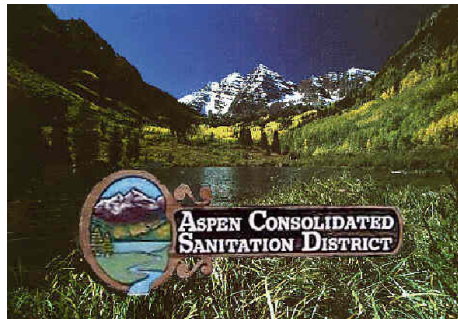
The accompanying notes are an integral part of these financial statements.

Aspen Consolidated Sanitation District
Statement of Cash Flows
For the Years Ended December 31, 2019 and 2018

| | 2019 | 2018 |
|---|--------------------|--------------------|
| Cash Flows From Operating Activities: | | |
| Cash received from customers and others | 4,567,911 | 4,298,060 |
| Cash received (payments) from (for) goods and services | (931,618) | (993,770) |
| Cash payments to employees and for benefits | (2,080,066) | (1,937,320) |
| Net Cash Provided (Used) by Operating Activities | 1,556,227 | 1,366,970 |
| Cash Flows From Non-capital Financing Activities: | | |
| Cash received from property and specific ownership taxes, net | 235,860 | 235,725 |
| Net Cash Provided (Used) by Non-capital Financing Activities | 235,860 | 235,725 |
| Cash Flows From Capital and Related Financing Activities: | | |
| Cash received from tap fees | 2,276,519 | 1,558,379 |
| Cash received from sale of assets | 26,070 | 7,500 |
| Cash paid for principal on debt | (550,000) | (540,000) |
| Cash paid for interest on debt | (123,787) | (133,997) |
| Cash paid for capital acquisitions | (885,689) | (2,332,756) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | 743,113 | (1,440,874) |
| Cash Flows From Investing Activities: | | |
| Interest income received | 179,494 | 131,828 |
| Net Cash Provided (Used) by Investing Activities | 179,494 | 131,828 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 2,714,694 | 293,649 |
| Cash and Cash Equivalents - Beginning of Year | 6,738,890 | 6,445,242 |
| Cash and Cash Equivalents - End of Year | 9,453,584 | 6,738,891 |
| Represented by Balance Sheet captions: | | |
| Cash and cash equivalents - Unrestricted | 9,047,584 | 6,277,891 |
| Cash and cash equivalents - Restricted | 406,000 | 461,000 |
| Cash and Cash Equivalents - End of Year | 9,453,584 | 6,738,891 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | |
| Operating income (loss) | (1,406,327) | (1,239,079) |
| Adjustments: | | |
| Depreciation and amortization | 2,726,309 | 2,586,036 |
| Rent income | 120,049 | 114,556 |
| Treasurer's fees | (11,575) | (11,524) |
| Miscellaneous | 26,955 | 67,952 |
| (Increase) decrease in accounts receivable | 66,074 | (44,282) |
| (Increase) decrease in prepaid expenses | 77,915 | (12,132) |
| (Increase) decrease in inventory | 8,950 | (1,250) |
| Increase (decrease) in accounts payable | (48,727) | (97,563) |
| Increase (decrease) in payroll liabilities | 3,000 | - |
| Increase (decrease) in unearned revenue | 1,926 | 17,918 |
| Increase (decrease) in deposits | (250) | 1,000 |
| Increase (decrease) in accrued compensated absences | (8,072) | (14,662) |
| Total Adjustments | 2,962,554 | 2,606,049 |
| Net Cash Provided (Used) by Operating Activities | 1,556,227 | 1,366,970 |

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

NOTES TO THE FINANCIAL STATEMENTS



Aspen Consolidated Sanitation District
Notes to the Financial Statements
December 31, 2019 and 2018

I. Summary of Significant Accounting Policies

Aspen Consolidated Sanitation District (the “District”) is a quasi-municipal corporation and a political subdivision of the State of Colorado. It was formed under Colorado statutes as a special district in 1983. The District was formed as a result of the consolidation of the Aspen Sanitation District, Aspen Metropolitan Sanitation District and the Aspen Highlands Water and Sanitation District. The District provides sanitary sewer service for the inhabitants of the District’s service area which includes the City of Aspen and surrounding developed areas located in Pitkin County, Colorado. Five elected board members govern the District.

The District’s financial statements are prepared in accordance with generally accepted accounting principles (“GAAP”). The Governmental Accounting Standards Board (“GASB”) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the District are discussed below.

A. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization’s governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations, which are fiscally dependent; i.e., unable to adopt a budget, levy taxes or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria above, the District is not financially accountable for any other entity nor is the District a component unit of any other government.

B. Accounting Policies

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The District uses a proprietary fund-type, an enterprise fund, to account for its sole activity, providing wastewater treatment services to taxpayers within the District’s boundaries. Enterprise funds are used to account for operations (a) which are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Aspen Consolidated Sanitation District
Notes to the Financial Statements
December 31, 2019 and 2018
(Continued)

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

1. Long-term Economic Focus and Accrual Basis

Proprietary funds use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

2. Financial Statement Presentation

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Financial Statement Accounts

1. Cash, Cash Equivalents, and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within 3 months of the date acquired by the District.

Investments are stated at fair value. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Colorado statutes specify instruments in which local governments may invest, including:

- Obligations of the U.S. and certain U.S. governmental agency securities
- Certain international agency securities
- General obligation and revenue bonds for U.S. local governmental entities
- Bankers acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment

**Aspen Consolidated Sanitation District
Notes to the Financial Statements
December 31, 2019 and 2018
(Continued)**

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

2. Receivables

Receivables are reported net of an allowance for uncollectible accounts. However, no allowance for uncollectible accounts has been established at December 31, 2019 and 2018, as the District considers all accounts to be collectible.

3. Inventory

Inventory consists largely of equipment, parts, supplies, fuel and oil, and is recorded at the lower of cost or market.

4. Property Taxes

Property taxes are assessed in one year as a lien on the property, but not collected by governmental units until the subsequent year. In accordance with GAAP, the assessed but uncollected property taxes have been recorded as a receivable and as unavailable revenue.

5. Capital Assets

Capital assets, which include land, buildings and improvements, sewer collection systems and related improvements and equipment, are reported in the financial statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital outlay for projects is capitalized as projects are constructed. Interest incurred during the construction phase is capitalized as part of the value of the assets constructed.

Buildings and improvements, sewer collection systems and improvements, equipment and lagoons are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|--------------------------|--------------|
| Buildings & improvements | 5 - 40 |
| Collection system | 3 - 40 |
| Plant | 3 - 40 |
| Vehicles & equipment | 3 - 15 |

6. Compensated Absences

Earned but unused vacation and sick leave benefits are accrued when incurred in the financial statements.

Aspen Consolidated Sanitation District
Notes to the Financial Statements
December 31, 2019 and 2018
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

7. Deferred Inflows and Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District has only one type of item that qualifies for reporting in this category. It is the deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial 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 that qualifies for reporting in this category. Accordingly, the item, unavailable property tax revenue, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

E. Significant Accounting Policies

1. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

2. Restricted and Unrestricted 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.

Aspen Consolidated Sanitation District
Notes to the Financial Statements
December 31, 2019 and 2018
(Continued)

II. Stewardship, Compliance and Accountability

A. Budgetary Information

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations for the ensuing year pursuant to the Colorado Local Budget Law. The proprietary fund budget was adopted on a non-GAAP basis and has been reconciled to a GAAP basis below for both 2019 and 2018:

| | 2019 | 2018 |
|--|---------------------|-------------------|
| Change in Net Position - Budget Basis | \$ 2,544,698 | \$ 487,576 |
| <i>add (less):</i> | | |
| Gain on sale of asset | 26,070 | (5,881) |
| Principal on debt | 550,000 | 540,000 |
| Capital outlay | 931,893 | 2,287,126 |
| Amortization of bond premium interest | 33,865 | 38,453 |
| Depreciation | (2,760,174) | (2,624,489) |
| Change in Net Position - GAAP Basis | \$ 1,326,352 | \$ 722,785 |

Annual appropriations are adopted for all funds. Expenditures may not legally exceed appropriations at the fund level and all appropriations lapse at year-end.

As required by Colorado statutes, the District followed the required timetable noted below in preparing, approving and enacting its budget for 2019.

1. For the 2019 budget year, prior to August 25, 2018, the County Assessor sent to the District an assessed valuation of all taxable property within the District's boundaries. The County Assessor may change the assessed valuation on or before December 10 only once by a single notification to the District.
2. The Manager of the District submitted, on or before October 15, 2018, a recommended budget that detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
3. Prior to December 15, 2018, after a required publication of "Notice of Proposed Budget" and a public hearing, the District certified to the County Commissioners a levy rate that derived the necessary property taxes as computed in the proposed budget, and the District adopted the proposed budget and an appropriating resolution that legally appropriated expenditures for the upcoming year.
4. After adoption of the budget resolution, the District may make the following changes: a) approve supplemental appropriations to the extent of revenues in excess of estimated revenues in the budget; b) approve emergency appropriations; and c) reduce appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2018 were collected in 2019 and taxes certified in 2019 will be collected in 2020. Taxes are due on January 1 in the year of collection; however, they may be paid in either one installment (no later than April 30) or two equal installments (not later than February 28 and June 15) without interest or penalty. Taxes that 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.

Aspen Consolidated Sanitation District
Notes to the Financial Statements
December 31, 2019 and 2018
(Continued)

II. Stewardship, Compliance and Accountability (continued)

B. TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20; commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax or tax policy change directly causing a net tax revenue gain to any local government.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

The District believes it is in compliance with the financial provisions of TABOR as allowed for enterprises. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

III. Detailed Notes on All Funds

A. Deposits and Investments

The District's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the District's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA. The carrying amounts of the District's petty cash, demand deposits and investments were \$9,894,879 and \$7,177,547 as of the fiscal year ended 2019 and 2018, respectively.

Fair Value of Investments

The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1*: Quoted prices for identical investments in active markets;
- *Level 2*: Observable inputs other than quoted market prices; and,
- *Level 3*: Unobservable inputs.

Aspen Consolidated Sanitation District
Notes to the Financial Statements
December 31, 2019 and 2018
(Continued)

III. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

At December 31, 2019 and 2018, the District had the following recurring fair value measurements:

| <u>Investments Measured at Fair Value</u> | <u>December 31, 2019</u> | | | |
|---|--------------------------|--------------------------------------|-------------------|----------------|
| | <u>Total</u> | <u>Fair Value Measurements Using</u> | | |
| | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Certificates of deposit | \$ 441,295 | \$ - | \$ 441,295 | \$ - |
| Total | <u>\$ 441,295</u> | <u>\$ -</u> | <u>\$ 441,295</u> | <u>\$ -</u> |

| <u>Investments Measured at Net Asset Value</u> | <u>December 31, 2019</u> | | | |
|--|--------------------------|--------------------------------------|---------------------|----------------|
| | <u>Total</u> | <u>Fair Value Measurements Using</u> | | |
| | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Colostrust | \$ 9,159,956 | \$ - | \$ 9,159,956 | \$ - |
| Total | <u>\$ 9,159,956</u> | <u>\$ -</u> | <u>\$ 9,159,956</u> | <u>\$ -</u> |

| <u>Investments Measured at Fair Value</u> | <u>December 31, 2018</u> | | | |
|---|--------------------------|--------------------------------------|-------------------|----------------|
| | <u>Total</u> | <u>Fair Value Measurements Using</u> | | |
| | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Certificates of deposit | \$ 438,657 | \$ - | \$ 438,657 | \$ - |
| Total | <u>\$ 438,657</u> | <u>\$ -</u> | <u>\$ 438,657</u> | <u>\$ -</u> |

| <u>Investments Measured at Net Asset Value</u> | <u>December 31, 2018</u> | | | |
|--|--------------------------|--------------------------------------|---------------------|----------------|
| | <u>Total</u> | <u>Fair Value Measurements Using</u> | | |
| | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Colostrust | \$ 6,595,534 | \$ - | \$ 6,595,534 | \$ - |
| Total | <u>\$ 6,595,534</u> | <u>\$ -</u> | <u>\$ 6,595,534</u> | <u>\$ -</u> |

Investments classified in Level 1 are valued using prices quoted in active markets for those securities. Investments classified in Level 2 are valued using the following approaches

- U.S. Treasuries, U.S. Agencies and Commercial Paper: quoted prices for identical securities in markets that are not active;
- Repurchase Agreements, Negotiable Certificates of Deposit and Collateralized Debt Obligations: matrix pricing based on the securities' relationship to benchmark quoted prices;
- Money Market, Bond and Equity Mutual Funds: published fair value per share (unit) for each fund.

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the District diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer and type of issuer. The District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years (less in some cases) from the purchase date. As a result of the limited length of maturities the District has limited its interest rate risk.

Aspen Consolidated Sanitation District
Notes to the Financial Statements
December 31, 2019 and 2018
(Continued)

III. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Credit Risk. The District's investment policy limits investments to those authorized by State statutes as listed in note I.D.1. The District's general investment policy is to apply the prudent-person rule: investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and in general, avoid speculative investments.

Concentration of Credit Risk. The District diversifies its investments by security type and institution. Financial institutions holding District funds must provide the District a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository.

At December 31, 2019 and 2018, the District had the following cash and investments with the following maturities:

| December 31, 2019 | | | | |
|--------------------------|--|-----------------------------|-------------------------------|---------------------------------|
| | Standard & Poors Rating | Carrying Amounts | Maturities | |
| | | | Less than one year | Less than five years |
| <i>Petty cash</i> | Not rated | \$ 890 | \$ 890 | \$ - |
| <i>Deposits:</i> | | | | |
| Checking | Not rated | 279,741 | 279,741 | - |
| Money market | Not rated | 12,997 | 12,997 | - |
| <i>Investments:</i> | | | | |
| Certificates of deposit | Not rated | 441,295 | 441,295 | - |
| Investment pools | AAAm | 9,159,956 | 9,159,956 | - |
| | | <u>\$ 9,894,879</u> | <u>\$ 9,894,879</u> | <u>\$ -</u> |
| December 31, 2018 | | | | |
| | Standard & Poors Rating | Carrying Amounts | Maturities | |
| | | | Less than one year | Less than five years |
| <i>Petty cash</i> | Not rated | \$ 369 | \$ 369 | \$ - |
| <i>Deposits:</i> | | | | |
| Checking | Not rated | 77,546 | 77,546 | - |
| Money market | Not rated | 65,442 | 65,442 | - |
| <i>Investments:</i> | | | | |
| Certificates of deposit | Not rated | 438,657 | 438,657 | - |
| Investment pools | AAAm | 6,595,534 | 6,595,534 | - |
| | | <u>\$ 7,177,548</u> | <u>\$ 7,177,548</u> | <u>\$ -</u> |

The Investment Pool represents investments in COLOTRUST. The fair value of the pool is determined by the pool's share price. The District has no regulatory oversight for the pool. As of December 31, 2019 and 2018, the District's investments in COLOTRUST were 95% and 94%, respectively, of the District's investment portfolio.

Aspen Consolidated Sanitation District
Notes to the Financial Statements
December 31, 2019 and 2018
(Continued)

III. Detailed Notes on All Funds (continued)

B. Capital Assets

Capital asset activity for 2019 was as follows:

| | 1/1/19 Beginning Balance | Additions | Disposals | 12/31/19 Ending Balance |
|---|---|------------------------------|--------------------|--|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 454,479 | \$ - | \$ - | \$ 454,479 |
| Construction in progress | 9,505 | 12,920 | - | 22,425 |
| Total capital assets, not being depreciated | <u>463,984</u> | <u>12,920</u> | <u>-</u> | <u>476,904</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 7,250,216 | 61,622 | - | 7,311,838 |
| Collection system | 30,021,413 | 67,036 | - | 30,088,449 |
| Plant | 35,665,845 | 616,232 | - | 36,282,077 |
| Vehicles and equipment | 1,667,493 | 123,988 | (149,849) | 1,641,632 |
| Total capital assets being depreciated | <u>74,604,967</u> | <u>868,878</u> | <u>(149,849)</u> | <u>75,323,996</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (3,484,067) | (271,963) | - | (3,756,030) |
| Collection system | (12,579,824) | (667,968) | - | (13,247,792) |
| Plant | (23,410,775) | (1,745,412) | - | (25,156,187) |
| Vehicles and equipment | (2,061,107) | (70,840) | 149,849 | (1,982,098) |
| Total accumulated depreciation | <u>(41,535,773)</u> | <u>(2,756,183)</u> | <u>149,849</u> | <u>(44,142,107)</u> |
| Total capital assets, being depreciated, net | <u>33,069,194</u> | <u>(1,887,305)</u> | <u>-</u> | <u>31,181,889</u> |
| Total capital assets, net | <u><u>\$ 33,533,178</u></u> | <u><u>\$ (1,874,385)</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 31,658,793</u></u> |

Aspen Consolidated Sanitation District
Notes to the Financial Statements
December 31, 2019 and 2018
(Continued)

III. Detailed Notes on All Funds (continued)

B. Capital Assets (continued)

Capital asset activity for 2018 was as follows:

| | 1/1/18 Beginning Balance | Additions | Disposals | 12/31/18 Ending Balance |
|---|---|----------------------------|---------------------------|--|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 454,479 | \$ - | \$ - | \$ 454,479 |
| Construction in progress | 323,262 | (313,757) | - | 9,505 |
| Total capital assets, not being depreciated | <u>777,741</u> | <u>(313,757)</u> | <u>-</u> | <u>463,984</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 7,216,811 | 33,405 | - | 7,250,216 |
| Collection system | 29,119,477 | 903,194 | (1,258) | 30,021,413 |
| Plant | 34,083,165 | 1,664,284 | (81,604) | 35,665,845 |
| Vehicles and equipment | 1,667,493 | - | - | 1,667,493 |
| Total capital assets being depreciated | <u>72,086,946</u> | <u>2,600,883</u> | <u>(82,862)</u> | <u>74,604,967</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (3,888,653) | 404,586 | - | (3,484,067) |
| Collection system | (11,918,971) | (662,111) | 1,258 | (12,579,824) |
| Plant | (21,855,565) | (1,623,433) | 68,223 | (23,410,775) |
| Vehicles and equipment | (1,317,576) | (743,531) | - | (2,061,107) |
| Total accumulated depreciation | <u>(38,980,765)</u> | <u>(2,624,489)</u> | <u>69,481</u> | <u>(41,535,773)</u> |
| Total capital assets, being depreciated, net | <u>33,106,181</u> | <u>(23,606)</u> | <u>(13,381)</u> | <u>33,069,194</u> |
| Total capital assets, net | <u>\$ 33,883,922</u> | <u>\$ (337,363)</u> | <u>\$ (13,381)</u> | <u>\$ 33,533,178</u> |

C. Leased Assets:

Volkswagen Tiguan: On October 15, 2019, the District entered into a 39 month lease agreement for a Volkswagen Tiguan. The fixed monthly payments are \$375 and has an implicit interest rate of 1.74%. The total payments are \$14,641 and the residual value is \$15,821 at the end of the lease.

Aspen Consolidated Sanitation District
Notes to the Financial Statements
December 31, 2019 and 2018
(Continued)

C. Leased Assets (continued):

Volkswagen Tiguan: On October 15, 2019, the District entered into a 39 month lease agreement for a Volkswagen Tiguan. The fixed monthly payments are \$379 and has an implicit interest rate of 1.74%. The total payments are \$14,765 and the residual value is \$16,055 at the end of the lease.

Chevrolet Colorado: On October 10, 2019, the District entered into a 36 month agreement for a Chevrolet Colorado. The fixed monthly payments are \$582 and has an implicit interest rate of 1.74%. The total payments are \$20,952 and the residual value is \$27,875 at the end of the lease.

Lease asset activity for 2019 are as follows:

| | 1/1/19 Beginning Balance | Additions | Disposals | 12/31/19 Ending Balance |
|--|--------------------------------|------------|-----------|-------------------------------|
| Leased assets, being amortized: | | | | |
| Equipment | \$ - | \$ 50,096 | \$ - | \$ 50,096 |
| Total leased assets being amortized | \$ - | \$ 50,096 | \$ - | \$ 50,096 |
| Less accumulated depreciation for: | | | | |
| Transportation equipment | \$ - | \$ (3,991) | \$ - | \$ (3,991) |
| Total accumulated amortization | \$ - | \$ (3,991) | \$ - | \$ (3,991) |
| Total leased assets being amortized | \$ - | \$ 46,105 | \$ - | \$ 46,105 |

Annual leased asset payment requirements to maturity are as follows:

| Year | Lease Principal | Interest | Total |
|-------|--------------------|----------|-----------|
| 2020 | \$ 15,738 | \$ 679 | \$ 16,417 |
| 2021 | 16,014 | 403 | 16,417 |
| 2022 | 14,451 | 124 | 14,575 |
| Total | \$ 46,203 | \$ 1,206 | \$ 47,409 |

In 2018 the District did not have any leases that qualified for GASB 87 treatment.

D. Long-term Liabilities

1. Accrued Compensated Absences

Earned but unused vacation benefits and sick leave amounted to \$135,009 and \$143,081 at December 31, 2019 and 2018, respectively.

Aspen Consolidated Sanitation District
Notes to the Financial Statements
December 31, 2019 and 2018
(Continued)

III. Detailed Notes on All Funds (continued)

D. Long-term Liabilities (continued)

2. Long-Term Debt

Wastewater Revenue Refunding Bonds, Series 2015

In February 2015, the District issued \$6,170,000 of revenue bonds to finance the refunding of the District's outstanding Water Revenue Bonds Series 2007 and to pay the cost of issuing the bonds. The interest rates range from 1.75% to 3.00% payable on May 1 and November 1. The principal is payable on May 1 and matures in various increments through 2026. The Bonds maturing on and after May 1, 2021 are subject to redemption prior to maturity at the option of the District, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date. The District realized a present value savings on the refunding of \$759,044.

3. Long-term Liability Activity Schedule

Long-term liability activity for the past two years was as follows:

| | <u>1/1/19</u> | | | <u>12/31/19</u> | <u>Current</u> |
|----------------------|---------------------|------------------|---------------------|---------------------|-------------------|
| | <u>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> | <u>Portion</u> |
| Debt obligations | \$ 4,743,583 | \$ - | \$ (537,378) | \$ 3,594,718 | \$ 565,000 |
| Compensated absences | 143,081 | - | (8,072) | 135,009 | - |
| Total | <u>\$ 4,886,664</u> | <u>\$ -</u> | <u>\$ (545,450)</u> | <u>\$ 3,729,727</u> | <u>\$ 565,000</u> |

| | <u>1/1/18</u> | | | <u>12/31/18</u> | <u>Current</u> |
|----------------------|---------------------|------------------|---------------------|---------------------|-------------------|
| | <u>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> | <u>Portion</u> |
| Debt obligations | \$ 5,322,036 | \$ - | \$ (537,378) | \$ 4,193,583 | \$ 550,000 |
| Compensated absences | 157,743 | - | (14,662) | 143,081 | - |
| Total | <u>\$ 5,479,779</u> | <u>\$ -</u> | <u>\$ (552,040)</u> | <u>\$ 4,336,664</u> | <u>\$ 550,000</u> |

4. Debt Service Schedule

Annual debt service requirements to maturity for special revenue bonds are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|---------------------|--------------------------------|---------------------|
| 2020 | \$ 565,000 | \$ 111,912 | \$ 676,912 |
| 2021 | 575,000 | 96,225 | 671,225 |
| 2022 | 600,000 | 78,600 | 678,600 |
| 2023 | 610,000 | 60,450 | 670,450 |
| 2024 | 630,000 | 41,850 | 671,850 |
| 2025 - 2027 | 1,080,000 | 29,100 | 1,109,100 |
| Total | <u>4,060,000</u> | <u>\$ 418,137</u> | <u>\$ 4,478,137</u> |
| | 99,718 | Plus: Unamortized bond premium | |
| | <u>\$ 4,159,718</u> | Total debt | |

Aspen Consolidated Sanitation District
Notes to the Financial Statements
December 31, 2019 and 2018
(Continued)

IV. Other Information

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has joined together with other special districts in the State to form the Colorado Special Districts Property and Liability Pool ("the Pool"), a public entity risk pool currently operating as a common risk management and insurance program for member special districts. The District pays an annual premium to the Pool for its general insurance coverage. The Pool is to be self-sustaining through member premiums and reinsures through commercial companies for claims in excess of certain limits for each insured event.

The District continues to carry commercial insurance for all other risks of loss, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District participates in the Western Slope Health Care Group for employee health and accident coverage. The District's plan administrator is UMR. The plan provides coverage up to a maximum of \$25,000 for each claim, with commercial insurance providing coverage in excess of this limit.

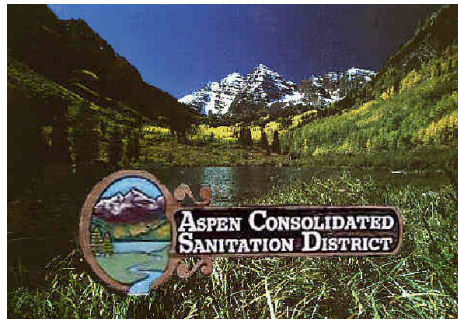
B. Deferred Compensation Plan - Section 401(k)

The District adopted the Aspen Consolidated Sanitation District 401(k) Profit Sharing Plan ("the Plan"). MassMutual administers the Plan. Benefits depend solely on amounts contributed plus investment earnings.

All full-time employees are eligible to participate in the Plan after one year of service. The District matches up to 6% of total earnings of participants. Participants may contribute from 1% to the annual IRS contribution and catch-up contribution limits. Participants have immediate vesting.

The District's expense for the Plan was \$81,693 and \$83,439 for 2019 and 2018, respectively. There was no liability outstanding at the of December 31, 2019 and 2018.

SUPPLEMENTARY INFORMATION



Aspen Consolidated Sanitation District
Schedule of Revenues and Expenditures
Budget (Non-GAAP Basis) and Actual With Reconciliation to GAAP Basis
For the Year Ended December 31, 2019
(With Comparative Totals for For the Year Ended 2018)

| | <u>2019</u> | | | <u>2018</u> |
|--|--|--------------------|--|--------------------|
| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Final Budget Variance Positive (Negative)</u> | <u>Actual</u> |
| Revenues: | | | | |
| Charges for services | 4,260,000 | 4,321,766 | 61,766 | 4,119,130 |
| Penalties and interest | 10,750 | 31,390 | 20,640 | 21,786 |
| Property taxes | 227,281 | 226,849 | (432) | 228,429 |
| Specific ownership taxes | 7,000 | 7,979 | 979 | 8,356 |
| Investment income | 60,000 | 182,132 | 122,132 | 134,450 |
| Rent income | 115,000 | 120,049 | 5,049 | 114,556 |
| Miscellaneous | 20,000 | 26,955 | 6,955 | 67,952 |
| Capital contributions | 800,000 | 2,276,519 | 1,476,519 | 1,558,379 |
| Total Revenues | <u>5,500,031</u> | <u>7,193,639</u> | <u>1,693,608</u> | <u>6,253,038</u> |
| Expenditures: | | | | |
| Administration | 658,349 | 619,151 | 39,198 | 577,578 |
| Collection system | 666,512 | 669,277 | (2,765) | 634,836 |
| Treatment plant | 1,852,687 | 1,744,747 | 107,940 | 1,581,545 |
| Treasurer's fees | 12,800 | 11,575 | 1,225 | 11,524 |
| Principal on debt | 550,000 | 550,000 | - | 540,000 |
| Interest | 123,788 | 122,298 | 1,490 | 132,853 |
| Capital outlay | 3,920,000 | 931,893 | 2,988,107 | 2,287,126 |
| Contingency | 450,000 | - | 450,000 | - |
| Total Expenditures | <u>8,234,136</u> | <u>4,648,941</u> | <u>3,585,195</u> | <u>5,765,462</u> |
| Change in Net Position (Budget Basis) | <u>(2,734,105)</u> | 2,544,698 | <u>5,278,803</u> | 487,576 |
| Reconciliation to GAAP Basis: | | | | |
| Gain on sale of asset | | 26,070 | | (5,881) |
| Principal on debt | | 550,000 | | 540,000 |
| Capitalized assets | | 931,893 | | 2,287,126 |
| Amortization of bond premium interest | | 33,865 | | 38,453 |
| Depreciation and amortization | | <u>(2,760,174)</u> | | <u>(2,624,489)</u> |
| Change in Net Position (GAAP Basis) | | <u>1,326,352</u> | | <u>722,785</u> |

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

Aspen Consolidated Sanitation District
Schedule of Administrative Expenditures
Budget and Actual
For the Year Ended December 31, 2019
(With Comparative Totals for For the Year Ended 2018)

| | 2019 | | Final Budget Variance Positive (Negative) | 2018 |
|--|---------------------------------|----------------|---|----------------|
| | Original and Final Budget | Actual | | Actual |
| Salaries | 346,494 | 340,907 | 5,587 | 301,222 |
| Payroll taxes | 26,507 | 26,473 | 34 | 23,714 |
| Benefits | 68,028 | 68,385 | (357) | 61,300 |
| Office supplies | 11,500 | 8,948 | 2,552 | 13,126 |
| Postage | 7,500 | 5,852 | 1,648 | 5,983 |
| Publication and legal | 1,000 | 315 | 685 | 724 |
| Dues and subscriptions | 8,800 | 6,377 | 2,423 | 8,587 |
| Utilities | 30,500 | 28,601 | 1,899 | 28,804 |
| Telephone | 13,500 | 22,231 | (8,731) | 14,048 |
| Legal | 20,000 | 15,953 | 4,047 | 18,091 |
| Auditing | 11,500 | 11,470 | 30 | 11,139 |
| Other expense | 53,500 | 27,662 | 25,838 | 32,705 |
| Capital lease interest | - | 211 | (211) | - |
| Insurance | 32,745 | 29,797 | 2,948 | 30,279 |
| Ground maintenance | 26,775 | 25,969 | 806 | 27,856 |
| Total Administrative Expenditures | 658,349 | 619,151 | 39,198 | 577,578 |

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

Aspen Consolidated Sanitation District
Schedule of Collection System Expenditures
Budget and Actual
For the Year Ended December 31, 2019
(With Comparative Totals for For the Year Ended 2018)

| | 2019 | | Final Budget Variance Positive (Negative) | 2018 |
|---|---------------------------------|----------------|---|----------------|
| | Original and Final Budget | Actual | | Actual |
| Salaries | 392,745 | 393,236 | (491) | 406,798 |
| Payroll taxes | 30,045 | 29,913 | 132 | 31,784 |
| Benefits | 149,516 | 145,601 | 3,915 | 127,411 |
| Office supplies | 3,800 | 2,686 | 1,114 | 2,985 |
| Janitorial supplies | - | - | - | 1,026 |
| Uniforms | - | - | - | 3,059 |
| Safety equipment | 4,000 | 839 | 3,161 | 2,282 |
| Dump fees and trash | 3,000 | 4,909 | (1,909) | 3,994 |
| Oil and grease | 9,200 | 15,815 | (6,615) | 6,892 |
| Vehicle parts | - | - | - | 1,713 |
| Equipment parts | 12,000 | 8,677 | 3,323 | 6,513 |
| Painting supplies | - | - | - | 1,105 |
| Line repairs | 16,000 | 19,332 | (3,332) | - |
| Tire and tubes | - | - | - | 1,410 |
| Tools | 1,100 | 2,038 | (938) | 458 |
| Shop supplies | 11,000 | 13,442 | (2,442) | 7,915 |
| Tuition | 3,000 | 157 | 2,843 | 1,459 |
| Miscellaneous | 2,000 | 3,905 | (1,905) | 1,572 |
| Insurance | 29,106 | 28,727 | 379 | 26,460 |
| Total Collection System Expenditures | 666,512 | 669,277 | (2,765) | 634,836 |

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

Aspen Consolidated Sanitation District
Schedule of Treatment Plant Expenditures
Budget and Actual
For the Year Ended December 31, 2019
(With Comparative Totals for For the Year Ended 2018)

| | 2019 | | Final Budget Variance Positive (Negative) | 2018 |
|---|---------------------------------|------------------|---|------------------|
| | Original and Final Budget | Actual | | Actual |
| Salaries | 785,836 | 767,921 | 17,915 | 698,529 |
| Payroll taxes | 60,116 | 61,029 | (913) | 54,469 |
| Benefits | 252,040 | 241,528 | 10,512 | 217,431 |
| Office supplies | 5,500 | 3,428 | 2,072 | 2,244 |
| Chemicals | 77,250 | 104,859 | (27,609) | 51,830 |
| Lab supplies and tests | 30,900 | 35,842 | (4,942) | 33,087 |
| Janitorial supplies | 6,890 | 3,420 | 3,470 | 7,532 |
| Uniforms | 5,720 | 1,564 | 4,156 | 1,831 |
| Dump fees and trash | 30,900 | 53,941 | (23,041) | 39,752 |
| Oil and grease | 7,070 | 5,374 | 1,696 | 1,544 |
| Equipment parts | 32,320 | 32,807 | (487) | 28,399 |
| Electrical supplies | 50,000 | 31,331 | 18,669 | 10,878 |
| Tools | 1,500 | 136 | 1,364 | 216 |
| Communications | 2,000 | 878 | 1,122 | 2,536 |
| Utilities | 365,688 | 311,035 | 54,653 | 348,972 |
| Telephone | 7,500 | 8,619 | (1,119) | 8,441 |
| Other maintenance | 40,500 | 18,017 | 22,483 | 5,343 |
| Ground maintenance | 11,000 | 3,926 | 7,074 | 2,585 |
| Shop supplies | 2,000 | 3,133 | (1,133) | 1,792 |
| Tuition | 10,000 | 3,992 | 6,008 | 3,138 |
| Other expenses | 4,000 | 1,681 | 2,319 | 1,363 |
| Insurance | 33,957 | 28,727 | 5,230 | 31,008 |
| Permits | 30,000 | 21,559 | 8,441 | 28,625 |
| Total Treatment Plant Expenditures | 1,852,687 | 1,744,747 | 107,940 | 1,581,545 |

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