

**DANIELS SANITATION DISTRICT  
Lakewood, CO**

**FINANCIAL STATEMENTS  
December 31, 2019 and 2018**

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# Green & Associates LLC

Certified Public Accountants & Business Consultants

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Daniels Sanitation District  
Lakewood, CO

We have audited the accompanying financial statements of the business type activities of Daniels Sanitation District as of and for the year ended December 31, 2019 and 2018, which collectively comprise the District's basic financial statements 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 respective financial position of the business-type activities of the Daniels Sanitation District as of December 31, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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### **Other-Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Daniels Sanitation District's financial statements as a whole. The other supplemental information, Budgetary Comparison Schedule – Non-GAAP Basis, on page 17 is presented for purposes of additional analysis and is not a required part of the financial statements. The other supplemental information is the responsibility of management and was derived from and relate 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 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.

A handwritten signature in black ink that reads "Gurn & Associates LLP". The signature is written in a cursive, flowing style.

May 11, 2020  
Brighton, Colorado

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

Daniels Sanitation District  
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Lakewood, CO 80215  
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The Daniels Sanitation District's management discussion and analysis is intended to provide you, the reader and user of our financial statements, with (a) an understanding of the financial issues of the District: (b) an overview of the District's financial activities: (c) an explanation of the changes in the District's financial position: (d) an explanatory analysis of the variations of the annual, approved budget: and (e) an assessment of any future financial or operating issues of the District.

Because this discussion and analysis is intended to focus on the 2019 activities, resulting changes, and currently known facts and conditions, it should be read in conjunction with, and with reference to, the accompanying audited financial statements and related notes to the financial statements beginning on page 6.

**Overview of the Financial Statements of the District**

The audited financial statements of the District are:

Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, Notes to Financial Statements

These statements are on pages 6 through 16. These and the Other Supplementary Information, *Budgetary Comparison Schedule* on page 17 provide information about the District's financial position as of each December 31, its results of operations and the resulting cash flows for each year ended December 31, and information comparing actual revenues and expenditures with budgeted revenues and expenditures for the year. Except for the budgetary comparison schedule, these are presented with current year and prior year comparison.

The **Statement of Net Position** provides information about what is owned (assets) by the District, what is owed (liabilities) by the District, and what is the District's equity in its assets (Net Position). Over time, the comparison of changes in Net Position may provide a useful method of evaluating whether the financial position of the District is improving, deteriorating, or maintaining a status quo.

The **Statement of Revenues, Expenses, and Changes in Net Position** provides information about the components – Operating Revenues, Operating Expenses, Non-Operating Revenues and Expenses, and Capital Contributions – of the District's annual operating activities and how those activities affected Net Position.

The **Statement of Cash Flows** provides an analysis about the sources and uses of District cash during the year and how the operating, financing, and investment activities affected the District's cash balances.

The **Notes to Financial Statements** provide additional, required disclosures about the District, its accounting policies and practices, its financial position and operating activities, and other required information. The information included in these notes is essential to a full understanding of the information contained in the financial statements.

The **Budgetary Comparison Schedule** provides information comparing the budgeted revenue and expenditure activities with the actual revenue and expenditure activities. When applicable, there will be a comparison of the originally approved budget with the final amended budget.

**Condensed Comparative Financial Information:**

**Statement of Net Position**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current Assets			
Cash and cash equivalents	\$ 2,456,027	\$ 2,138,659	\$ 2,007,420
Other current assets	112,675	93,821	80,567
	<u>2,568,702</u>	<u>2,232,480</u>	<u>2,087,987</u>
Non Current Assets			
Capital assets – net	1,638,549	1,677,140	1,197,933
Total Assets	<u>4,207,251</u>	<u>3,909,620</u>	<u>3,285,920</u>
Current Liabilities	324,915	152,873	312,054
Total Liabilities	<u>324,915</u>	<u>152,873</u>	<u>312,054</u>
<b>Deferred Inflows of Resources</b>			
Deferred property taxes	34,348	32,787	33,064
Total Deferred Inflows of Resources	<u>34,348</u>	<u>32,787</u>	<u>33,064</u>
Net Position			
Net investment in capital assets	1,638,549	1,677,140	1,197,933
Restricted	1,027	1,027	1,231
Unrestricted	2,208,412	2,045,793	1,741,638
Total Net Position	<u>\$ 3,847,988</u>	<u>\$ 3,723,960</u>	<u>\$ 2,940,802</u>

**Statement of Revenues, Expenses, and Changes in Net Position**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating Revenues	\$ 1,073,693	\$ 1,171,087	\$ 869,795
Operating Expenses	1,234,177	1,319,764	954,722
Operating Income (Loss)	<u>(160,484)</u>	<u>(148,677)</u>	<u>(84,927)</u>
Non Operating Revenues (Expenses)	284,512	931,835	105,590
Change in Net Position	124,028	783,158	20,663
Net Position, Beginning of Year	3,723,960	2,940,802	2,920,139
Net Position, End of Year	<u>\$ 3,847,988</u>	<u>\$ 3,723,960</u>	<u>\$ 2,940,802</u>

**Statement of Cash Flows**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash from (for) Operating Activities	\$ 84,444	\$ (239,422)	\$ 155,681
Cash from Non Capital Financing Activities	239,816	346,050	86,877
Cash from (for) Capital and Related Financing Activities	(51,588)	(10,671)	(467,620)
Cash from (for) Investing Activities	44,696	35,282	123,287
Increase (Decrease) in cash and equivalents	317,368	131,239	(101,775)
Cash and Cash Equivalents, Beginning of Year	2,138,659	2,007,420	2,109,195
Cash and Cash Equivalents, End of Year	<u>\$ 2,456,027</u>	<u>\$ 2,138,659</u>	<u>\$ 2,007,420</u>

This foregoing information is a summary of the financial information contained in the District's financial statements. For more about the information contained in this condensed, comparative financial information, we recommend a close review of the accompanying audited financial statements beginning on page 6.

**Analysis of Financial Position and Operating Results:**

The total net position increased from \$3,723,960 in 2018 to \$3,847,988 in 2019, a difference of \$124,028. The District has a net asset emergency reserve established by the Board of Directors in the amount of \$1,027.

Operating revenues decreased by \$97,394 due to tap fees collected on behalf of other districts. The District's operating expenses decreased by \$85,587 in 2019 due to tap fees paid to other districts. As a result, the operating loss for the year \$160,484.

Cash and cash equivalents for 2019 increased by \$317,368. Cash and cash equivalents represent approximately 58% of the District's total assets. Net non- operating revenues were \$284,512 which is a decrease from the prior year.

The District Liabilities increased to \$324,915 for 2019. This change is attributable to an increase in accounts payable which is influenced by the timing of payments.

For more information about these changes in net position, the operating activities, and cash flows please review the accompanying audited financial statements beginning on page 7.

**Budgetary Discussion:**

Actual revenues were \$5,284 lower than the 2019 budget, primarily due to lower than anticipated connection charge revenue.

Actual expenditures were \$2,007,876 under budget primarily because contingency expenditures were not required for 2019 and lower connection charge revenue paid to other districts.

**Capital Asset Discussion:**

During 2019 the District had \$51,588 of capital expenditures. The district disposed of assets of \$13,735 during the year. The District depreciates its infrastructure assets. See Note 1 of Notes to Financial Statements-*Summary of Significant Accounting Policies-Capital Assets* on page 11 and Note 4 of Notes to Financial Statements-Capital Assets on page 15. The District has no capital asset activities programs in process.

**Long Term Debt:**

The District has no long-term debt.

**Other:**

There are no currently known facts, decisions, or conditions, which are expected to, or may likely, have a significant effect on the financial condition and results of operation in subsequent reporting periods.

## **Basic Financial Statements**

**Daniels Sanitation District  
Statement of Financial Position  
December 31, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,456,027	\$ 2,138,659
Prepaid expenses	13,492	13,345
Accounts receivable-service charges	34,940	28,691
Other receivables	29,895	18,998
Property taxes receivable	34,348	32,787
Total Current Assets	2,568,702	2,232,480
<b>Noncurrent Assets</b>		
Capital Assets		
Nondepreciable		
Land	12,973	12,973
Construction in progress	39,296	-
Depreciable		
Sewer lines, metering station and outfall	3,099,726	3,099,726
Building	84,910	84,910
Machinery and equipment	81,436	81,436
Office equipment	19,135	19,135
Vehicle	55,172	56,615
Total Capital Assets	3,392,648	3,354,795
Less: Accumulated depreciation	(1,754,099)	(1,677,655)
Net Capital Assets	1,638,549	1,677,140
Total Noncurrent Assets	1,638,549	1,677,140
Total Assets	4,207,251	3,909,620
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	305,535	137,277
Accrued expenses	19,380	15,596
Total Current Liabilities	324,915	152,873
<b>Deferred Inflows of Resources</b>		
Deferred property taxes	34,348	32,787
Total Deferred Inflows of Resources	34,348	32,787
<b>Net Position</b>		
Net Investment in capital assets	1,638,549	1,677,140
Restricted for emergencies	1,060	1,027
Unrestricted	2,208,379	2,045,793
Total Net Position	\$ 3,847,988	\$ 3,723,960

The accompanying notes are an integral part of these financial statements

**Daniels Sanitation District**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended December 31, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>Operating Revenues</b>		
Sewage treatment revenue	\$ 866,726	\$ 856,632
Metro connection fees	204,960	312,280
Other income	2,007	2,175
Total Operating Revenues	1,073,693	1,171,087
<b>Operating Expenses</b>		
Sewage treatment	565,461	546,832
Personnel expenses	246,741	230,221
Collection and transmission	276,516	385,159
General and administration	55,280	75,585
Depreciation expense	90,179	81,967
Total Operating Expenses	1,234,177	1,319,764
Operating Loss	(160,484)	(148,677)
<b>Nonoperating Revenues (Expenses)</b>		
Property taxes - operations	32,546	31,192
Specific ownership taxes	2,798	3,046
Investment income	44,696	35,282
Connection fees	204,960	312,280
County treasurer fees	(488)	(468)
Total Nonoperating Revenues (Expenses)	284,512	381,332
Income Before Capital Contributions	124,028	232,655
Capital Contributions	-	550,503
<b>Change in Net Position</b>	124,028	783,158
Net Position, beginning of year	3,723,960	2,940,802
Net Position, end of year	\$ 3,847,988	\$ 3,723,960

The accompanying notes are an integral part of these financial statements

**Daniels Sanitation District  
Statement of Cash Flows  
For the Year Ended December 31, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>Cash Flows From Operating Activities</b>		
Cash received from customers	\$ 1,056,547	\$ 1,158,404
Cash paid to suppliers	(795,665)	(1,223,454)
Cash paid to employees	(176,438)	(174,372)
Net cash provided (used) by operating activities	84,444	(239,422)
<b>Cash Flows From Non-Capital Financing Activities</b>		
Property and ownership taxes received	35,344	34,238
Fee paid to county treasurer	(488)	(468)
Cash received from connection charges	204,960	312,280
Net cash provided (used) by non-capital financing activities	239,816	346,050
<b>Cash Flows From Capital And Related Financing Activities</b>		
Acquisitions and construction of capital assets	(51,588)	(10,671)
Net cash provided (used) in capital and related financing activities	(51,588)	(10,671)
<b>Cash Flows From Investing Activities</b>		
Investment income received	44,696	35,282
Net cash provided (used) by investing activities	44,696	35,282
<b>Net increase (decrease) in cash and cash equivalents</b>	317,368	131,239
Cash and cash equivalents, beginning of year	2,138,659	2,007,420
Cash and cash equivalents, end of year	\$ 2,456,027	\$ 2,138,659
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>		
Operating Loss	\$ (160,484)	\$ (148,677)
Adjustments to reconcile operating loss to cash provided / (used) by operating activities		
Depreciation and amortization	90,179	81,967
Changes in assets and liabilities		
Accounts receivable	(6,249)	4,643
Prepaid expenses	(147)	(848)
Other receivables	(10,897)	(17,326)
Accounts payable	168,258	(166,481)
Other accrued liabilities	3,784	7,300
Net Cash Provided (Used) by Operating Activities	\$ 84,444	\$ (239,422)
Supplemental informationon, non-cash transactions		
Donated lines	\$ 550,503	\$ 550,503

The accompanying notes are an integral part of these financial statements

**Daniels Sanitation District  
Notes to Financial Statements  
December 31, 2019 and 2018**

**Note 1 Summary of Significant Accounting Policies**

Daniels Sanitation District (the District) is a quasi-municipal corporation, pursuant to the provisions of the Colorado Special District Act. The District was established to provide sanitation services to its service area located in Jefferson County, Colorado. The District operates under a Board of Directors form of government. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments. The significant accounting policies utilized are:

**Financial Reporting Entity**

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provides guidance for determining which governmental activities, organization and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency. The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

**Basis of Accounting**

Enterprise fund accounting is utilized by the District in accordance with accounting principles generally accepted in the United States of America.

Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recorded when incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital outlay are recognized as increases in capital assets. Retirement of bonds is recorded as a reduction of liabilities.

The District distinguishes *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sanitation sales and service. Operating expenses 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.

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

**Note 1 Summary of Significant Accounting Policies (Continued)**

**Basis of Accounting (continued)**

The District follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* as amended by Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* and Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These statements establish standards for external financial reporting for all state and local governmental entities which includes a management’s discussion and analysis section; a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. It requires the classification of net position into three components: net investment in capital assets; restricted; and unrestricted.

**Deferred Outflows / Inflows of Resources**

The District implemented the provisions of GASB No. 65 *Items Previously Reported as Assets and Liabilities* (GASB 65). As a result in addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources and deferred inflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period (deferred outflow) or the acquisition of net position that applies to future periods (deferred inflows).

**Budgets and Budgetary Accounting**

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Prior to October 15, the District manager submits the proposed budget to the District Board of Directors.
- Prior to its adoption, the budget is open for inspection by the public.
- After public inspection and consideration of any objections filed, the Board reviews the proposed budget and formally adopts it by resolution.
- At the time of the adoption of the budget, the Board passes an appropriating ordinance giving the District legal authority to spend.
- Prior to December 15, the Board adopts the mill levy.

Budgets are not prepared in accordance with accounting principles generally accepted in the United States of America because they include capital asset expenditures, but do not include depreciation, or accrued vacation and sick leave.

Budgets may be amended during the year by approval of the Board of Directors. Any amendments to the budget are incorporated into the budget in these financial statements. Appropriations lapse at the end of the budget year. The budget was not amended in 2019.

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

**Note 1 Summary of Significant Accounting Policies (Continued)**

**Property Taxes**

Property taxes attach an enforceable lien on property as of January 1<sup>st</sup>. Taxes are levied on January 1<sup>st</sup> and are payable either in one installment on or before April 30<sup>th</sup>, or in two installments due on or before February 28<sup>th</sup> and June 15<sup>th</sup> of each year. The collections and assessments are done by Jefferson County and are remitted to the District monthly. District property taxes which are due to be paid in the next period, and representing an enforceable lien at January 1<sup>st</sup> of the next year, have been recorded as a receivable and a deferred revenue.

**Allowance of Doubtful Accounts**

No allowance is made for bad debts in the accompanying financial statements as substantially all revenues of the district originate from charges to the owners of the District, and the District has the ability to place liens on the property.

**Assets and Liabilities**

Investments – investments are recorded at fair value, which approximates cost.

Receivables – all receivables are reported at their book value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital assets - are recorded at cost except for those assets which have been contributed, which are stated at estimated fair market value at the date of contribution or at developer's cost. The capitalization threshold for fixed assets is \$2,000. Depreciation is computed using the straight-line method over the asset's estimated economic useful life. The estimated useful lives are as follows:

Sewer Lines	30 years
Machinery and equipment	5-10 years
Office furniture and equipment	5-10 years
Office building	30 years
Trucks	10 years

Accrued vacation and sick pay – The District's personnel policy states that employees may earn a total of twenty vacation days per year depending on length of service. Employees may carry over a maximum of 160 hours of vacation annually except under special circumstances which must be approved by the District Manager. The District accrues a liability for compensated absences, which meets the following criteria:

- The District's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
- The obligation relates to rights that vested or accumulate.
- Payment of the compensation is probable, and the amount can be reasonably estimated.

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

**Note 1 Summary of Significant Accounting Policies (Continued)**

In accordance with the above criteria the District has accrued a liability for vacation pay that has been earned but not used by District employees.

**Net Position**

Equity is classified as net position and displayed in three components:

- a. Net Investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The District utilizes restricted net position before utilizing unrestricted net position when an expense is incurred for both purposes.
- c. Unrestricted net position – all other net position that do not meet the definition of “restricted” or “net investment in capital assets.” These net position are available for future operations or distributions.

The District has established an emergency reserve of \$1,060 and \$1,027 as of December 31, 2019 and 2018, respectively, to comply with Article X, Section 20 of the Colorado Constitution which is recorded as restricted net position.

**Cash Equivalents**

For purposes of the statement of cash flows, and the financial statements in general, cash equivalents are defined as investments (including restricted assets) with maturity of three months or less at date of acquisition. The District considers certificates of deposit with maturities of more than three months at date of purchase as investments.

**Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note 2 Cash and Investments**

**Cash Deposits**

As of December 31, 2019, and 2018, the District’s cash deposits had a carrying balance of \$422,945 and \$325,140 and a corresponding bank balance of \$441,725 and \$333,642 of which \$250,000 and \$250,000 was insured by the Federal Deposit Insurance Corporation.

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

**Note 2 Cash and Investments (Continued)**

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. The eligible collateral is specified under the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The Colorado Divisions of Banking 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 had \$191,725 and \$83,642 collateralized under PDPA at December 31, 2019.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2019, and 2018, none of the District's bank deposits were exposed to custodial credit risk.

**Investments**

Colorado statutes specify in which investment instruments the units of local government may invest:

- Obligations of the United States and certain United States government agency securities, and the World Bank.
- Certain international agency securities.
- General obligation and revenue bonds of United States local government 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 contracts.

The District invests in Colorado Government Liquid Asset Trust Plus (Colotrust Plus) and the Colorado Surplus Asset Fund Trust (CSAFE), both established for Colorado local governments surplus fund pooling. Both pools are regulated by the Colorado Securities Commissioner. Pool investments consist of U.S. Treasury bills, notes and note strips, commercial paper allowed by state statute and repurchase agreements collateralized by U.S. Treasury securities and or instrumentalities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Securities owned by the pools are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the specific pool. ColoTrust Plus and C-SAFE are 2a7-like investment pools and are both rated by

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

**Note 2 Cash and Investments (Continued)**

Standard and Poor's, and Moody's with current ratings of AAA and Aaa. Colotrust is valued at net asset value and CSAFE is valued at amortized cost. There are no limitations on withdrawals. The redemption frequency is daily and there is no redemption notice period for ColoTrust or CSAFE. At December 31, 2019 and 2018, the District had \$1,105,365 and \$906,233 invested in COLOTRUST, and \$927,616 and \$907,125 invested in CSAFE, respectively.

The District has not adopted a formal investment policy.

A summary of cash and investments at December 31, 2019, is as follows:

	<u>2019</u>	<u>2018</u>
Cash on hand	\$ 101	\$ 161
Cash deposits	422,945	325,140
CSAFE	927,616	907,125
COLOTRUST	<u>1,105,365</u>	<u>906,233</u>
Total cash and cash equivalents	<u>\$ 2,456,027</u>	<u>\$ 2,138,659</u>

**Note 3 Accounts Receivable**

Accounts receivable balance at December 31, 2019 and 2018, respectively, were comprised of the following:

	<u>2019</u>	<u>2018</u>
Fees for services	\$ 34,940	\$ 28,691
Cash at county treasurer	242	200
Other	29,653	18,798
Less: Allowance for doubtful accounts	-	-
Net Accounts Receivable	<u>\$ 64,835</u>	<u>\$ 47,689</u>
Accounts receivable	34,940	28,691
Other receivables	<u>29,895</u>	<u>18,998</u>
Total per financial statements	<u>\$ 64,835</u>	<u>\$ 47,689</u>

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

**Note 4 Capital Assets**

A summary of changes to capital assets for 2019 is as follows:

	Balance at 12/31/2018	Additions	Deletions	Balance at 12/31/2019
<b>Nondepreciable</b>				
Land	\$ 12,973	\$ -	\$ -	\$ 12,973
Construction in progress	-	39,296	-	39,296
Total Nondepreciable	<u>12,973</u>	<u>39,296</u>	<u>-</u>	<u>52,269</u>
<b>Depreciable</b>				
Sewer lines and metering station	3,099,726	-	-	3,099,726
Buildings	84,910	-	-	84,910
Machinery and equipment	81,436	-	-	81,436
Office equipment	19,135	-	-	19,135
Vehicles	56,615	12,292	(13,735)	55,172
Total Depreciable	<u>3,341,822</u>	<u>12,292</u>	<u>(13,735)</u>	<u>3,340,379</u>
TOTAL	<u>3,354,795</u>	<u>51,588</u>	<u>(13,735)</u>	<u>3,392,648</u>
<b>Less Accumulated Depreciation</b>				
Sewer lines and metering station	(1,484,733)	(77,379)	-	(1,562,112)
Buildings	(74,244)	(2,389)	-	(76,633)
Machinery and equipment	(66,769)	(4,192)	-	(70,961)
Office equipment	(16,710)	(1,364)	-	(18,074)
Vehicles	(35,199)	(4,855)	13,735	(26,319)
Total Accumulated Depreciation	<u>(1,677,655)</u>	<u>(90,179)</u>	<u>13,735</u>	<u>(1,754,099)</u>
Net Capital Assets	<u>\$ 1,677,140</u>	<u>\$ (38,591)</u>	<u>\$ -</u>	<u>\$ 1,638,549</u>

A summary of changes to capital assets for 2018 is as follows:

	Balance at 12/31/2017	Additions	Deletions	Balance at 12/31/2018
<b>Nondepreciable</b>				
Land	\$ 12,973	\$ -	\$ -	\$ 12,973
Total Nondepreciable	<u>12,973</u>	<u>-</u>	<u>-</u>	<u>12,973</u>
<b>Depreciable</b>				
Sewer lines and metering station	2,549,223	550,503	-	3,099,726
Buildings	81,649	3,261	-	84,910
Machinery and equipment	74,026	7,410	-	81,436
Office equipment	19,135	-	-	19,135
Vehicles	56,615	-	-	56,615
Total Depreciable	<u>2,780,648</u>	<u>561,174</u>	<u>-</u>	<u>3,341,822</u>
TOTAL	<u>2,793,621</u>	<u>561,174</u>	<u>-</u>	<u>3,354,795</u>
<b>Less Accumulated Depreciation</b>				
Sewer lines and metering station	(1,415,776)	(68,957)	-	(1,484,733)
Buildings	(71,855)	(2,389)	-	(74,244)
Machinery and equipment	(62,403)	(4,366)	-	(66,769)
Office equipment	(15,020)	(1,690)	-	(16,710)
Vehicles	(30,634)	(4,565)	-	(35,199)
Total Accumulated Depreciation	<u>(1,595,688)</u>	<u>(81,967)</u>	<u>-</u>	<u>(1,677,655)</u>
Net Capital Assets	<u>\$ 1,197,933</u>	<u>\$ 479,207</u>	<u>\$ -</u>	<u>\$ 1,677,140</u>

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

**Note 5 Retirement Plan**

The District is a member of the Colorado County Officials and Employee Retirement Association (CCOERA), a multi-employer defined contribution retirement plan. The benefit terms are authorized by the Board of Directors. The plan provides that the District match the mandatory eight percent contributions made by each eligible employee. An employee becomes eligible after completion of one year of service with 40 hours per week, or five months a year. Upon termination of employment, the employee is eligible to withdraw the vested account balance. Employee contributions are immediately vested. Employer contributions vest each plan month at the rate which equals the product of 1/12 multiplied by 20%. The District made contributions during 2019, 2018 and 2017 of \$11,780, \$9,670, and \$8,315, respectively.

**Note 6 Tax, Spending, and Debt Limitation**

Article X, Section 20 of the Colorado Constitution, The Taxpayer's Bill of Rights (TABOR), contains several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR. The District has created a Water and Wastewater statutory enterprise operation in compliance with Colorado law, which exempts certain business-like operations from Article X, Section 20 of the Colorado Constitution.

**Note 7 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 disaster. The District is a participant in the Colorado Special District Association Property and Liability Pool. The Pool was formed by an agreement by member special districts of the Special District Association as a separate and independent governmental and legal entity pursuant to the provisions of Article XIV, Section 18(2) of the Colorado Constitution and Sections 29-1-201 et. seq., 8-44-101(1)(c) and (3), 8-44-204, 24-10-115.5, and 29-13-102, C.R.S., as amended. Membership is restricted to Colorado special districts which are members of the Special District Association.

The purpose of the Pool is to provide defined property, liability, workers' compensation and associated coverage's, and claims and risk management services related thereto, for member special districts through a self-insurance pool. The Pool has contracted with other third parties to operate, administer and manage the Pool. In the event aggregated losses incurred by the Pool exceed amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, additional contributions may be required from the Pool members. The District's claims have not exceeded its commercial liability coverage in any of the last three years.

**Note 8 Reclassifications**

Certain items have been reclassified from the previous year to conform with the presentation of the current years financial statements.

## **Other Supplementary Information**

**Daniels Sanitation District**  
**Budgetary vs. Actual Comparison - Non GAAP Basis**  
**For the Year Ended December 31, 2019**

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Service charges	\$ 815,000	\$ 860,049	\$ 45,049
Transfer fees	2,500	-	(2,500)
Connection fees			
Metro	236,320	204,960	(31,360)
Daniels	236,320	204,960	(31,360)
Inspection fees	500	2,007	1,507
Property taxes	32,787	32,546	(241)
Specific ownership taxes	3,500	2,798	(702)
Interest	30,000	44,696	14,696
Late charges	7,000	6,677	(323)
Contributed lines	50	-	(50)
<b>Total Revenues</b>	<u>1,363,977</u>	<u>1,358,693</u>	<u>(5,284)</u>
<b>Expenses</b>			
Personnel expenses	221,500	246,741	(25,241)
Sewage fees paid to Lakewood	625,000	563,949	61,051
Pleasant view service charge	1,500	1,512	(12)
Other collection and transmission expenses	114,699	71,556	43,143
Other general and administrative	54,250	55,280	(1,030)
Connection fees - Metro	236,320	204,960	31,360
County treasurer fees	492	488	4
Capital outlay	603,000	51,588	551,412
Contingency	1,347,189	-	1,347,189
<b>Total Expenses</b>	<u>3,203,950</u>	<u>1,196,074</u>	<u>2,007,876</u>
<b>Revenues over (under) Expenditures</b>	<u>\$ (1,839,973)</u>	<u>\$ 162,619</u>	<u>\$ 2,002,592</u>
<b>Reconciliation to Net Income</b>			
Add Capital Outlay		51,588	
Less Depreciation Expense		(90,179)	
<b>Net Income</b>		<u>\$ 124,028</u>	

See the Independent Auditor's Report