

GOLDSMITH GULCH SANITATION DISTRICT
Arapahoe County, Colorado

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2019 AND 2018

**GOLDSMITH GULCH SANITATION DISTRICT
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Independent Auditor's Report

Board of Directors
Goldsmith Gulch Sanitation District
Arapahoe County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Goldsmith Gulch Sanitation District (District) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Goldsmith Gulch Sanitation District, as of December 31, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
September 23, 2020

BASIC FINANCIAL STATEMENTS

**GOLDSMITH GULCH SANITATION DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2019 AND 2018**

	2019	2018
ASSETS		
Cash and Investments	\$ 4,092,360	\$ 4,232,552
Cash and Investments - Restricted	10,900	9,900
Accounts Receivable	6,791	7,739
Accounts Receivable - Castlewood	157,738	151,409
Accounts Receivable - Delinquent Sewer Fees	1,880	-
Receivable - County Treasurer	2,207	2,247
Prepaid Expenses	17,732	17,499
Property Tax Receivable	351,831	335,069
Total Current Assets	4,641,439	4,756,415
CAPITAL ASSETS, NET	3,272,426	3,253,581
Total Assets	7,913,865	8,009,996
LIABILITIES		
Accounts Payable	78,773	260,446
Retainage Payable	-	10,353
Deposit - Imprest Eddie V	1,748	-
Deposits - Customers	9,912	9,912
Unearned Income	8,178	7,717
Total Liabilities	98,611	288,428
DEFERRED INFLOWS OF RESOURCES		
Deferred Property Tax Revenue	351,831	335,069
Total Deferred Inflows of Resources	351,831	335,069
NET POSITION		
Investment in Capital Assets	3,272,426	3,253,581
Restricted	10,900	9,900
Unrestricted	4,180,097	4,123,018
Total Net Position	\$ 7,463,423	\$ 7,386,499

See accompanying Notes to Basic Financial Statements.

**GOLDSMITH GULCH SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
SEWER OPERATIONS		
Sewer Service Fees	\$ 559,958	\$ 554,290
Castlewood Connection Fees	20,639	20,012
Direct Sewer Expenses	(721,891)	(757,530)
Depreciation	(90,853)	(88,199)
Gross Income (Loss) from Sewer Operations	(232,147)	(271,427)
GENERAL AND ADMINISTRATIVE EXPENSES	(157,578)	(150,958)
NET OPERATING LOSS	(389,725)	(422,385)
NONOPERATING REVENUES		
Property Taxes	333,959	304,591
Specific Ownership Taxes	26,269	22,609
Net Investment Income	76,154	57,983
Reimbursed Expenditures	6,329	10,159
Miscellaneous Income	2,350	11,706
Total Nonoperating Revenues	445,061	407,048
NONOPERATING EXPENSES		
County Treasurer's Fees	(5,012)	(4,567)
Total Nonoperating Expenses	(5,012)	(4,567)
INCOME (LOSS) BEFORE CONTRIBUTIONS	50,324	(19,904)
CAPITAL CONTRIBUTIONS		
Tap Fees - Sewer	26,600	-
Total Capital Contributions	26,600	-
CHANGE IN NET POSITION	76,924	(19,904)
Total Net Position - Beginning of Year (Restated)	7,386,499	7,406,403
TOTAL NET POSITION - END OF YEAR	\$ 7,463,423	\$ 7,386,499

See accompanying Notes to Basic Financial Statements.

**GOLDSMITH GULCH SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 580,126	\$ 572,756
Payments to Suppliers	(877,995)	(909,722)
Net Cash Used by Operating Activities	(297,869)	(336,966)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property Tax Collections for Operations	333,999	304,518
Specific Ownership Taxes	26,269	22,609
County Treasurer's Fees	(5,012)	(4,567)
Miscellaneous Income	2,350	11,706
Net Cash Provided by Noncapital Financing Activities	357,606	334,266
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Tap Fee Receipts	26,600	-
Acquisition of Capital Assets	(301,683)	(104,737)
Net Cash Used by Capital and Related Financing Activities	(275,083)	(104,737)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments (Purchased) Matured	663,097	(974)
Interest Received	76,154	57,983
Net Cash Provided by Investing Activities	739,251	57,009
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	523,905	(50,428)
Cash and Cash Equivalents - Beginning of Year	3,579,355	3,629,783
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,103,260	\$ 3,579,355
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (389,725)	\$ (422,385)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation	90,853	88,199
(Increase) Decrease in		
Accounts Receivable	(932)	264,329
Prepaid Expense	(233)	(16,789)
Increase (Decrease) in		
Accounts Payable	(41)	15,555
Imprest Account	1,748	-
Unearned Income	461	(265,875)
Net Cash Used by Operating Activities	\$ (297,869)	\$ (336,966)

See accompanying Notes to Basic Financial Statements.

**GOLDSMITH GULCH SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 DEFINITION OF REPORTING ENTITY

Goldsmith Gulch Sanitation District (the District), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized by order and decree of the District Court of Arapahoe County, and is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in Arapahoe County, Colorado. The District was established to provide sanitation services. The District contracts with the Metro Wastewater Reclamation District for sanitary treatment services.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reports of the District. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District has no employees and all operations and administrative functions are contracted.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

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

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

Basis of Accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and loans is recorded as a reduction in liabilities.

**GOLDSMITH GULCH SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses

The District distinguishes between operating revenues and expenses and nonoperating items in the statements of revenues, expenses, and changes in net position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing sanitation services to its customers. Operating revenues consist of charges to customers for service provided. Operating expenses include the cost of service, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. For financial statement purposes, the District is reported as a single Enterprise Fund. For budgetary purposes, the District separately budgets for a General Fund and an Enterprise Fund.

Pooled Cash and Investments

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

Cash Equivalents

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

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable. The property tax revenues are recorded as revenue in the year they are available or collected.

**GOLDSMITH GULCH SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets reported by the District include collection systems, and buildings and equipment. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Sewer System	20-50 Years
Buildings and Equipment	50 Years

Tap Fees and Contributed Lines

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

Comparative Data

Comparative total data for the prior year has been prescribed in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations.

Deferred Inflows of Resources

In addition to liabilities, the statements of net position 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 and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**GOLDSMITH GULCH SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2019 and 2018 are classified in the accompanying financial statements as follows:

	2019	2018
Statement of Net Position:		
Cash and Investments	\$ 4,092,360	\$ 4,232,552
Cash and Investments - Restricted	10,900	9,900
Total Cash and Investments	\$ 4,103,260	\$ 4,242,452
Statement of Cash Flows:		
Cash and Cash Equivalents	\$ 4,103,260	\$ 3,579,355
Investments	-	663,097
Total Cash and Investments	\$ 4,103,260	\$ 4,242,452

Cash and investments as of December 31, 2019 and 2018 consist of the following:

	2019	2018
Cash and Deposits with Financial Institutions	\$ 510,716	\$ 1,724,547
Investments	3,592,544	2,517,905
Total Cash and Investments	\$ 4,103,260	\$ 4,242,452

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

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

At December 31, 2019 and 2018, the District's cash deposits had a bank balance of \$510,757 and \$1,733,896, respectively, and a carrying balance of \$510,716 and \$1,724,547, respectively.

Investments

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

**GOLDSMITH GULCH SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

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

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

Fair Value Measurement and Application

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series), money market funds (generally held by bank trust departments in their role as paying agent or trustee), CSAFE (recorded at amortized cost), and COLOTRUST (recorded at net asset value).

The District had investments in the Federal Home Loan Bank, an external federal agency that records its investments at fair value and measures fair value using Level 2 inputs.

As of December 31, 2019 and 2018 the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>2019</u>	<u>2018</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted Average under 60 Days	\$ 3,592,544	\$ 2,067,905
Federal Home Loan Bank (FHLB)	May 25, 2021	-	450,000
Total		<u>\$ 3,592,544</u>	<u>\$ 2,517,905</u>

**GOLDSMITH GULCH SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

COLOTRUST

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

U.S. Government Agency Securities

Federal Home Loan Banks (FHLB) – FHLB is a government-sponsored enterprise (GSE) that provides stable, low-cost funding to U.S. financial institutions for home mortgage, small business, rural, and economic development lending. FHLB is the largest collective source of home mortgage and community credit in the U.S. There are twelve banks in the FHLB system, and the FHLB provide loans only to other banks. FHLB is rated AAA by Moody's and AA+ by S&P.

**GOLDSMITH GULCH SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the years ended December 31, 2019 and 2018 follows:

	2019			Balance at December 31, 2019
	Balance at December 31, 2018	Additions	Deletions	
Capital Assets, Being Depreciated:				
Sewer System	\$ 4,825,121	\$ -	\$ -	\$ 4,825,121
Buildings and Equipment	508,366	109,698	-	618,064
Total Capital Assets, Being Depreciated	5,333,487	109,698	-	5,443,185
Less Accumulated Depreciation for:				
Sewer System	(1,936,668)	(80,573)	-	(2,017,241)
Buildings and Equipment	(143,238)	(10,280)	-	(153,518)
Total Accumulated Depreciation	(2,079,906)	(90,853)	-	(2,170,759)
Total Capital Assets, Being Depreciated, Net	3,253,581	18,845	-	3,272,426
Capital Assets, Net	<u>\$ 3,253,581</u>	<u>\$ 18,845</u>	<u>\$ -</u>	<u>\$ 3,272,426</u>
	2018			Balance at December 31, 2018
	Balance at December 31, 2017	Additions	Deletions	
Capital Assets, Being Depreciated:				
Sewer System	\$ 4,597,826	\$ 227,295	\$ -	\$ 4,825,121
Buildings and Equipment	489,330	19,036	-	508,366
Total Capital Assets, Being Depreciated	5,087,156	246,331	-	5,333,487
Less Accumulated Depreciation for:				
Sewer System	(1,857,152)	(79,516)	-	(1,936,668)
Buildings and Equipment	(134,555)	(8,683)	-	(143,238)
Total Accumulated Depreciation	(1,991,707)	(88,199)	-	(2,079,906)
Total Capital Assets, Being Depreciated, Net	3,095,449	158,132	-	3,253,581
Capital Assets, Net	<u>\$ 3,095,449</u>	<u>\$ 158,132</u>	<u>\$ -</u>	<u>\$ 3,253,581</u>

Depreciation expense for the years ended December 31, 2019 and 2018 was charged to sewer operations in the amounts of \$90,853 and \$88,199, respectively.

**GOLDSMITH GULCH SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 5 AGREEMENTS

Sewage Treatment Contract

The District is a “special connector” by agreement with Metro Wastewater Reclamation District (Metro), which provides the treatment of sewage collected within the District. The standard service agreement with Metro provides for annual charges to be assessed by formula against the District on an estimated basis. Corrections to the estimated charge for metered flows and actual costs are billed and payable or credited during the two succeeding years. Metro assesses tap fees against the District for connections to the system. The composition of the charges for 2019 and 2018 are as follows:

	2019	2018
Estimate for Current Year	\$ 485,466	\$ 492,213
Adjustment of Second Preceding Year Estimate to Actual Final	(16,424)	(28,252)
Preliminary Adjustment of Preceding Year Estimate	(14,080)	(30,853)
Total Annual Charges	\$ 454,962	\$ 433,108

The 2020 sewer treatment estimate is \$523,938. The total annual charge is expected to be \$579,912, which includes an unfavorable 2018 final adjustment of \$27,549 and an unfavorable 2019 preliminary adjustment of \$28,425

Sanitary Sewage Interconnection Agreement

On December 19, 2011, the District entered into an agreement with Castlewood Water and Sanitation District (Castlewood) to service a select area within Castlewood. The service area includes 81 single family residences (the Properties). Castlewood will connect its wastewater collection system into the District’s wastewater system in order to serve the Properties. Castlewood will pay all costs associated with the connection of the wastewater systems.

Service at the connection will commence no earlier than January 1, 2012. Fees for the services provided by the District will consist of: 1) an annual service fee of \$144 per SFE for 81 SFEs (Service Fee) or the amount regularly charged to District residents for the year in question, plus an annual surcharge on each service fee of \$5 per SFE (Surcharge) to compensate the District for the increased electrical costs associated with providing service to the Properties (which may be modified by the District every three years to accommodate for increases or decreases in the cost of electricity), 2) an annual amount equal to the District’s most recently certified property tax mill levy multiplied by the aggregate assessed value of the Properties, and 3) a processing fee of \$100 per invoice.

The District is responsible for routine maintenance of that portion of the District’s wastewater collection system utilized by Castlewood, per the agreement. Any and all costs incurred by the District that are not deemed routine, as defined by the agreement, shall be shared proportionately between the District and Castlewood.

On July 12, 2013, the first amendment to the agreement for sanitary sewage interconnection was approved. The first amendment removes all references to Lift Station No. 1 and obligation of Castlewood to contribute costs thereof.

**GOLDSMITH GULCH SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 6 NET POSITION

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

Investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2019 and 2018, the District had investment in capital assets of \$3,272,426 and \$3,253,581, respectively.

Restricted assets include net position that is restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District's restricted net position as of December 31, 2019 and 2018 was \$10,900 and \$9,900, respectively.

The District's unrestricted net position as of December 31, 2019 and 2018 is \$4,022,359 and \$3,971,609, respectively.

NOTE 7 RISK MANAGEMENT

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

The District is a member of the Colorado Special Districts Property and Liability Pool (the Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for workers' compensation, liability, property, and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 8 TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the state of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes a significant portion of its operations qualifies for this exclusion.

**GOLDSMITH GULCH SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 8 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

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

NOTE 9 RESTATEMENT

A retroactive adjustment of \$159,996 was applied to the December 31, 2018 net position and funds available balances. The restatements are to record unbilled reimbursable expenditures revenue related to the sanitary sewer interconnection agreement with Castlewood.

The effect of the restatement is as follows:

Net Position - December 31, 2018 ,as Originally Stated	\$ 7,235,090
Net Effect of Restated Account Receivable - Castlewood	151,409
Net Position - December 31, 2018, as Restated	<u>\$ 7,386,499</u>
Funds Available - December 31, 2018, as Originally Stated	3,981,509
Net Effect of Restated Revenue	151,409
Funds Available - December 31, 2018, as Restated	<u>\$ 4,132,918</u>

NOTE 10 SEWER BILLINGS

Subsequent to year end, the District discovered that some customer accounts may have been billed incorrectly. The District is currently reviewing the sewer billings to determine what impact the potential errors may have, if any.

SUPPLEMENTARY INFORMATION

**GOLDSMITH GULCH SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2019**

	Original and Final Budget	Actual	Variance- Positive (Negative)
SEWER OPERATING INCOME			
Sewer Service Fees	\$ 633,600	\$ 559,958	\$ (73,642)
Sewer Tap Fees	-	26,600	26,600
Castlewood Connection Fees	23,000	20,639	(2,361)
Total Sewer Operating Income	<u>656,600</u>	<u>607,197</u>	<u>(49,403)</u>
SEWER OPERATING EXPENDITURES			
Direct Sewer Expenditures	740,762	721,891	18,871
Total Sewer Operating Expenditures	<u>740,762</u>	<u>721,891</u>	<u>18,871</u>
GROSS PROFIT (LOSS) FROM SEWER OPERATIONS	(84,162)	(114,694)	(30,532)
GENERAL AND ADMINISTRATIVE EXPENDITURES	<u>267,212</u>	<u>157,578</u>	<u>109,634</u>
OPERATING INCOME (LOSS)	(351,374)	(272,272)	79,102
NONOPERATING REVENUES			
Property Taxes	335,069	333,959	(1,110)
Specific Ownership Taxes	20,104	26,269	6,165
Net Investment Income	37,000	76,154	39,154
Reimbursed Expenditures	-	6,329	6,329
Miscellaneous	12,500	2,350	(10,150)
Total Nonoperating Revenues	<u>404,673</u>	<u>445,061</u>	<u>40,388</u>
NONOPERATING EXPENDITURES			
County Treasurer's Fees	5,026	5,012	14
Total Nonoperating Expenditures	<u>5,026</u>	<u>5,012</u>	<u>14</u>
CAPITAL OUTLAY			
Capital Outlay	<u>1,285,000</u>	<u>109,698</u>	<u>1,175,302</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(1,236,727)	58,079	1,294,806
Funds Available - Beginning of Year (Restated)	<u>3,718,162</u>	<u>4,132,918</u>	<u>414,756</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 2,481,435</u>	<u>\$ 4,190,997</u>	<u>\$ 1,709,562</u>

**GOLDSMITH GULCH SANITATION DISTRICT
RECONCILIATION OF BUDGETARY BASIS (ACTUAL)
TO STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2019**

	Actual
Funds Available are Defined as Follows:	
Current Assets	\$ 4,641,439
Less Current Liabilities	(98,611)
Less Deferred Inflows of Resources	(351,831)
Funds Available	\$ 4,190,997

Reconciliation of Budgetary Basis (Actual) to Statement of Revenues, Expenses and Changes in Net Position:	
Revenues (Budgetary Basis)	\$ 1,052,258
Total Revenues per Statement of Revenues, Expenses and Changes in Net Position	1,052,258
Expenditures (Budgetary Basis)	994,179
Depreciation	90,853
Capital Outlay	(109,698)
Total Expenses per Statement of Revenues, Expenses and Changes in Net Position	975,334
Change in Net Position per Statement of Revenues, Expenses and Changes in Net Position	\$ 76,924

**GOLDSMITH GULCH SANITATION DISTRICT
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
DIRECT SEWER EXPENSES		
Sewer Treatment	\$ 454,962	\$ 433,108
Billing Expense	14,861	14,735
Maintenance and Engineering	247,458	302,957
Utilities	4,610	6,730
Total Direct Sewer Expenses	\$ 721,891	\$ 757,530
 GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting	\$ 30,000	\$ 28,800
Audit	4,600	4,500
Directors' Fees	5,200	5,000
District Management Fees	58,696	59,657
Election Expense	-	1,097
Insurance	17,499	17,166
Interest on Tax Abatements	-	230
Legal	27,815	25,111
Payroll Tax	398	383
SDA	2,712	2,230
Miscellaneous	10,658	6,778
Collection Fee	-	6
Total General and Administrative Expenses	\$ 157,578	\$ 150,958

OTHER INFORMATION

**GOLDSMITH GULCH SANITATION DISTRICT
 FIVE YEAR SUMMARY OF ASSESSED VALUATION,
 MILL LEVY, AND PROPERTY TAXES COLLECTED
 DECEMBER 31, 2019**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied	Total Property Taxes		Percent Collected to Levied
			Levied	Collected	
2015	\$ 176,655,077	1.501	\$ 265,160	\$ 264,250	99.70 %
2016	216,812,312	1.286	278,820	276,529	99.20
2017	208,925,540	1.506	314,642	314,655	100.00
2018	246,527,555	1.262	311,117	304,591	97.90
2019	245,832,517	1.363	335,069	333,959	99.70
Estimated for calendar year ending December 31, 2020	\$ 270,223,611	1.302	\$ 351,831	N/A	

Note:

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