

WEST GLENWOOD SPRINGS SANITATION DISTRICT

Financial Statements
And
Independent Auditor's Report
For the Year Ended December 31, 2019

WEST GLENWOOD SPRINGS SANITATION DISTRICT

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MANAGEMENT'S DISCUSSION AND ANALYSIS WEST GLENWOOD SPRINGS SANITATION DISTRICT FISCAL YEAR 2019

The management of West Glenwood Springs Sanitation District (the District) offers the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2019.

Financial Highlights

- The District has 226.3850 Standby and 1425.3571 EQR's at the end of 2019.
- Service fees are \$100 per quarter per EQR.
- Total revenue decreased \$392,622 from the prior year.
- Operating expense increased \$96,881 from the prior year.
- General and Administrative expense increased \$8,594 from the prior year.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements, presented on pages 6-9 are comprised of Financial Statements and pages 10-17, Notes to Financial Statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

The financial statements of the District are presented as a special purpose government engaged only in business type activities – providing sewer utility service to District residents.

The Statement of Net Position presents information on all the District's assets and liabilities, with the difference being reported in Net Position. Changes in the Net Position may be used to indicate whether the financial position of the District is improving or deteriorating.

The Statement of Revenue, Expenses, and Changes in Net Position present information that reflects how the District's Net Position changed during the past year. All changes in the Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Consequently, revenue and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

The Statement of Cash Flows reports the District's cash flows from operating, capital, and related financing activities, and investing activities.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages 9-17 of this report.

The Supplemental Information contained in this report on page 18, provides a schedule of revenues, expenses, and a comparison of budget and actual information showing the variance between the two.

Statement of Net Position

Some notable changes on the Statement of Net Position include Cash on hand and in banks increased from fiscal year ending 2018 by \$383,475, receivables increased by \$104,440, and net Capital Assets decreased by \$191,952, and accounts payable/other accrued liabilities increased by \$76,879.

	2019	2018
Current Assets:		
Cash & cash equivalents	\$2,696,586	\$ 2,313,111
Accounts receivable	118,912	14,472
Property taxes receivable	41,448	39,343
Prepaid expenses	1,963	22,567
Total Current Assets	2,858,909	2,389,493
Noncurrent Assets	4,091,025	4,167,904
Total Assets	6,949,934	6,557,397
Current Liabilities:		
Accounts payable	5,851	-
Other accrued expenses	29,146	22,141
Prepaid service fees	33,620	53,068
Total Current Liabilities	68,617	75,209
Deferred inflow of resources	41,448	39,343
Net Position:		
Invested in Capital Assets	4,091,025	4,167,904
Labor Restriction	21,983	36,604
Unrestricted	2,726,861	2,238,337
Net Position	\$6,839,869	\$ 6,442,845

Review of Revenue

	2019	2018
Operating Revenue		
Sanitation Service Fees	\$ 601,369	\$ 595,408
Taxes	43,018	43,146
Total operating Revenue	644,387	638,554
Non-Operating Revenue		
Investment Income	57,323	28,499
Miscellaneous Income	446,730	394,669
Contributed Capital		
Plant Investment Fees	144,000	623,340
Total Revenue	\$1,292,440	\$1,685,062

Interest was up in 2019 partially because of increase cash but also the District invested more fund in ColoTrust which is paying a higher rate than the local banks. The largest increase in revenue was from Septage revenue of \$57,192. Plant investment fees were \$479,340 lower than last year, due a slowdown in building within the District.

Review of Expenses
Review of Expenses

Expenses	2019	2018
Operating Expense	\$ 578,460	\$ 481,579
General & Administrative	121,559	112,965
Depreciation	195,397	201,180
Total Expense	<u>\$ 895,416</u>	<u>\$ 795,724</u>

Operating Expenses from 2018 to 2019 increased by \$96,881. This was mainly due to increases in wages, repairs and maintenance, and sludge hauling. General and Administrative Expenses increased by \$8,594. This was mainly due to an increase in legal fees and insurance.

Budgetary Highlights

The District prepares its budget using the accrual basis of accounting by fund to differentiate between general operating activities and the bond expansion activities. State statutes require this budgetary accounting.

Actual revenue of the District was more than the budgeted revenue as a result of an increase in lab fees and other revenue.

Actual expenditures of the District were less than the budgeted expenses due to efficiencies in operations.

Capital Assets Activity

The activity related to capital assets during 2019 is as follows:

	Balance January 1, 2019	Transfers Additions	Transfers Deletions	Balance December 31, 2019
Plant	\$5,187,350	\$ -	\$ -	\$5,187,350
System Lines	909,322	27,390	8,601	928,111
Land application Storage	2,878	10,095	-	12,973
Equipment	373,454	83,588	3,173	453,869
Total	6,473,004	121,073	11,774	6,582,303
Less Accum. Deprec.	(2,498,026)	(195,397)	9,219	(2,684,204)
Net Depreciable Assets	3,974,978	(74,324)	20,993	3,898,099
Land	189,926	-	-	189,926
Construction in Process	3,000	-	-	3,000
Net	<u>\$4,167,904</u>	<u>\$ (74,324)</u>	<u>\$ 20,993</u>	<u>\$4,091,025</u>

The 2019 activity relating to capital assets reflects new equipment and the replacement and upgrade to system lines.

Economic Factors and Next Year's Budgets and Rates

The District expects to increase its current customer base due to the anticipated new users with 100+ additional taps (EQR). The new users, mainly Six Canyon Apartments, started using service as of January 2020.

The real estate market is picking up. Several customers have approached the District about adding ADUs to their property. An Urban Renewal Authority (URA) is currently being discussed for the Glenwood Springs Mall. The URA would potentially bring in new development to the Mall area. The District continues to review its commercial users to verify that they have the correct EQR values.

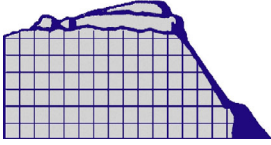
The District plans to continue decreasing its plant expenses by land applying its sludge instead of dumping it in the City landfill. The District plans to continue increasing revenues by accepting septage.

In the Fall of 2019, the District constructed a storage facility at its land application site. This facility will allow the District to store processed sludge during the winter months when land applying is infeasible. Additionally, it will reduce winter trips to the City landfill.

With the installation of the new belt press in late 2017, the District has been able to reduce sludge-processing costs by eliminating certain chemicals.

Request for Information

This report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to West Glenwood Springs Sanitation District, c/o Kelly Mullane, District Administrator, (970) 618-5147, wgssanitation@gmail.com, 51 Riverine Road, Glenwood Springs, Colorado, 81601.



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
West Glenwood Springs Sanitation District
Glenwood Springs, Colorado

I have audited the accompanying financial statements of the business-type activities of West Glenwood Springs Sanitation District as of and for the year ended December 31, 2019, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the West Glenwood Springs Sanitation District, as of December 31, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 1-4 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the West Glenwood Springs Sanitation District's financial statements taken as a whole. The budgetary comparison information on page 18 is the responsibility of management, was derived from, and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Paul D. Miller, CPA, LLC

Grand Junction, CO
February 14, 2020

WEST GLENWOOD SPRINGS SANITATION DISTRICT
Statement of Net Position
December 31, 2019

ASSETS

Current Assets

Cash on hand and in banks	\$ 2,696,586	
Cash with County	245	
Accounts receivable	118,667	
Property taxes receivable	41,448	
Prepaid expense	<u>1,965</u>	
Total Current Assets		\$ 2,858,911

Noncurrent Assets

Capital assets	<u>4,091,023</u>	
Total Noncurrent Assets		<u>4,091,023</u>
Total Assets		<u><u>6,949,934</u></u>

LIABILITIES AND NET POSITION

Current Liabilities

Accounts payable	5,851	
Other accrued liabilities	29,146	
Prepaid fees	<u>33,620</u>	
Total Current Liabilities		68,617

Total Liabilities

68,617

Deferred Inflow of Resources

Property taxes		<u>41,448</u>
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Net Position

Invested in capital assets, net of related debt		4,091,023
Restricted for TABOR Emergency		21,983
Unrestricted		<u>2,726,863</u>
Total Net Position		<u><u>\$ 6,839,869</u></u>

The notes to the financial statement are an integral part of this statement.

WEST GLENWOOD SPRINGS SANITATION DISTRICT
Statement of Revenue , Expenses and Changes in Net Position
For the year ended December 31, 2019

Revenues	
Sanitation service charges	\$ 601,369
General property taxes	40,189
Specific ownership tax	2,829
Total Revenues	644,387
Expenses	
General and Administrative	121,559
Depreciation	195,397
Operating Expenses	578,460
Total Expenses	895,416
Income (Loss) From Operations	(251,029)
Other Income (Expense)	
Interest income	57,323
Grant income	449
Septage income	274,502
Miscellaneous income	95,154
Lab income	76,625
Total Other Income (Expense)	504,053
Net Income (Loss) Before Contributions	253,024
Plant Investment Fees	144,000
Total Net Position, Beginning	6,442,845
Total Net Position, Ending	\$ 6,839,869

The notes to these financial statements are an integral part of this statement.

WEST GLENWOOD SPRINGS SANITATION DISTRICT

Statement of Cash Flows

For the year ended December 31, 2019

Increase (Decrease) in Cash and Cash Equivalents

Cash flows from operating activities:

Cash received from customers	\$ 895,813
Property taxes	42,790
Cash payments to ,or on behalf of employees	(332,065)
Cash payments to suppliers	(750,046)
Net cash provided by operating activities	<u>(143,508)</u>

Cash Flows From Non-Capital Financing Activities:

Lab fees	76,625
Other non-operating revenue	370,108
Net Cash Flows From Non-Capital Financing Activities	<u>446,733</u>

Cash Flows From Capital and Related Financing Activities

Acquisition of capital assets	(121,073)
Plant investment fees collected	144,000
Net cash provided (used) by Capital and Related Financing Activities	<u>22,927</u>

Cash flows from investing activities:

Interest income	57,323
Net cash provided (used) by investing activities	<u>57,323</u>

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

383,475

Cash and cash equivalents, beginning of year

2,313,111

Cash and cash equivalents, end of year

\$ 2,696,586

Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities

Net Income (Loss)	<u>\$ (251,029)</u>
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Adjustment to reconcile operating income (loss) to net cash provided
by operating activities:

Depreciation	195,397
Loss on disposal of Fixed Assets	2,557
Change in assets and liabilities	
(Increase) decrease in accounts receivable	(104,214)
(Increase) decrease in receivable from County treasurer	(228)
(Increase) decrease in prepaid expense	20,602
Increase (decrease) in accounts payable	5,851
Increase (decrease) in accrued expenses	7,004
Increase (decrease) in prepaid fees	(19,448)

Total Adjustments	<u>107,521</u>
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Net cash Provided (Used) by operating activities	<u>\$ (143,508)</u>
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The notes to these financial statements are an integral part of this statement.

WEST GLENWOOD SPRINGS SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

Note A – Financial Reporting Entity

The West Glenwood Sanitation District (the District) was organized pursuant to provisions set forth the Colorado Special District Act. The governing body of the district consists of a five member Board of Directors which is elected by the registered voters within the District. The purpose of the District is to provide wastewater treatment services to the West Glenwood area. The Board is responsible for setting policy, appointing administrative personnel and adopting an annual budget in accordance with state statutes.

The Governmental Accounting Standards Board (GASB) has specified the criteria to be used in defining a governmental entity for financial reporting purposes. 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 governing body and is either able to impose its will on that organization or there is potential for the organization provide specific financial benefits to, or impose specific financial burden on, the district. Consideration is also given to other organizations that 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 include in the reporting entity.

Based on the criteria discussed above, the District's financial statements do not included any component units, nor do they exclude any potential component units requiring inclusion in the District's reporting entity, nor is the District a component unit of any other government. The District's financial statements include the accounts of all Districts operations.

Note B – Summary of Significant Accounting Policies

1. Basis of Presentation – Fund Accounting

The operations of the District are accounted for as an enterprise fund. Enterprise funds are used to account for operations (a) that 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 or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body had 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 purpose.

2. Basis of Accounting

The District uses the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred. Operating revenues (usually received within 60 days after end of year) and expenses generally result from providing services in connection with the District's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

WEST GLENWOOD SPRINGS SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

Note B – Summary of Significant Accounting Policies -continued

2. Basis of Accounting – continued

The District has adopted the provisions of Statement No. 34 of the Governmental Accounting Standards Board *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This statement established standards for external financial reporting for all state and local governmental entities, which includes a statement of Net Position, a statement of activities and changes in Net Position, and a statement of cash flows.

It requires the classification of Net Position into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt – This 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 the assets.

Restricted – This consists of constraints placed on net asset use through external restrictions imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – Consists of Net Position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

3. Capital Assets

Capital assets, which include property, plant, and equipment recorded by the District are at cost or, if cost is not available, estimated fair market value at the time of capitalization. The District uses the straight-line method of depreciation over the estimated useful life of the asset. The District has set \$1500 as a capitalization policy.

Plant and system lines	25-50	years
Equipment	5-7	years

Repairs and maintenance costs that neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Gains or losses on disposition of property and equipment are included in non-operating income.

4. Budgetary Basis of Accounting

The annual budget is prepared and approved by the Board of Directors in accordance with the State of Colorado Financial Management Manual. The budget is submitted to Garfield County and the District adopts an appropriation resolution for the next fiscal year before December 31. The Board of Directors may amend the appropriation resolution at any time during the year if warranted by circumstances.

The budget basis of accounting differs from the generally accepted accounting principles (GAAP) basis in that contributed capital (plant investment fees) is included as revenue, outlays for debt retirement and acquisition of fixed assets are included as expenses.

WEST GLENWOOD SPRINGS SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

Note B – Summary of Significant Accounting Policies –Continued

5. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

6. Compensated Absences

The District allows employees to carryover accrued Personal Time off (PTO) over from year to year up to a maximum of 240 hours. Employees will be, upon termination of employment paid their unused PTO. The accrual for the year 2019 is \$16,242.

7. Revenue Recognition

The District distinguishes operating revenue and expenses from non-operating items. Operating revenue and expense result from providing services in connection with the ongoing operations of the District. All revenue and expense not meeting this definition are reported as non-operating revenue and expense.

8. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. To cover these losses the District is insured through the Colorado Special Districts Property and Liability Pool. This "Pool" is made up of Special Districts within the State of Colorado. The coverage, management feels is adequate to cover the needs of the District. The District also maintains its workers compensation insurance through the Colorado Special District Property and Liability Pool.

9. Customer Accounts Receivable

The District considers customers accounts receivable to be fully collectible. The District is empowered to place a lien on real property in the case of nonpayment. Accordingly, no allowance for doubtful accounts is required. Of the amount shown on the Statement of Net Position, \$118,667, 91.07% of the total is from two customers.

10. Cash and Cash Equivalents

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

11. Subsequent Events

Management has reviewed subsequent events through the date of the audit report.

WEST GLENWOOD SPRINGS SANITATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended December 31, 2019

Note B – Summary of Significant Accounting Policies –Continued

12. Accrued Liabilities and Long-term Obligations

In general, payables and accrued liabilities are paid in a timely manner and in full from current financial resources and are reported as current obligations for the fund. Long-term bond obligations are accrued as a long-term liability on the financial statements.

13. Restricted Assets/Reservation of Net Position

Assets are reported as restricted when limitation on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Reservations of net position arise from certain Board designations of net position, as well as the aforementioned constraints. It is the District's policy to use restricted funds first, for expenditures which both restricted and unrestricted funds are available.

Note C - Deposits and Investments

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 is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

The District also has invested \$2,643,114 in the Colorado Government Liquid Asset Trust Plus (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool Surplus funds. COLOTRUST is valued using the net asset value per share (or its equivalent) of the investment, which approximates fair value. COLOTRUST investments do not have any unfunded commitments, redemption restrictions or redemptions notice periods.

COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. COLOTRUST PRIME and COLOTRUST PLUS+ are rated AAAm by Standard & Poor's. Both portfolios may invest in U>S> Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and repurchase agreements collateralized by certain obligations of U.S. government agencies. The State Securities Commissioner administers and enforces all state statutes governing COLOTRUST. COLOTRUST financial statements may be obtained at www.colotrust.com.

Cash and investments carrying amount value is as follows:

Uninsured:	
Cash on hand	\$ <u>100</u>
Insured:	
Cash in checking	<u>53,372</u>
Investments	
COLOTRUST Operating	2,339,676
COLOTRUST (Capital)	<u>303,438</u>
Total Investments	<u>2,643,114</u>
Cash and Cash	
Equivalents	<u>\$ 2,696,586</u>

WEST GLENWOOD SPRINGS SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

Note C - Deposits and Investments-continued

It is the policy of the District to invest public funds in a manner, which will provide the highest investment return with the maximum security, meet the daily cash flow demands of the District, and conform to all federal, state, and local statutes governing the investment of public funds. This policy applies to the investment of all financial assets of all funds of the District over which it exercises financial control. Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest, which include:

Obligations of the United States and certain U.S. government agency securities, including securities issued by FNMA (Federal National Mortgage Association), GNMA (Government National Mortgage Association), FHLMC (Federal Home Loan Mortgage Corporation), the Federal Farm Credit Bank, the Federal Land Bank, the Export-Import Bank, and by the Tennessee Valley Authority, and certain international agency securities, including the World Bank.

. General obligation and revenue bonds of U.S. local government entities, the District of Columbia, the territorial possessions of the U.S. rated in the highest two rating categories by two or more of the nationally recognized rating agencies.

. Bankers' acceptances of certain banks

. Certain securities lending agreements

. Commercial paper

. Written repurchase agreements collateralized by certain authorized securities.

. Certain money market funds

. Guaranteed investment contracts

. Local government investment pools

. The investing local government's own securities including certificates of participation and lease obligations.

Risk Disclosures

Additional investment and deposit disclosures for credit risk, interest rate risk, and foreign currency risk, as required by GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, Are included in the notes below.

The concentration of credit risk, or risk of loss attributed to the magnitude of a government's investment in a single issuer, occurs when deposits are not diversified.

WEST GLENWOOD SPRINGS SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

Note C - Deposits and Investments-continued

The District's policy places no limit on the amount the District may invest in any one issuer; however, the district maintains general guidelines for investments to ensure proper diversification by security type and institution.

All investments are issued or explicitly guaranteed by securities of the U.S. government or insured by the Public Depository Protection Act and therefore are not subject to concentration of credit risk

Interest rate risk is the extent to which changes in interest rates will adversely affect the fair value of an investment. The District maintains an investment policy that limits investment maturities to three years as a means of managing its exposure to fair value losses arising from increasing interest rates and to avoid undue concentration in any sector of the yield curve. Exceptions to this structure may be allowed where maturities can be structured to accommodate readily identifiable cash flows as approved by the Board. As of December 31, 2019, the District had no investments that were subject to interest rate risk as described above.

The District was not subject to foreign currency risk at December 31, 2019.

Fair Value

The County categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value.

Level 1: Quoted prices (unadjusted) in active markets for an identical asset or liability that a government can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3: Unobservable inputs for an asset or liability.

WEST GLENWOOD SPRINGS SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

Note D – Capital Assets

Below are the changes in the Capital assets during 2019.

	Balance January 1, 2019	Transfers Additions	Transfers Deletions	Balance December 31, 2019
Plant	\$ 5,187,350	\$ -	\$ 3,710	\$ 5,183,640
System Lines	909,322	27,390	8,601	928,111
Land Application Storage	2,878	10,095	-	12,973
Equipment	373,454	83,588	56,272	400,770
Total	6,473,004	121,073	68,583	6,525,494
Less Accumulated				
Depreciation	(2,498,026)	(195,397)	66,026	(2,627,397)
Net depreciable assets	3,974,978	(74,324)	2,557	3,898,097
Land	189,926	-	-	189,926
Right-of-way	3,000	-	-	3,000
Net	<u>\$ 4,167,904</u>	<u>\$ (74,324)</u>	<u>\$ 2,557</u>	<u>\$ 4,091,023</u>

Note E – Capital Contributions

Capital Contributions consisted of the following for 2019:

Tap fees	<u>\$ 144,000</u>
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Note F – Retirement Plan

The District maintains a tax sheltered annuity program (TSA) for its full-time employees. The plan allows the employee to contribute a percent of their wages. The District will match the employees' contribution up to a maximum of 7.65%. The amounts contributed to the TSA Plan meets the Internal Revenue Service limitation. The contribution made by the District to the plan for 2019 was \$20,684 on covered wages of \$270,378.

Note G - Tax, Spending, and Debt Limitations

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations that apply to the State of Colorado and all local governments.

The initial base for local government spending and revenue limits is 1992 Fiscal Year Spending. Future 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 1% of Fiscal Year Spending (excluding bonded debt service) in 1993, 2% in 1994 and 3% thereafter. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

WEST GLENWOOD SPRINGS SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

Note G - Tax, Spending, and Debt Limitations-continued

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing a tax rate, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

Except for bond refinancing at lower interest rates or adding employees to existing pension plans, TABOR specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or without irrevocably pledging present cash reserves for all future payments.

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 will require judicial interpretation. Accordingly, the possibility exists that the District's interpretation of certain TABOR provisions may subsequently be determined to be incorrect. The ultimate outcome of these matters cannot presently be determined and no provision for any liability for a refund of revenue has been made in the financial statements.

Note H – Intergovernmental Agreement

Beginning in 2016 West Glenwood Springs Sanitation District entered into an agreement whereby they would share the cost of the District administrative services with another sanitation district. The agreement calls for West Glenwood Springs Sanitation District to receive a reimbursement of 1/3 of the salary and benefit package of the District Administrator of West Glenwood Springs Sanitation District. For 2019 that amounted to \$30,732.

SUPPLEMENTARY INFORMATION

WEST GLENWOOD SPRINGS SANITATION DISTRICT
Schedule of Revenue and Expenses - Budget and Actual (Non-GAAP Budgetary Basis)
For the year ended December 31, 2019

	Actual	Original/Final Budget	Variance Favorable (Unfavorable)
	\$ -	\$ -	\$ -
Fund Balance Carried-forward	-	-	-
Revenues			
Sanitation service charges	601,369	620,700	(19,331)
Plant investment fees	144,000	24,000	120,000
Interest income	57,323	34,100	23,223
Miscellaneous income	95,154	108,000	(12,846)
Grant income	449	-	449
Septage income	274,502	185,000	89,502
Lab fee income	76,625	62,000	14,625
General property taxes	40,189	40,146	43
Specific ownership tax	2,829	3,000	(171)
Total Revenues	1,292,440	1,076,946	215,494
Expenses			
General and Administrative			
Advertising	22	50	28
Auto expense	4,177	6,000	1,823
Director's fees	5,300	7,000	1,700
Dues and subscriptions	2,577	2,750	173
Employee benefits	47,636	45,000	(2,636)
Office expense	5,463	8,650	3,187
Insurance	18,635	26,500	7,865
Legal and accounting	29,014	28,900	(114)
Payroll taxes	5,013	6,900	1,887
Telephone	2,916	2,800	(116)
Bad debts	-	-	-
Treasurer's fees	806	803	(3)
Total General and Administrative	121,559	135,353	13,794
Operating Expenses			
Wages	277,711	290,000	12,289
Utilities	83,293	93,415	10,122
Engineering	15,507	20,000	4,493
Equipment rental	-	250	250
Permits	3,024	1,750	(1,274)
Land application	9,000	8,000	(1,000)
Repairs and maintenance	113,725	118,000	4,275
Seminars	1,746	3,000	1,254
Sludge handling	39,415	37,000	(2,415)
Supplies	12,987	6,000	(6,987)
Lab fees	22,052	19,000	(3,052)
Total Operating Expenses	578,460	596,415	17,955
Total Expenses	700,019	731,768	31,749
Capital Outlays	121,073	345,000	223,927
	121,073	345,000	223,927
REVENUE OVER (UNDER) EXPENSES	471,348	\$ 178	\$ 471,170
Adjustments to budgetary basis:			
Add:			
Capital outlay (capitalized)	121,073		
Less:			
Depreciation	(195,397)		
Plant investment fees	(144,000)		
Net income before Contributions	\$ 253,024		